



# Money

# Matter\$

# Answers

*career***tech**

**RCCTA** Resource Center for  
CareerTech Advancement

## Money Matters

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# Money Matters

## Answers

### Earning and Managing an Income

Answers will vary but should reflect students' values.

### Understanding Taxes

1. Remember that pay every two weeks needs to be multiplied by 26 to get the yearly amount.

	Brandon's Payroll Deductions	
	Per Paycheck	Per Year
Federal income tax (15%)	\$144.23	\$3749.98
Social Security tax (6.2%)	\$59.61	\$1549.86
Medicare tax (1.45%)	\$13.94	\$362.44
State income tax (5%)	\$48.08	\$1250.08
Other deductions	\$150.00	\$3900.00

Brandon's net pay every two weeks is \$545.65 and for the year is \$14186.90.

- 2.

Annelise's Payroll Deductions	
Federal income tax (10%)	\$728.00
Social Security tax (6.2%)	\$451.36
Medicare tax (1.45%)	\$105.56
State income tax (3%)	\$218.40
Other deductions	0

Annelise's net income last year was \$5776.68 and \$222.18 every two weeks.

3. The Fuller's annual gross income is \$63,999.94

Payroll Deductions Per Pay Period	Jerome	Annette
Federal income tax (25%)	\$522.25	\$910.50
Social Security tax (6.2%)	\$129.52	\$225.80
Medicare tax (1.45%)	\$30.29	\$52.81
State income tax (5%)	\$104.45	\$167.10
Other deductions	\$200.00	\$475.00
Net Pay	\$986.51	\$1489.25

Jerome:  $\$986.51 \times 26 = \$25,649.26$ ; Annette:  $\$17,871.00$

$\$25,649.26 + \$17,871.99 = \$42,520.26$  annual net income

The Fuller's monthly net income is  $\$3,626.84$

## Banks and Other Financial Institutions

How much would you have if you invested \$1500 for five years at 2.5% interest, compounded yearly?

Beginning Balance	New Deposit	Interest Earned	Total
\$1500		\$ 37.50	\$1537.50
\$1537.50	\$1500	\$ 75.94	\$3113.44
\$3113.44	\$1500	\$115.34	\$4728.78
\$4728.78	\$1500	\$155.72	\$6384.50
\$6384.50	\$1500	\$197.11	\$8081.61

What if you deposited \$1000 with an interest rate of 3% and left it alone for ten years (interest compounded yearly)?

Year	Beginning Balance	Interest Earned	Total
1	\$1000.00	\$ 30.00	\$1030.00
2	\$1030.00	\$ 30.90	\$1060.90
3	\$1060.90	\$ 31.83	\$1092.73
4	\$1092.73	\$ 32.79	\$1125.52
5	\$1125.52	\$ 33.77	\$1159.29

## Managing Financial Accounts

Student Name 2011 School Zone Street Anytown, USA 54321	<u>5234</u>
DATE <u>1/2/2017</u>	
PAY TO THE ORDER OF <u>Oklahoma Tax Commission</u>	\$ <span style="border: 1px solid black; padding: 2px;">87.49</span>
<u>Eighty seven dollars and forty nine cents</u> DOLLARS	
MEMO <u>car tag</u>	<u>Janice Student</u>
	

Student Name 2011 School Zone Street Anytown, USA 54321	<u>5235</u>
DATE <u>1/2/2017</u>	
PAY TO THE ORDER OF <u>Student Store</u>	\$ <span style="border: 1px solid black; padding: 2px;">29.63</span>
<u>Twenty nine dollars and sixty three cents</u> DOLLARS	
MEMO <u>sweatshirt</u>	<u>Janice Student</u>
	

Number	Date	Description	Withdrawal amount		Deposit amount		Balance	
							181	73
---	12 - 27	Deposit			137	92	319	65
5234	1-2	Okla Tax Commission - car tag	87	49			232	16
5235	1-2	Student Store - sweatshirt	29	63			202	53
---	1-3	Withdrawal	30	00			172	53

## Saving and Investing

Answers will vary but should reflect proper addition and correct stock information.

## Retirement

Jacqui needs about \$4585 per month (80% of her current salary). With \$1300 in Social Security benefits a month, she needs approx. \$3285 a month from other sources. Her personal investments can provide about \$10,000 a year for \$25 years or \$833.00/month. Her employer-provided account will provide her \$1200/month and she has a tax-deferred annuity that will pay her \$500 a month or 25 years. She is over \$750/month short. She can put more money into her personal investments so that she doubles what she has in there now. She will need to save an additional \$300/month

for the remaining seven years, work longer than seven years, or get a part-time job so she doesn't have to take as much from her savings/investment and can take more out when she quits working.

Sam will need about \$36,000/year or \$3,000/month to cover the 80%. His pension and Social Security will be about \$3100/month, so he should be fine – especially with his \$185,000 in investments.

They need about \$140,000/year or \$11,667 per month for their 80%. \$1.2 million divided by 25 year is \$48000 or \$4000/month. With Social Security of \$2500/month, they only have \$6500 a month of the \$11,667 they will need. With their house payment gone, they will have an additional \$1400/month. They will need to have \$3767 more per month. This means they will need to have \$316,428 more when they retire. They could save and invest a lot more, have one or both retire later, or work after retirement.

## Borrowing Money

### Annual interest cost for each car from the bank and loan total:

Car 1 yearly interest \$861.31; Total interest 48 months \$3445.24; 60 mo. \$4306.55;  
Loan total 48 mo. \$22210.24                      60 mo. \$23071.55

Car 2 yearly interest \$802.84; Total interest 48 months \$3211.36; 60 mo. \$4014.20;  
Loan total 48 mo. \$20702.36                      60 mo. \$21505.20

Car 3 yearly interest \$814.91; Total interest 48 months \$3259.64; 60 mo. \$4074.55;  
Loan total 48 mo. \$24145.64                      60 mo. \$24969.55

### Annual interest cost for each car from the credit union and loan total:

Car 1 yearly interest \$844.43; Total interest 48 months \$3445.24; 60 mo. \$4306.55;  
Loan total 48 mo. \$22210.24                      60 mo. \$23071.55

Car 2 yearly interest \$802.84; Total interest 48 months \$3211.36; 60 mo. \$4014.20;  
Loan total 48 mo. \$20702.36                      60 mo. \$21505.20

Car 3 yearly interest \$814.91; Total interest 48 months \$3259.64; 60 mo. \$4074.55;  
Loan total 48 mo. \$24145.64                      60 mo. \$24969.55

### Monthly payment and total cost of each car from the bank

Car 1 payments/month/48 months \$462.71 Car 1 payments/month/60 months \$384.53

Car 2 payments/month/48 months \$431.30 Car 2 payments/month/60 months \$358.42

Car 3 payments/month/48 months \$503.22 Car 3 payments/month/60 months \$416.16

### Monthly payment and total cost of each car from the credit union

Car 1 payments/month/48 months \$461.31 Car 1 payments/month/60 months \$383.12

Car 2 payments/month/48 months \$429.99 Car 2 payments/month/60 months \$357.11

Car 3 payments/month/48 months \$501.31 Car 3 payments/month/60 months \$414.24

### The Cost of Driving

Answers will vary based on the current price of gas and miles driven.

### Credit Cards and Shopping Online

1. Nikki would take 16 months and pay a total of \$304.65
2. Nikki would take 18 months and pay \$340.55
- 3.

	Amount charged	Balance	Payment	Finance charge	Balance
January	\$296.94	\$296.94	\$148.47	\$2.21	\$150.68
February	\$310.52	\$461.20	\$230.60	\$3.44	\$234.04
March	\$321.70	\$555.74	\$277.87	\$4.14	\$282.01
April	\$267.58	\$549.59	\$274.80	\$4.09	\$278.89
May	\$405.12	\$684.00	\$342.00	\$5.10	\$347.11
June	\$372.70	\$719.80	\$359.90	\$5.38	\$365.27
July	\$292.60	\$657.86	\$328.93	\$4.90	\$333.83
August	\$187.16	\$520.99	\$260.50	\$3.89	\$264.39
September	\$354.22	\$618.59	\$309.30	\$4.61	\$313.92
October	\$410.52	724.42	\$362.21	\$5.40	\$367.62
November	\$323.89	\$691.50	\$345.75	\$5.15	\$350.91
December	\$501.25	\$852.16	\$426.08	\$6.35	\$432.43

## Consumer Fraud and Identity Theft

1. Not everyone is what they say. A legitimate planner won't mind showing you proof. Always verify credentials. Many organization share websites that allow you to do so.
2. Advisors can make mistakes or fraudulently fill in blanks without your knowledge. Always ask for copies of final, submitted copies to check the information.
3. Investments should be regulated or supervised by third parties with risks fully disclosed. Get it in writing who is supervising the investment.
4. You should receive regular statements from independent third-party sources. You should reconcile these with anything you receiver from advisor.
5. Never make personal loans to advisors. Get a legal contract.
6. Don't make important decisions right after a personal loss. Always get a second opinion.

7. Make sure you hear both pros and cons of the investment; also ask for a description of the investment in writing. Ask for references.
8. An advisor invites clients to a free dinner and seminar. The resulting sense of social obligation created an implied pressure to sign up for the advisor's "limited time only" investment.

## Acquiring a Home

### Apartment 1

1 BR (bedroom) includes electricity only (electric/gas apt.) for \$595 a month. First half month free.

Monthly rent: \$595	Annual rent: \$6842.50
Monthly utilities: \$50	Annual utilities: \$600
Monthly total: \$645	Annual total: \$7442.50

### Apartment 2

Studio apartment all-electric, but no utilities paid for \$450 a month.

Monthly rent:\$450	Annual rent: \$5400
Monthly utilities:\$140	Annual utilities: \$1680
Monthly total: \$590	Annual total: \$7090

### Apartment 3

Small 1 BR (all electric), all utilities paid for \$625 a month. First month free.

Monthly rent: \$645	Annual rent: \$6875
Monthly utilities: \$0	Annual utilities: \$0
Monthly total: \$ 625	Annual total: \$6875

### Apartment 4

Extra large 1 BR, (electric/gas apt) only water paid for \$525 a month, but is across town. Emma estimates commuting costs to be \$25 a month.

Monthly rent: \$525	Annual rent: \$6300
Monthly utilities: \$120	Annual utilities: \$1440
Commuting cost: \$25	Commuting cost: \$300
Monthly total: \$670	Annual total: \$8040

**Apartment 3 is the least expensive and all bills are paid so she wouldn't have to worry about high heating and cooling costs.**

### Mortgage activity

1. Jerry could afford a \$174,000 home. Loan amount would be \$156,600. Monthly payments would be \$1,149.44.



2. The loan amount would be \$159,200 (after the \$39,800 down payment). Monthly payments would be \$904.26. Yes, this would be a good. The couple's monthly mortgage would be only be 13.3% on their monthly gross income.
3. 9-1/2% interest
4. \$300,000 home with \$1,800 monthly payments.

## Managing Risk

1. Maya needs renter's insurance to protect her property from theft or damage, such as fire or flooding.
2. Since this is a new car, Luis should probably have full coverage for its replacement value. He can save some money with higher deductibles.
3. You should never drop a homeowner's insurance policy. If the home burned, he would have nothing.
4. If your sister is financially responsible for others, such as children, she might want to consider life insurance; otherwise her chances for disability are higher at her age than death and she should go with disability.
5. \$16,000
6. Kyle is responsible; if he has renter's insurance, this is probably covered
7. It's tempting when you're young and healthy not to have health insurance, but Kaley has the same chance of being involved in an accident that might require medical care. She should have health insurance.

## Gambling

Answers will vary.

## Credit Woes

Calculating Debt Payment-to-Income Ratio (DPR) problems

1. 34%
2. 19%
3. 25%
4. 21%
5. 13%
6. 31%
7. 22%; students should not be factoring in house payment
8. 35%
9. 34%
10. 42%

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