Life Skills: Financial Literacy Skills

Aligns to Oklahoma’s Passport to Financial Literacy Standards

Student Edition
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To manage money with sense, you need to learn to apply basic money management skills. These skills include finding a career that can support the lifestyle you choose and making wise decisions about how you spend and save.
Unit 1

SPECIFIC OBJECTIVES

1. Identify trends in career opportunities.
2. List sources for career information.
3. Research careers of interest. (Assignment Sheet 1)
4. State guidelines for pricing a job offer.
5. Identify ways to earn and save money.
6. Distinguish between fixed and variable expenses.
7. List the basic steps in a financial plan.
8. Summarize three methods of managing personal finances.
10. Develop a budget. (Assignment Sheet 2)
11. Analyze budgeting case studies. (Assignment Sheet 3)
12. Apply money management principles. (Assignment Sheet 4)
13. Calculate and compare unit prices of consumable items. (Assignment Sheet 5)
14. List items deducted by law from a paycheck.
15. List items deducted by request from a paycheck.
16. List benefits often reflected in a paycheck.
17. Explain how games of chance work.
18. Compare the costs and benefits of gambling.
19. Identify types of charitable giving.
20. Discuss the impact of charitable giving.
21. Research a charitable organization. (Assignment Sheet 6)
OBJECTIVE 1

Identify trends in career opportunities.

The following list represents projections from the Bureau of Labor Statistics. The fastest-growing occupations may not provide the largest number of jobs. Compare job growth in terms of percent change and numerical change. A larger occupation with slower growth may create more job openings than a smaller occupation with faster growth.

- The labor force will grow more slowly.
- The labor force will become more diverse.
  - Women’s share of the labor force will slowly increase.
  - The number of men in the labor force will grow at a slower rate than in the past.

NOTE: This will happen for many reasons. One cause will be declining employment in well-paid production jobs in manufacturing. Another cause will be the continued shift in demand for workers away from producing goods and toward producing services.

- The labor force will become older.
- Service-producing industries will have the highest employment growth.
  - Construction employment will grow more slowly than during the previous 10-year period.
  - Employment growth in agriculture services and forestry will be higher than in crops, livestock, and livestock-related products.
Replacement needs will account for three-fifths of the projected job openings.

**NOTE:** Extra job openings result when workers who leave the occupation must be replaced. For example, some workers leave because they are promoted, change careers, go back to school, stay home to care for relatives, retire, or other reasons. Occupations that combine low pay and low training requirements with a high proportion of young and part-time workers have greater replacement needs.

Service and professional specialty occupations will provide about 2 of every 5 job openings.

- Computer-related occupations and teachers will account for 15 percent of all new jobs.
- Replacement needs will create job openings in agriculture, forestry, fishing, and related occupations.
- Office automation will affect many administrative and clerical support occupations. These occupations will increase more slowly than average; some will decline.
- Precision production, craft, and repair occupations and operators, fabricators, and laborers will grow slower than average. This is due to advances in technology, changes in production methods, and an overall decline in manufacturing jobs.

The fastest-growing occupations reflect growth in computer technology and health care services.

- Computer engineers and systems analysts jobs will grow rapidly. This is due to the needs of scientific research and the applications of computer technology.
Many factors will contribute to the growth in health care services. These factors include: an aging population requiring more services, increased use of innovative medical technology for diagnosis and treatment, and shorter hospital stays to manage costs.

Job growth varies widely by education and training requirements. However, education is essential in getting a high-paying job.

**OBJECTIVE 2**

**List sources for career information.**

- Career consultants
- Counselors
  
  **NOTE:** You can find counselors in many places. For example, look in school guidance offices, in school career planning and placement offices, in community organizations, in private counseling agencies and private practices, and in state employment service offices.
- Educational institutions
- Employers
- Internet networks and resources
- Personal contacts
  
  **EXAMPLE:** Parents, family members, friends and acquaintances, and neighbors may be able to answer your questions about careers. If not, they may be able to put you in touch with somebody who can.
Professional societies and journals.
Public libraries, career centers, and guidance offices
Trade associations and magazines

**OBJECTIVE 3**

Complete Assignment Sheet 1.

**OBJECTIVE 4**

State guidelines for pricing a job offer.

How would you compare these two job offers?

- **Job 1**: $43,000/year, 9-to-5 schedule, two weeks’ paid vacation and a great health plan
- **Job 2**: $62,500/year, 7-to-7 schedule, no paid vacation time, a basic retirement plan, and on-site child care

The answer depends on what is important to you. So how do you figure out what really matters? And then what do you do about it?

_**Set your personal priorities** — Decide what is important to you. Then, you will have a basis for evaluating job offers. For example, consider child care benefits, travel opportunities, location, flexible working hours, health plans, the organization’s “culture,” training and personal growth opportunities, potential for advancement, and other features or benefits._
Compare the dollar value of the job offer to your current job or to other offers — Total the dollar value of the salary plus the benefits. Add the value of other benefits and savings. For example, a flexible work schedule could allow you to save money on child care or keep you from using vacation days to care for aging parents. Depending on your health, a good health plan could save you a lot of money. If your job does not offer these benefits, what would it cost to purchase them on your own?

Be realistic about negotiating — Some benefits may be negotiable, while others are not. Medical benefits and employer contributions to retirement plans, like 401(k)s, are probably not negotiable. Benefits such as expense accounts, parking privileges, working from home (“telecommuting”), and others might be more open to discussion, especially in a smaller organization.

Calculate your value and your contribution to the organization in advance — Find the current salary range for a given job, and learn how your level of education and/or experience will influence your value. Check newspaper listings, professional organizations, Internet links to reliable salary surveys, and other sources. Never negotiate based on what you need – potential employers do not care that you have student loans to pay off, so do not bring up your expenses. Negotiate based on what you are worth – emphasize your knowledge and skills in the area.
OBJECTIVE 5

Identify ways to earn and save money.

The rule to saving is “Live below your means.” In other words, do not spend every penny you make. Pay yourself first, before the credit card company, the bank, and the finance company. Pay yourself by saving in a way that will grow to become the “nest egg” you want for future use.

Create a realistic spending plan and stick to it. It may need occasional adjusting when a situation changes in your life, but practice discipline in sticking to your plan.

Stop impulsive buying. Never buy until you’ve had time to determine how this expense will fit into your spending plan. If it doesn’t, don’t buy.

Reconsider any purchase over a certain amount (for example, $20). Ask yourself, do I really need this? Set a number of days that you wait before you purchase. This is especially true of big-ticket items. Your answer will probably be no.

Do purchase medical insurance and vehicle collision insurance, but be very selective about other insurance.

Charge items only if you can afford to pay for them now. Do not count on overtime pay, a raise, or an inheritance.
Put away your credit cards for a week or so a month and live without them. You might be less tempted to spend.

Never co-sign or guarantee a loan for someone or assume a joint debt with someone who has a shaky financial history. You may end up responsible for someone else’s debts.

Do not make high-risk investments such as speculative real estate or junk bonds. Also place your investment with someone who is qualified and reputable. There is no free lunch. Savings requires discipline, not luck.

Let your savings work for you; leave earnings in accounts so they will grow faster and have more principle to earn interest. Remove money only in an emergency. Take advantage of any matching savings plans your company has.

Shop for the smartest investments, such as interest-earning checking accounts. Look for the highest interest on certificates of deposits, the most return for the lowest premium in insurance, and the best value for your consumer dollar when shopping for products and services. Do your pre-shopping and pre-investing research.

Diversify. Because your piggy bank earns no interest, let it rest while you spread your investments around—stable stocks for higher earnings, mutual funds for representation in many kinds of businesses, bonds for regular but low earnings, and certificates of deposit with low but guaranteed earnings.

Find alternatives to spending. Instead of dinner out, pack a picnic and take it to the park; instead of buying a CD or book, borrow it from your local library. Saving on everyday expenditures—carrying your lunch a few days each week, sharing rides, and recycling computer paper are only a few ways to turn pennies into dollars.
Earn money whenever you can. This might mean seasonal work or part-time work such as yard work, pool care, or farm labor, or a second part-time job such as house sitting, church janitor, or school bus driver. These jobs not only put money in your savings, they also build your résumé.

Use your own time, ability, and talent to perform as many tasks around the house and personal grooming tasks as you can.

Keep in mind that it is smarter to earn interest than to pay interest. By saving and investing wisely, you can be the lender, not the borrower.

**OBJECTIVE 6**

Distinguish between fixed and variable expenses.

**NOTE:** Read Student Supplements 2 and 3.

**Fixed expenses** — A *fixed expense* is a set amount of money due on a set date. As a rule, fixed expenses must be paid when due. Fixed expenses do not allow for short-term budget adjustments, since you cannot decide to pay less at any particular time. Fixed expenses include:

- **Rent or mortgage payments** — If you have a mortgage, your property tax and homeowner’s insurance may be included in your house payment. Other real estate payments may include homeowner association fees or maintenance fees.
- **Taxes** — Different types of taxes include income taxes (federal and state), sales and excise taxes, and personal property taxes (this is different from your property tax and is not included in house payments).

- **Loans** — Most loans are installment loans, used to buy items such as cars, furniture, appliances, etc.

- **Leases** — Some people lease items such as furniture or electronics on a “rent to own” basis.

- **Insurance** — Some insurance payments (such as health insurance) are taken directly out of your paycheck, but others must be paid separately, such as auto insurance or renter’s insurance.

- **Regular payments to others** — These may include alimony, child support, or loans from family or friends.

- **Regular contributions** — People may make regular contributions to their church or to charities.

- **Dues** — You may pay dues to a union, a club, or a professional organization.

- **Regular savings** — It is important to consider savings a regular, planned expense. Five to ten percent of your income should be put into savings.

**Variable expenses** — A *variable expense* is one that changes in amount and frequency. Variable expenses often give you a good opportunity to make adjustments in your living expenses.

- **Utilities** — Utilities include gas, electricity, telephone, water, garbage, sewage, and cable or satellite television. Some utilities (such as electricity and water) may be included in your rent, but others must be paid separately.

- **Charge accounts/credit cards** — You may have a charge account at a local store, or a major credit card.

- **Medical and dental bills** — You are responsible for the portion of these expenses that are not covered by insurance.
- **Transportation** — While car payments are a fixed expense, variable expenses include gas, maintenance, and repairs. Public transportation, such as train or bus fares, can also be a variable expense.

- **Food** — Groceries and dining out make up your food expenses.

- **Non-regular savings** — In addition to your regular savings account, you may have a special account earmarked for a special purpose, such as a down payment for a house or car.

- **Other items** — Clothing, vacations, education, entertainment, toiletries, gifts, and other expenses that do not come up on a regular basis must also be included in your budget.
OBJECTIVE 7

List the basic steps in a financial plan.

A financial plan is a broad strategy for handling your finances. It should include both short-term and long-term goals. A financial plan helps you make the most of your money, regardless of your economic circumstances.

Establish your financial goals.

- Decide what you want your money to do for you.
- Determine what style of living you wish to achieve.
- List savings objectives.

Estimate and total your income.

- Determine how much money you receive from all sources for the plan period—earnings, gifts, bonuses, interest on savings, and allowance.

Estimate and total your expenses.

- List all your expenses, separating them into fixed and variable expenses.
- Add these expenses to determine how much money you spend during each plan period.
Analyze your current income and spending.

- Carefully examine the amounts you estimated for both income and expenses. Overestimating income and underestimating expenses is very easy to do and can cause big problems for your budget.

- Subtract your expenses from your income for each plan period. If you come out even or need extra money, consider ways to increase your income or cut your expenses. If you have extra money, decide how you want to apply it toward your savings goal.

Prepare a trial financial plan.

- A written plan listing your goals, your income, and your expenses reduces the temptation to overspend or spend carelessly.

- Put your financial plan into writing.

- Revise your plan and update it on a regular basis.

Put your plan into action and keep organized records.

- Keep track of your spending and savings.

Evaluate your financial plan periodically.

- Whenever your income, expenses, or goals change significantly, review your plan to see if you need to make any changes.

- Significant events all have an impact on your financial plan. These may include graduating, going to college, starting a new job, moving, marrying, having children, changing jobs, divorcing, or death.
OBJECTIVE 8

Summarize three methods of managing personal finances.

PREVENTION

■ Develop good savings habits.

■ Practice sound money management.

■ Use credit wisely.

■ Purchase enough insurance protection.

■ Use reasonable caution in financial matters.

PREPARATION

■ Get a good education to be better able to find a job.

■ Learn marketable job skills to advance on the job.

■ Stay current in your field to earn promotions and pay raises.

■ Establish an emergency fund equal to three to six months’ pay to give you time to assess the crisis and take action.

■ Regulate your life style to live below your income level in case you need to meet unexpected expenses or must live on a lower income.
COPING WITH FINANCIAL CHALLENGES

- Accept that your financial crisis is real — it will not go away on its own.

- If you are in debt, contact your creditors immediately to arrange for payment plans — do not wait until you have missed payments.

- Avoid making any new credit purchases.

- Find free or inexpensive financial counseling.

- Adjust your spending habits and cut expenses.

- Encourage additional family members to look for employment.

- Look into sources of assistance from employers, insurance, government programs, and community and charitable organizations.

- Consider selling items such as real estate, jewelry, investments, automobiles, and other valuable possessions. Even books, CDs, and clothing can be sold.
OBJECTIVE 9

State guidelines for using a budget.

Your budget is an important part of your financial plan, because it will help you reach the goals you have set in your financial plan. A budget may also be known as a spending plan.

1. Determine your goals.
2. Estimate your income.
3. Estimate your expenses for this pay period, as well as the amount you will need to put away for future expenses (such as car repairs or savings for a vacation).
4. Earmark money available for expenses.
5. Spend money according to your budget.
6. Regularly compare your estimated expenses to your actual spending.
7. Evaluate your budget and revise as needed.

OBJECTIVE 10

Complete Assignment Sheet 2.
OBJECTIVE 11
Complete Assignment Sheet 3.

OBJECTIVE 12
Complete Assignment Sheet 4.

OBJECTIVE 13
Complete Assignment Sheet 5.
OBJECTIVE 14

List items deducted by law from a paycheck.

The following items are deducted from your paycheck according to various state and federal laws. The amount deducted is usually a percentage of your income — the more you make, the more you will have deducted.

- **Social Security (FICA)** — Social Security began in 1935 as a retirement and disability insurance program. The money deducted from worker’s paychecks for Social Security also provides health care for certain people who are older and/or have disabilities or low income (Medicare and Medicaid). Your Social Security deduction will be listed as FICA on your paycheck – this stands for Federal Insurance Contributions Act, the law that says how these funds are collected and used.

- **Unemployment insurance (federal and state)** — Workers who lose their jobs may be able to collect money from a special fund. This money comes from deductions from workers’ paychecks.

- **Workers’ Compensation** — People who are injured on the job and are unable to work may be able to collect money from a special fund. This money comes from deductions from workers’ paychecks.

- **Federal income tax** — Federal income taxes are due to be paid every year. The amount of tax you must pay is based on your income and other factors. Most workers have a certain amount deducted from each paycheck. This amount is called “withholding.” Unlike other deductions, withholding can be adjusted by the worker – you can ask to have more or less taken out of your check, depending on the amount of taxes you expect to owe at the end of the year. If the amount of federal income tax withheld from your check is more than the amount you actually owe, you will receive a refund. If you do not have enough withheld, you will have to pay extra at the end of the tax year.
State and city income tax — Many states and cities also withhold a certain amount for income taxes. Like federal income taxes, the amount you owe is based on your income and other factors, and you will receive a refund if the amount withheld is more than you owe.

OBJECTIVE 15

List items deducted by request from a paycheck.

You may choose to have the following items deducted from your paycheck if your employer makes them available:

- Labor union dues
- Group insurance plans (health and/or life insurance for yourself and your family)
- Savings account (money can be deposited directly into your savings account at your bank)
- Flexible spending account (funds set up to pay for medical or child care expenses with “pre-tax” dollars to reduce income taxes)
- Investments
- Retirement plans (such as a 401(k) plan or group pension plan)
OBJECTIVE 16

List benefits often reflected in a paycheck.

- **Health insurance** — Your employer may pay all or part of the health insurance premium for you and your family members.

- **Life insurance** — Your employer may pay all or part of the health insurance premium for you and your family members.

- **Tax sheltered investments** — You may choose to have money deducted from your paycheck and invested in stocks, bonds, or other securities. These are called “tax sheltered” because you do not pay income tax on this part of your income until you take the money out of the investments, which generally occurs after you retire.

- **Sick leave** — Your employer may choose to pay you for a certain number of days when you are too sick to work.

- **Annual leave, vacation time, or personal time** — Many employers allow their employees to take a certain number of days off every year while still receiving pay.

- **Holiday leave or holiday pay** — Your employer may pay you even when you do not work due to a holiday. You may also be paid extra for working on certain holidays.

- **Workers’ compensation and unemployment compensation** — Workers who lose their jobs due to injury or other reasons may be able to collect a partial paycheck.

- **Retirement (group pension plans)** — Your employer may contribute to a retirement plan that will provide income after you stop working.

- **Profit-sharing and stock purchase programs** — Some employers split a share of their profits with their employees, or make it easier for employees to buy shares of their company.
OBJECTIVE 17

Explain how games of chance work.

WORDS YOU SHOULD KNOW

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<th>Word</th>
<th>Definition</th>
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<td>gambling</td>
<td>paying money to play a game for the opportunity to win a prize (also known as “gaming”)</td>
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<tr>
<td>random</td>
<td>not planned, not following a particular pattern</td>
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A “game of chance” is a game whose outcome depends on a random event. The random event might come from a throw of the dice or a flip of a coin. Unlike games of skill (such as sports) or knowledge (such as trivia games), there is nothing a player can do to increase your odds of winning a game of chance. Some games involve both chance and skill, such as certain card games and board games. Many games of chance are used in gambling, including slot machines and lottery tickets.

In a truly random game of chance, the player has a fairly consistent chance of winning. For example, every time you flip a coin, there is a 50% chance that it will come up “heads.” Every time you roll a six-sided die, there is a 1 in 6 (or 16.7%) chance that any particular number will come up. However, the games of chance used in gambling are not always truly random. For example, modern slot machines are programmed to let the player win a certain percentage of the time. The only random aspect is who happens to be sitting at the machine at the time. In lotteries, a limited number of winning scratch-off tickets are distributed randomly throughout all tickets printed. In this case, the distribution of winning tickets is random, but the number of winning tickets and amount of money that can be won is carefully planned.

In general, when gambling, the odds are against the player. Individuals will occasionally get lucky and win more than they spent, but in the long run, the casino or lottery always wins.
OBJECTIVE 18

Compare the costs and benefits of gambling.

BENEFITS OF GAMBLING

- Gambling creates jobs for people who work in the gambling industry. Gambling can also provide jobs for those who work in associated industries, such as hotels and restaurants that may be built near casinos.

- Income from gambling may be used to benefit society. For example, in Oklahoma, income from the state lottery is used to support public education.

- Gambling provides entertainment for many people.

COSTS OF GAMBLING

- Gambling can be an addiction, and like any addictive behavior, it can cause people to lose money, jobs, etc.

- Even people who are not addicted to gambling can easily spend more than they can afford to lose.

- Gambling can increase crime. According to one study, crime increased 8% in counties with casinos over four years, compared to counties without casinos.
OBJECTIVE 19

Identify types of charitable giving.

- Monetary donations — Many people choose to donate money to the charities of their choice.

- Volunteer service — Your time and expertise can be extremely valuable to a charitable organization. This kind of donation might include making phone calls, designing posters and flyers, etc. According to the National Center for Charitable Statistics, approximately 28.8 percent of Americans over the age of 16 volunteered some of their time in 2005.

- Gifts-in-kind — Instead of giving money to buy what an organization needs, you may choose to give necessary items instead. Non-cash gifts can be large and expensive (such as equipment) or inexpensive (such as items of clothing). The items can be new or used, as long as they are still in good useable condition.
OBJECTIVE 20

Discuss the impact of charitable giving.

The most obvious impact of charitable giving is the fact that it helps those who receive benefits. But there are other impacts as well.

- **Tax benefits** — For many people and organizations, charitable donations are tax deductible.

- **Personal satisfaction** — Giving time or resources to a charity helps you feel good about yourself.

- **Creation of jobs** — Charitable organizations create jobs for many people. In 2004, nonprofit organizations (including public charities and private foundations) accounted for over 8% of the wages and salaries paid in the U.S.

- **Reducing waste** — Giving used or surplus items to those who can use them keeps those items out of landfills.

- **Benefit to the community** — When you support a charity, your support can help your community as well. For example, if you donate to an organization that provides training to people who have lost their jobs, not only do the unemployed people receive a benefit, but your community benefits from taxes and spending ability once they find new jobs.

OBJECTIVE 21

Complete Assignment Sheet 6.
ASSIGNMENT SHEET 1

Research careers of interest.

Name __________________________________  Score __________

Before making a decision about a career, it is important to research it well. Sometimes there is more to a job than you realize. Sometimes people see only the glamorous side of a career and fail to see what goes on behind the job title. Aside from the more typical problems such as long hours or extensive travel, a job may have health hazards associated with it. Or you may simply find that the job you are interested in does not pay as well as you thought, or has very few job openings. Researching a career now may save you from surprises in the future.

Instructions: Using a variety of resources such as government publications, online resources, trade journals, magazines and newspapers, personal interviews, etc., research the career areas you are interested in. You may choose to use the Occupational Outlook Handbook online at www.bis.gov.oco/home.htm. Answer the questions below.

1. Select three careers that interest you and list them below.
   ___________________________________________________________________
   ___________________________________________________________________
   ___________________________________________________________________

2. Why do these careers interest you?
   ___________________________________________________________________
   ___________________________________________________________________
   ___________________________________________________________________

You Will Need
• Pen or pencil
• Research materials
3. What education requirements and/or special qualifications are needed for these careers?

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

4. What is the job outlook for these careers?

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

5. What is the salary range for each career?

________________________________________________________________________

6. Which of the three careers are you most interested in, and why? Give at least 5 reasons.

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ASSIGNMENT SHEET 2

Develop a budget.

Name __________________________________  Score __________

Do you ever wonder where your money goes? Sometimes you know the answer. When you pay fixed expenses, such as rent or other bills, or if you’ve saved your money to make a special purchase, then you know exactly how much money you’ve spent. When you buy food or pay for movies, CDs, and other things, you might have a harder time keeping track of how much you spent. A budget, or spending plan, can give you more control over your expenses. Over a period of time, it can show you not only where you are today financially, but can also identify trends or patterns in your spending. Knowing this information can help you to improve your personal financial well-being.

Instructions:

- On a separate sheet of paper, list the categories of your weekly or monthly expenses (savings, food, clothing, etc.). List your categories in a column down the left side of the paper.

- At the top of your sheet list the total amount of money you will have available to save and spend for the week or month.

- To the right of each expense category, record the amount of money you plan to spend during the week or month.

- Record your actual expenses for each category during the month. At the end of the week or month, calculate the total spent for each category. Record the totals beside the amount you planned to spend in each category. Then answer the following questions:

1. Total your expenses for the week or month. Was the balance positive or negative?
2. Study your totals. How often did you spend less than you planned? How often did you spend more?

3. What have you learned about your spending habits?

4. What have you learned about the importance of budgeting and tracking your spending?
ASSIGNMENT SHEET 3

Analyze budgeting case studies.

Name __________________________________  Score __________

Difficult decisions must often be made when you cannot afford all of your needs and wants. If you cannot pay for all of your goals, you will need to either adjust your financial plan, or compromise on your goals.

Instructions: Read the following cases, and answer the questions that follow.

Jana makes $8.50 per hour and takes home $1356 per month. She spends $300 per month for rent, $160 per month on gas and car upkeep, $325 per month on food and beverages, $100 per month on clothing, $85 per month on furniture payments, and $80 per month on household operation. She also deposits $150 into her savings account. For the past three months, Jana has had to spend about $130 per month in car repairs; her mechanic says the car will need another $1000 of work over the next few months. Jana wonders if she would be better off buying a new car that did not need such expensive repairs.

1. Can Jana afford a new car payment of $245 per month with her current budget?

2. If she buys the new car, what adjustments would she need to make in her current budget?

You Will Need
- Pen or pencil
- Calculator (optional)
3. What would you recommend?

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

Wayne has been saving money to buy a boat for fishing, skiing, and general recreation. He has saved $4000 so far, but the boat he wants costs $12,500. If he uses his $4000 as a down payment, his payments would be $178 per month for the next four years. Wayne’s current budget is:

Monthly salary: $1800
Mortgage: $325
Car and transportation: $235
Food, etc.: $440
Household operation: $130
Furniture and housing equipment: $120
Clothing: $160
Savings: $150

4. Can Wayne afford the boat payment and stay within his budget as listed above?

________________________________________________________________________

5. If you were Wayne would you buy the boat? Why or why not?

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

Alfonso wants to get married. He earns $14,500 a year; his fiancé earns $12,500 a year. He wants them to move out of their parents’ homes into a rented apartment. He has just started to compile a list of expenses they will encounter as newlyweds.

6. What items should be included in Alfonso’s budget?

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________
Apply money management principles.

Name __________________________________ Score __________

Having spare cash is a luxury few of us have. Most of us, instead, have to plan, save, work extra, and sometimes borrow money to get what we think we need.

Instructions: Read the following scenarios and give advice about money matters.

1. Sean is a college student who works part-time. He lost his transmission drag racing on Saturday night, when the car literally stopped on the side of the road. Sean had worked 18 hours a week for the last four months, but had used all of that money to get his car fixed up to race — he did not have any money left over to fix the transmission. He doesn’t want to borrow money from his parents, because his mother had tried to get him to develop a spending plan and stick to it and he does not want to hear a lecture about his lack of savings. What could Sean have done to prevent this? What can he do now?

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You Will Need
• Pen or pencil
2. Four friends are planning a senior trip for the end of May. They estimated that the trip would cost them about $800 each. They had started planning in November, but now it’s February 1 and Lila has only $250 saved for the trip. She has a $1,000 savings bond her grandfather gave her at birth; it will mature July 1. She could cash that in. She’s also very good with computers and has thought about teaching some classes, but later in the summer. What could Lila have done to prevent this? What can she do now?

3. Rodney wanted prom night to be special—limo, dinner, flowers, gifts—all the trimmings. He had been saving since Christmas but little things had chipped away at his savings—a speeding ticket, a donation for a gift for his chapter sponsor, and a spur-of-the-moment tattoo and bleach job on his hair to celebrate his team’s taking state. Now he needs to come up with a Mother’s Day gift, a graduation gift for his girlfriend, graduation fees, and probably more stuff that he hasn’t thought about. Rodney works for a local landscaper. In the fall he helped clean and repair tools; since March, he’s been working a little more. What could Rodney have done to prevent this? What can he do now?
4. Michael and Patrick are roommates. They are good friends, but are very different. Michael has a financial plan and is usually pretty good about sticking to it. He has about $5,000 in savings. Patrick finds it impossible to save money and is often behind on his bills. When Patrick needed a car, he found that he did not qualify for a loan on his own, so he asked Michael to co-sign for him. A year later, the lender contacted Michael and told him that Patrick had missed several car payments. The lender demanded that Michael pay $1200 immediately to get the loan up to date, and then start making the payments of $300 per month, since as a co-signer, he is legally responsible for the entire loan. When Michael confronted his friend about the car, Patrick confessed that he had also not paid their utility bills for the last two months, even though Michael had given him his share of the money, so they owe $300 in overdue bills. What could Michael have done to prevent this? What can he do now?
ASSIGNMENT SHEET 5

Calculate and compare unit prices of consumable items.

Name ______________________________ Score __________

The unit price is the cost of a product by weight or size. Knowing the unit price helps you compare prices when an item is available in different sizes or quantities. For example, there are 128 ounces in one gallon, and 32 ounces in one quart. If one gallon of orange juice costs $4.50, the unit price would be 0.035 cents per ounce. If one quart of orange juice costs $2.75, the unit price would be 0.085 cents per ounce, so the juice costs less per ounce if you buy it by the gallon. Some stores list unit prices on their shelves. If not, you can easily calculate the unit price.

Instructions: Calculate the unit price of each of the listed items and determine which size is the better deal. Unit price can be determined by dividing the price of the item by the number of standard units in the package or container. The first one has been done for you as an example.

<table>
<thead>
<tr>
<th>Product</th>
<th>Size</th>
<th>Price</th>
<th>Unit Price</th>
<th>Better Deal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peanut butter</td>
<td>18 oz</td>
<td>$3.05</td>
<td>0.17 /oz</td>
<td>x</td>
</tr>
<tr>
<td></td>
<td>13.5 oz</td>
<td>$3.85</td>
<td>0.29/oz</td>
<td></td>
</tr>
<tr>
<td>Powdered baby formula</td>
<td>25.7 oz</td>
<td>$32.65</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>12.9 oz</td>
<td>$17.29</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shampoo</td>
<td>9 oz</td>
<td>$3.85</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>12 oz</td>
<td>$4.25</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Athletic socks</td>
<td>24 pair</td>
<td>$15.26</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1 pair</td>
<td>$1.76</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Motor oil</td>
<td>1 gallon</td>
<td>$24.99</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1 quart</td>
<td>$7.29</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

You Will Need
• Pen or pencil
• Calculator
What if you needed one gallon of motor oil, and you had four coupons for $1 off any size of motor oil? Would it be better to use one coupon to buy one gallon, or to use four coupons to buy four quarts? How much would each option cost? Show your work.

______________________________________________

______________________________________________
ASSIGNMENT SHEET 6

Research a charitable organization.

Name ________________________________  Score __________

No one wants to give their time or money to a charity that will not make the best use of it. Some charities spend a large portion of their income on salaries and other administrative expenses. Some charities hold onto their funds instead of releasing them to beneficiaries. And some may take funds that were raised for one purpose and use them for something else. How can you determine whether a charity is using your donation effectively?

Instructions: Select at least three charities to research. These may be charities you have donated to, those you have seen advertised, or those suggested by your instructor. Use at least two of the following websites to learn about your selected charity:

- American Institute of Philanthropy
  www.charitywatch.org/

- BBB Wise Giving Alliance
  www.give.org

- Charity Navigator
  www.charitynavigator.org

- GuideStar
  www.guidestar.org

- Intelligent Giving
  www.intelligentgiving.com

You Will Need
- Pen or pencil
- Computer with Internet access
Visit the charitable organizations’ websites as well.

Write a short (2-3 paragraph) report about each of your three selected charities explaining why it is, or isn’t, using its funds appropriately.

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Student Supplement 1

Personal Spending

Answer the questions below with “yes” or “no.”

1. Have you estimated your large expenses for the year?
   __

2. Have you kept a written record of your expenditures for at least one month?
   __

3. Have you examined your record of expenditures and made necessary changes?
   __

4. Are you seldom “broke” before your next allowance or income is received?
   __

5. When “broke,” do you generally get along as best you can until your allowance or paycheck is received?
   __

6. Do you avoid making yourself miserable and unhappy by fretting about something you want but cannot afford?
   __

7. Are you in the habit of spending moderately on personal grooming?
   __

8. Can you generally be entertained without spending money?
   __

9. Do you usually resist the spending pressures of friends?
   __

10. Do you resist spending money according to your whims?
    __

11. When “broke,” do you avoid borrowing from friends or getting an extra sum from a parent or guardian?
    __

12. If you saw a clothing item in a store where you have a charge account, would you be likely to think about how to pay for it before you bought it?
    __

13. Are you careful about not leaving cash in your room or carrying large sums of money with you?
    __

14. Do you usually avoid buying clothes that you may wear only a few times?
    __

15. Do you spend a moderate amount of money for food between meals?
    __
16. Do you usually save ahead for something you want very much, such as a new dress, suit, a gift, a prom?

17. Do you make it a habit to go to more than one store to compare price and quality before deciding on a big purchase?

18. Would you say that about half your purchases are planned in advance and are not merely “impulse” purchases?

19. Do you know whether your family carries personal-belongings insurance, protecting such items as luggage, clothes, jewelry, and sports equipment?

20. Can you resist buying bargains just because they are advertised as bargains?

SCORE _____________

Each “yes” answer rates five points. Compute your money management IQ using the following equation:

The number of “yes” items ( ) x 5 = ( ).

100-90 — You have strong money management skills. You will do well financially if you continue using these skills.

85-75 — You have some habits you need to change in order to make your money management skills works for you.

70-60 — You need to learn and apply the principles in this unit in order to avoid financial troubles.
Factors That Influence Spending

- Advertising — the favorable presentation of products and/or services to promote sales
- Availability of credit, goods, and services
- Environmental impacts
  
  EXAMPLE: How a purchase impacts wildlife, wetlands, sources of drinking water, landscapes, forests, rangelands
- Needs — items considered essential for human survival
- Wants — things desired but not essential for human survival
- People — a consumer may buy an item or service to impress or please peers.
  
  EXAMPLE: Family, friends, peers, famous athletes and entertainers
- Prices
- State of the economy and economic predictions
- Technology — the use of science to make practical items and services
- Traditions — An individual may follow traditions set by family, culture, or religion.
- Values — ideas that an individual considers important, such as honesty, freedom, truth, and integrity
  
  EXAMPLE: Recycling aluminum, glass, plastic, and paper products versus throwing them away, buying products that are grown or produced locally rather than imported products, buying “cruelty-free” products
Student Supplement 3

Consumer Needs Versus Wants

Pretend that it is the first year you are living on your own. Complete Part 1 to determine what your spending needs and wants would be. Complete Part 2 to determine what your spending priorities would be.

Part 1: Place a check (✔) next to items or services for which you would spend money when you move out on your own. Write a “W” next to checked items and services you think are wants and an “N” next to checked items and services you think are needs.

___ 1. Automobile
___ 2. Books
___ 3. Bus and taxi fare
___ 4. Computer equipment and Internet access
___ 5. Cosmetics
___ 6. Eating out
___ 7. Education (tuition, books, lab fees, etc.)
___ 8. Furniture
___ 9. Gasoline
___ 10. Gifts
___ 11. Groceries
___ 12. Health club
___ 13. Health insurance
___ 14. Hobby items
___ 15. Home ownership
___ 16. Jewelry
___ 17. Lawn maintenance
___ 18. Magazines
___ 19. Movies, plays
Part 2: Answer the following questions to determine what your spending priorities would be.

1. On which of the items and/or services would you spend your money first? Select seven items and/or services and list them below.

   a. ________________________________________________

   b. ________________________________________________

   c. ________________________________________________

   d. ________________________________________________

   e. ________________________________________________

   f. ________________________________________________

   g. ________________________________________________
2. Of the seven items selected in Question 1, how many are needs and how many are wants?

   Number of needs? ________________

   Number of wants? ________________

3. Explain why you categorized each of the items selected in Question 1 as a need or want.

   ____________________________________________________

   ____________________________________________________

   ____________________________________________________

   ____________________________________________________

   ____________________________________________________

   ____________________________________________________

   ____________________________________________________

4. What does your selection from Question 1 say about how you would spend your money? In your explanation, consider whether you would spend more on needs or wants and why.

   ____________________________________________________

   ____________________________________________________

   ____________________________________________________

   ____________________________________________________

   ____________________________________________________

   ____________________________________________________

   ____________________________________________________
5. Based on your answers to Questions 1 through 4, do you think you would need to change your spending priorities? Why or why not?