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WELLS FARGO

Hands on Banking®
Money skills you need for life

*High School Version*

# Instructor guide


VERSION 5.1

## Welcome to Wells Fargo's *Hands on Banking*® program!

This fun, interactive, and engaging financial education program is designed for both self-paced, individual learning and classroom use. These Instructor Guides are designed to help you share this valuable program with groups of any size.

In these guides, you'll find everything you need to lead participants through real-life scenarios, group discussions, and activities that will encourage them to apply these lessons to their daily lives.

By sharing the *Hands on Banking* program with others, you'll help them to take control of their finances and build a brighter financial future.

## Program Overview

The *Hands on Banking* program covers all the basics of smart money management. The curriculum is designed for four age groups: Adults, Young Adults (ages 15–21) Teens (grades 6–8) and Kids (grades 4 and 5).

The *Hands on Banking* program is an easy and enjoyable way to teach and learn the essentials of financial education: the basics of bank services, the importance of saving, smart money management, using credit responsibly, investing, wealth building, and more. Whether it's opening a checking account, avoiding identity theft, paying for college, applying for a credit card, or starting a small business, the *Hands on Banking* program provides real-world skills and knowledge everyone can use.

## Educational Standards

It's easy to integrate the *Hands on Banking* program into the classroom: the lessons for school-aged students are aligned with national and state educational standards for economics, financial literacy, mathematics, and English language arts.

The segments in this program adhere to the following economics, financial literacy, mathematics, and English language arts standards:

- National Council of Economic Education, the National Association of Economics Educators, and the Foundation for Teaching Economics, *Voluntary National Content Standards in Economics* (1997). For details, see **www.fte.org**.
- JumpStart Coalition for Personal Financial Literacy, *National Standards in K-12 Personal Finance Education* (2007). For details, see **www.jumpstartcoalition.org**.
- National Council of Teachers of Mathematics, *Principles and Standards for School Mathematics* (2000), Grades 9-12. For details, see **www.standards.nctm.org**.
- The National Council of Teachers of English (NCTE) and International Reading Association (IRA), *Standards for the English Language Arts* (1996); Grades K-12. For details, see **www.ncte.org**.
- National Governors Association Center for Best Practices and Council of Chief State School Officers (2010) For details see www.corestandards.org/

## Using the Instructor Guides

Each High School Instructor Guide follows online courses, which includes more detailed content to compliment the instructions below. There are six High School instructor guides in total:

1. Getting Started
2. Earning $
3. Spending Smart
4. Save, Invest & Build Wealth
5. All About Credit
6. School & $

Each Instructor Guide includes:

- A glossary of all the relevant terms introduced in the topic.
- A lesson introduction which includes:
  - An overview
  - Learning objectives
  - Sample discussion questions to start the lesson
  - "The Basics"—a list of bullet points outlining the key concepts of the lesson
- A lesson summary of all the key concepts of the lesson.
- Activities, quizzes, discussion questions, handouts and important tips for key concepts.
- A topic summary that lists all the major concepts of the topic.
- Additional activities designed to extend the concepts presented in the topic to the real world.
- A Library Resource section that includes additional reference materials and handouts.

The instructions for organizing your group for activities are recommendations only. You know what will work best when it comes to teaching and engaging your group.

## Course 1 — Getting Started

# Overview

The Getting Started instructor guide teaches participants how to get started with money management. From understanding how money works, to creating a money toolkit, to uncovering tips for keeping track of their finances, participants understand how good money management holds the key for lots of good times ahead.

In an effort to reduce paper waste, we're working to split out the instructor guides by course. The Getting Started course instructor guide is now updated and in a separate PDF. It can be found here:

https://youth.handsonbanking.org/wp-content/uploads/2021/11/HandsonBanking_InstructorGuide_HighSchool_1_GettingStarted.pdf

These lessons include a number of hands-on participant activities. Use these activities to help simulate real-world scenarios and activities with your participants.

This instructor guide is based on and follows the structure of the Hands on Banking® program. Use the High School course to support your instructional efforts and enhance your participants' experience.

## Course 2 — Earning Money

# Overview

The Earning Money instructor guide teaches participants about employment and money. It provides useful information about finding employment, recommended career and job search strategies and how to read their paycheck. Finally, the topic introduces the concept of entrepreneurship and its risks and rewards.

In an effort to reduce paper waste, we're working to split out the instructor guides by course. The Earning Money course instructor guide is now updated and in a separate PDF. It can be found here:

https://youth.handsonbanking.org/wp-content/uploads/2022/09/HandsonBanking_InstructorGuide_HighSchool_2_EarningMoney.pdf

These lessons include a number of hands-on participant activities. Use these activities to help simulate real-world scenarios and activities with your participants.

This instructor guide is based on and follows the structure of the Hands on Banking® program. Use the High School course to support your instructional efforts and enhance your participants' experience.

## Topic 3 — Spending Smart

# Topic Overview

This topic teaches participants how to create a strategy for making the most of the money they have. They learn how to become a savvy shopper and take advantage of tips for everyday shopping and major purchase. Finally, they are introduced to the ins and outs of shopping for a car and renting an apartment.

This topic has five lessons:

1. The value of $
2. Have a plan?
3. Be a savvy shopper
4. Smart car buying
5. Renting an apartment

These lessons include a number of hands-on participant activities. Use these activities to help simulate real-world scenarios and activities with your participants.

This instructor guide is based on and follows the structure of the online *Hands on Banking*® program. We invite you to use and experience the online program as it is an excellent resource that will support your instructional efforts and enhance your participants' experience. It includes a variety of interactive lessons and many helpful resource library articles to augment this guide. Visit **www.handsonbanking.org** to access the program. Should you require a CD ROM to access the program you may request a free copy at **HOBCD@wellsfargo.com**.

**Topic 3 — Spending Smart**

# Instructor's Guide — Young Adults
# Table of Contents

## Topic 3 — Spending Smart

# Glossary

***Instructor note:***

*The Glossary contains definitions and descriptions of valuable terms and phrases related to this topic. Encourage your participants to use the Glossary during and after the class to become more familiar and comfortable with the terminology.*

*Photocopy the glossary on the next page and hand it out to your participants.*

# Glossary

| | |
|---|---|
| **Appreciation** | The amount of value an item such as a car, home or stock, gains over time from the original purchase price. |
| **Co-sign** | A second person who signs your credit or loan application. Just like the borrower, the co-signer on a loan is equally responsible for repaying the debt. Also called a co-borrower. |
| **Cost of living** | The cost of maintaining a standard of living based upon costs of goods and services. |
| **Credit check** | A lender, landlord, employer, or insurer's inquiry at a credit bureau for the purpose of evaluating the credit history of an applicant. |
| **Credit rating** | An evaluation of an individual's or business's financial history and the ability to pay debts. Lenders use this information to decide whether to approve a loan. The credit rating is usually in the form of a number or letter. |
| **Depreciation** | A loss of value in real property brought about by age, physical deterioration, functional or economic obsolescence. |
| **Discretionary expenses** | The purchase of goods or services which are not essential to the buyer, or are more expensive than necessary. Examples include entertainment and restaurant meals. |
| **Fixed expenses** | For an individual, a fixed cost is an expense that stays the same each month, such as rent or a car payment. For a business, a fixed cost is an expense that does not vary depending on production or sales levels, such as an equipment lease or property tax. |
| **Flexible expenses** | An expense that you can control or adjust, for example, how much you spend on groceries, clothes, or long distance phone calls. |
| **Gross income, gross salary** | For an individual, the full amount of money earned during a specific time period. For a business, the pre-tax net sales minus the cost of goods sold. |
| **Income** | For an individual, income means the amount of money received during a period of time, including money received in exchange for labor or services, from the sale of goods or property, or as profit from financial investments. For a business, income is revenues (all the money brought in) minus cost of sales, operating expenses, and taxes, over a given period of time. |
| **Interest** | The amount of money paid by a borrower to a lender in exchange for the use of the lender's money for a certain period of time. For example, you earn interest from a bank if you have a savings account and you pay interest to a lender if you have a loan. |
| **Landlord** | The owner of a property that is leased or rented. |
| **Lease** | A contract by which one party (lessor) gives to another (lessee) the use and permission of an item, such as an automobile or apartment, for a specified time and fixed payments. |
| **Loan** | An agreement between a borrower and a lender, where the borrower agrees to repay money with interest over a period of time. |

# Glossary

| | |
|---|---|
| **Net income** | For a business, the amount of money earned after all expenses and taxes. For an individual, total take-home pay after all deductions (taxes, social security, etc.). Also called after tax income or net salary. |
| **Preapproval** | A written commitment from a lender, subject to a property appraisal or other stated conditions, that confirms the price of home a potential borrower can afford. |
| **Security deposit** | An amount that you may be required to pay the landlord for protection for any potential damage to rental property. |
| **Spending plan** | Also known as a budget, a method of tracking your monthly income and expenses. |
| **Take-home pay** | See "Net Income." |
| **Term** | A period of time over which a loan is scheduled to be repaid. For example, a home mortgage may have a 30-year term, meaning it must be repaid within 30 years. |
| **Warranty** | A written guarantee of the quality of the product that is issued by the seller and/or manufacturer. |

## Topic 3 — Spending Smart

# Lesson 1: The Value of $

This lesson gives participants the opportunity to pre-test their knowledge about key concepts introduced in this topic.

### Learning Objectives

After completing this lesson, participants will be able to:

- Identify key phrases and definitions related to smart spending.

### The Basics

- Spending money is fun, but the important thing is getting the most you possibly can from what you spend.
- By shopping smart, you can not only save money, but also get things that are valuable to you that you really use and enjoy.

## Topic 3 — Spending Smart

### Are You a Smart Spender? (Instructor Copy)

#### *Instructor note:*

*Write all the credit terms on a chalkboard/whiteboard or large piece of paper. Divide your class into groups. Tell your participants that you will read a partial definition of each term. Each group's spokesperson will have fifteen seconds to state the correct term once you stop reading the definition. Each correct answer earns one point. If a group cannot answer, another group can steal. Then, go through each term and mention the key points from the chart below.*

*Feel free to add other definitions and terms to this list.*

#### Instructions:

Have participants state the correct term for the definition that's read.

| | |
|---|---|
| **Spending plan** | Strategy for using your income to meet your goals<br>• A spending plan can help you pay your bills, save, and have money left over every month. |
| **Warranty** | Performance guarantee given to a buyer of goods or services.<br>• For big purchases, getting a warranty is a good idea. |
| **Auto lease** | Contract to use a car for a specific period of time.<br>• There are potential benefits and drawbacks to leasing a car. |
| **Premium** | The amount you pay for insurance.<br>• It's a good idea to understand the basics of insurance, including key terms like "premium." |
| **Co-pay** | Detractor |
| **Deductible** | Detractor |
| **Car insurance** | Detractor |

# Lesson Summary

***Instructor note:***
*Summarize this lesson by reviewing these key points with your participants.*

Key points from the Value of $ lesson:

- Spending money is fun, but the important thing is getting the most you possibly can from what you spend.
- By shopping smart, you can get things that are valuable to you that you really use and enjoy.

## Topic 3 — Spending Smart

# Lesson 2: Have a Plan?

In this lesson, participants learn how to create a one-page strategy for making the most of the money they have. The lesson also provides great tips for prioritizing their bill payment to make their monthly income last.

### Learning Objectives

After completing this lesson, participants will be able to:

- Create a one-page strategy for making the most of their money.
- Explain what to pay first to make their monthly income last.

### Start the Discussion

To start a discussion with your participants, ask some open-ended questions. Here are some examples you could use:

- Do any of you currently keep a monthly budget?
- Why do you think you should have a written plan for how you will spend your money?
- Do you see a plan or budget as a hindrance or a guide? Why?
- What things do you seem never to have enough money to purchase? How do you think a plan could help you with that?
- When you go shopping what are some of the ways you save money?

### The Basics

- A spending plan can help you make the most of your money and reach your financial goals. It is your personal strategy.
- A spending plan is easy to create—on a piece of paper, write down the money you have coming in and what you spend in an average month. Putting it down on paper helps you see where you can improve and make better money decisions.
- As you begin to create your spending plan, you will write down how much money that comes in during an average month and then decide how to spend it.
- A spending plan can help you live within your means.
- The right spending plan can help you set aside enough to pay your bills, for example, have some savings for emergencies, and some money left over in your pocket every month.

Before you start the lesson, use the following scenario to get participants thinking.

## What should Daneeka pay first? (Instructor Copy)

### *Instructor note:*

*Photocopy the activity handout on the following page. Instruct your participants to read Daneeka's story and choose the best decision for her. Instruct them to also write a few sentences about why they selected an answer. Then, ask participants to share their answers and opinions and lead a discussion.*

### Instructions:

Have your participants read Daneeka's situation and then choose the best decision for her. Then, in the space provided, have them explain why they think this is the best choice.

### Daneeka's story:

Daneeka wants to pay for things in the right order so that her monthly income covers her needs.

1. The first thing I'll do is set aside the money I need for everyday expenses, like groceries and bus fare.

2. I know I have some big expenses coming, so I'd better set that money aside first.

3. Before I do anything else, I'm going to pay my bills.

### Key points:

- There are many potential penalties if she pays late—late fees, losing things she bought on credit, even being evicted from her apartment!

## What should Daneeka pay first?

### Instructions:
Read Daneeka's situation and then choose the best decision for her. Then, in the space provided, explain why you think this is the best choice.

### Daneeka's story:
Daneeka wants to pay for things in the right order so that her monthly income covers her needs.

The first thing I'll do is set aside the money I need for everyday expenses, like groceries and bus fare.

1. The first thing I'll do is set aside the money I need for everyday expenses, like groceries and bus fare.

2. I know I have some big expenses coming, so I'd better set that money aside first.

3. Before I do anything else, I'm going to pay my bills.

## Spending Step-by-Step Activity (Instructor Copy)

### *Instructor note:*

*Photocopy the activity handout on the following page. Distribute the handout to participants, but ask them to keep it face down. Explain to participants that when you give the signal, they should flip over their activity handout and place the steps listed in the right order to help them make their monthly income last. The first person finished wins!*

*Then, lead a discussion focusing on the key points below. Ask participants if they use any other steps for their monthly budget or plan or ask them to consider what other steps might be beneficial.*

### Instructions:

To make your monthly income last, in what order should you pay for things? Have your participants place these items in the correct order.

| |
|---|
| **Step 1—Pay your monthly bills.**<br>There are many potential penalties if you pay late, such as late fees, losing possession of things you've bought on credit, even being evicted from an apartment! |
| **Step 2—Set aside the money you'll need for your weekly and day-to-day expenses.**<br>Such as groceries and bus fare. |
| **Step 3—Put money into savings.**<br>Try to build two months of take-home pay for an unexpected financial emergency. |
| **Step 4—Set aside money for larger expenses.**<br>You will know these large expenses are coming—such as car repairs or appliances. |
| **Step 5—Set aside money for your major future goals.**<br>Such as a home, college education, a new car, or travel. |
| **Step 6—If you begin to earn more, increase the amount you save as much as you can.** |

Help participants take their money management skills to the next level by creating their own Spending Plan.

## Spending Step-by-Step Activity

### Instructions:

To make your monthly income last, in what order should you pay for things? Place these steps in the correct order.

_______ Pay your monthly bills.

_______ Set aside money for weekly and day-to-day expenses.

_______ Put money into savings.

_______ Set aside money for larger expenses.

_______ Set aside money for your major future goals.

_______ If you begin to earn more, increase the amount you save as much as you can.

# Topic 3 — Spending Smart

## What is a Spending Plan? (Instructor Copy)

### *Instructor note:*

*Photocopy the activity handouts on the following pages. Divide the class into small groups. Mention the key points of a Spending Plan, then distribute the first (blank) activity handout. Instruct participants to answer the questions in the space provided. When groups are finished have them share their responses and note those on a whiteboard/chalkboard or large piece of paper. Then distribute the completed activity handout and continue the discussion about the importance of a spending plan/budget.*

### Key points:

- It's simple to create a Spending Plan—write down how much money comes in during an average month and then decide how you're going to spend it.
- Putting it down on paper helps you see where you can make better money decisions.
- The right spending plan can help you set aside enough to pay your bills, have some savings for emergencies, and some money left over in your pocket…every month.
- Create a spending plan you can live with. Be realistic and flexible. The trick is to live within your income so you can pay expenses but still have some money left-over for your own flexibility.
- Review your plan every month. Adjust it as your income and expenses change.
- Savings is a discretionary expense—it's up to you to decide how much of your money you're going to set aside for your future. Don't forget to "pay yourself" by saving!

| | |
|---|---|
| **What is the difference between income and take-home pay?** | • There is a difference between your income (the total amount you earn) and your take-home pay (net income).<br>• Net income = the amount of money earned after taxes, insurance, or other costs have been subtracted.<br>• Base your spending plan on your take-home pay. |
| **Why and how should you track your spending?** | • To get a clear picture of your spending right now, keep a spending diary for a month or two.<br>• Save your receipts. Write down items and amounts for what you spend. |
| **List an example for each of these three types of expenses.** | There are three types of expenses.<br>1. Fixed expenses:<br>• Regular amounts that generally don't change much.<br>• Monthly expenses like rent or car payments.<br>• Bills you receive less often, like car registration or insurance.<br>2. Flexible expenses:<br>• Occur on a regular basis and are also for necessities.<br>• You have more control over how much you spend.<br>• For example, you can control how much you spend on groceries or how many long distance phone calls you make in a month.<br>3. Discretionary expenses:<br>• Money you choose to spend, but don't necessarily have to spend.<br>• Could include clothes, movies, and dining out. |

## What is a Spending Plan? (Instructor Copy) (continued)

| | |
|---|---|
| **What should you do if find there's not enough income to cover expenses?** | • After writing your spending plan, you may find that there's not enough money to go around.<br>• Fixed expenses may be difficult to change so look for ways to decrease your flexible/discretionary expenses—and/or, increase your income. |
| **What are trade-offs?** | • Most people can't afford everything they want, so they make tradeoffs.<br>• Making tradeoffs may mean giving up things or buying something less expensive, so you can afford things that are valuable to you.<br>• Tradeoffs may also relate to how you spend your time. To make more money at your job, you may have to work more hours. |

Tip!

A spending plan can help you live within your income. That means not spending money faster than you earn it and not borrowing more money than you can afford to repay.

## What is a Spending Plan?

### Instructions:
Answer the questions in the space provided.

| | |
|---|---|
| **What is the difference between income and take-home pay?** | |
| **Why and how should you track your spending?** | |
| **List an example for each of these three types of expenses.** | 1. Fixed expenses:<br>2. Flexible expenses:<br>3. Discretionary expenses: |
| **What should you do if find there's not enough income to cover expenses?** | |
| **What are trade-offs?** | |

Tip!

A spending plan can help you live within your income. That means not spending money faster than you earn it and not borrowing more money than you can afford to repay.

## Create Your Own Spending Plan Activity (Instructor Copy)

### *Instructor note:*

*Photocopy the activity handout on the following page and distribute to participants. Using the category examples below ask various participants which category each of these belong in. Then briefly review other items on the full plan to ensure they understand the three expense categories.*

*Consider challenging your participants to track their expenses for a month using this form.*

### Instructions:

This is a sample spending plan. Have your participants write the correct category name in each blank field on the spending plan.

# Spending Plan Worksheet

**Categories:**

Salary from Job 1
Housing (rent/mortgage)
Car insurance
Groceries
Telephone (including cell phones)
Dining out

| MONTHLY INCOME | Estimate/Goal | Actual Earned |
|---|---|---|
| **Salary from Job 1.** | $ | $ |
| Salary/Wages from Job 2 | $ | $ |
| Other Income | $ | $ |
| Total Monthly Income | $ | $ |
| **MONTHLY EXPENSES** | **Estimate/Goal** | **Actual Spent** |
| **Fixed Expenses** | | |
| **Housing (rent/mortgage).** | $ | $ |
| Car loan payments | $ | $ |
| **Car insurance.** | $ | $ |
| Other debt payments (credit cards/loans) | $ | $ |
| Other: | $ | $ |
| **Flexible Expenses** | | |
| **Groceries.** | $ | $ |
| Gas | $ | $ |
| **Telephone (cell phones too).** | $ | $ |
| Utilities | $ | $ |
| Household items | $ | $ |
| Other: | $ | $ |
| **Discretionary Expenses** | | |
| Clothing | $ | $ |
| **Dining out.** | $ | $ |
| Entertainment | $ | $ |
| Gifts | $ | $ |
| Savings | $ | $ |
| Other: | $ | $ |
| **Total Monthly Expenses** | $ | $ |

**Tip!**

To get the most for your money, put some quality time and thought into your plan. And remember to update it as your situation changes.

## Create Your Own Spending Plan Activity

### Instructions:

This is a sample spending plan. Write the correct category name in each blank field on the spending plan as part of the discussion

### Categories:

Salary from Job 1

Housing (rent/mortgage)

Car insurance

Groceries

Telephone (including cell phones)

Dining out

| MONTHLY INCOME | Estimate/Goal | Actual Earned |
|---|---|---|
| | $ | $ |
| Salary/Wages from Job 2 | $ | $ |
| Other Income | $ | $ |
| Total Monthly Income | $ | $ |
| **MONTHLY EXPENSES** | **Estimate/Goal** | **Actual Spent** |
| **Fixed Expenses** | | |
| | $ | $ |
| Car loan payments | $ | $ |
| | $ | $ |
| Other debt payments (credit cards/loans) | $ | $ |
| Other: | $ | $ |
| **Flexible Expenses** | | |
| | $ | $ |
| Gas | $ | $ |
| | $ | $ |
| Utilities | $ | $ |
| Household items | $ | $ |
| Other: | $ | $ |
| **Discretionary Expenses** | | |
| Clothing | $ | $ |
| | $ | $ |
| Entertainment | $ | $ |
| Gifts | $ | $ |
| Savings | $ | $ |
| Other: | $ | $ |
| **Total Monthly Expenses** | $ | $ |

**Tip!**

To get the most for your money, put some quality time and thought into your plan. And remember to update it as your situation changes.

## Topic 3 — Spending Smart

# Lesson Summary

### *Instructor note:*

*Summarize this lesson by reviewing these key points with your participants.*

Key points from the Have a Plan lesson:

- A spending plan can help you make the most of your money and reach your financial goals. It is your personal strategy.
- A spending plan is easy to create—on a piece of paper, write down the money you have coming in and what you spend in an average month. Putting it down on paper helps you see where you can improve and make better money decisions.
- As you begin to create your spending plan, you will write down how much money that comes in during an average month and then decide how to spend it.
- A spending plan can help you live within your means.
- The right spending plan can help you set aside enough to pay your bills, for example, have some savings for emergencies, and some money left over in your pocket every month.

### Additional Activities

These activities are designed to extend the new concepts presented in the Have a Plan? Topic. Use these or similar activities to give participants an opportunity to apply what they have just learned to real-life scenarios.

- Create a Spending Plan for yourself and commit to follow it for a month or two. When the time is up, record your savings or overages and then fine tune your plan for the next several months. If you do have extra money, decide what to do with it—put it in a savings account, a Certificate of Deposit, or earmark it for something special.
- Look at the resource handout that lists the five steps (such as pay your monthly bills or put money into savings) to help make your monthly income last. Then, try to follow these steps for a month or two to see how it works.
- Decide on an item, or trip, or something special that you'd like. Use your Spending Plan to define how you will save and when you think you'll be able to achieve your goal.

## Topic 3 — Spending Smart

# Lesson 3: Be a Savvy Shopper

In this lesson, participants learn helpful tips for saving money day-to-day as well as a step-by-step guide for making major purchases the smart way.

### Learning Objectives

After completing this lesson, participants will be able to:

- Explain the step-by-step guide for how to make smart choices for major purchases.
- Explain helpful tips for saving money day to day.

### Start the Discussion

To start a discussion with your participants, ask some open-ended questions. Here are some examples you could use:

- What do you consider is a big purchase for you?
- How would you plan your spending to make this big purchase?
- Have you ever gone shopping and bought something impulsively and then asked yourself 'why did I buy this' when you got home or the next day?
- What kinds of situations make you want to shop more or shop less?
- How often do you shop? (for items other than necessities, like groceries)

### The Basics

- Consider your needs and your budget before you buy a major item.
- Research thoroughly and comparison shop before making a purchase.
- Find the best overall value for your item and always follow up if there is a problem.
- Resist impulse buying and follow our tips and techniques for spending less and saving more.

Before you start the lesson, use the following scenario to get participants thinking.

## Topic 3 — Spending Smart

### Rafael's cell bill is out of control (Instructor Copy)

***Instructor note:***

*Photocopy the activity handout on the following page. Instruct your participants to read Rafael's story and choose the best decision for him. Instruct them to also write a few sentences about why they selected an answer. Then, ask participants to share their answers and opinions and lead a discussion. Ask participants to share their own cell phone experiences that may be similar to Rafael's.*

### Instructions:

Have your participants read Rafael's situation and then choose the best decision for him. Then, in the space provided, have them explain why they think this is the best choice.

### Rafael's story:

Rafael is ready to sign up with a new cell phone provider. He wants to reduce his cell phone expense—and avoid the "surprise" of another huge bill.

1. I'm going to look at how many minutes and messages I've been using, compare companies and plans online, and read the contract before I sign.

2. I'm going to sign-up for the best "new customer" deal I can find. Those are always the cheapest.

3. It's just confusing to compare companies and plans. I'm going to ask one experienced salesperson. If I trust them, I don't need to read the contract.

### Key points:

- Rafael's best choice is to compare companies and plans and read the contract carefully before he signs.
- This will help him control his costs. Having a bill he can always pay on time and in full is an important step in building good credit.
- By doing online research, he can compare the websites of the different companies rather than base his decision on price alone. Some companies also let you review your account online or phone in for free to keep track of your cell phone usage. Try it.
- Whether you're buying products or services, comparison shopping and reading contracts are two keys to smart money management

**Tip!**

> Watch out! High text messaging charges can add up to hundreds of dollars a month! Exceeding the number on your plan may mean being charged $.10 for each text you send and $.02–.10 for each you receive.

## Rafael's cell bill is out of control

### Instructions:
Read Rafael's situation and then choose the best decision for him. Then, in the space provided, explain why you think this is the best choice.

### Rafael's story:
Rafael is ready to sign up with a new cell phone provider. He wants to reduce his cell phone expense—and avoid the "surprise" of another huge bill.

1. I'm going to look at how many minutes and messages I've been using, compare companies and plans online, and read the contract before I sign.

2. I'm going to sign-up for the best "new customer" deal I can find. Those are always the cheapest.

3. It's just confusing to compare companies and plans. I'm going to ask one experienced salesperson. If I trust them, I don't need to read the contract.

Tip!

Watch out! High text messaging charges can add up to hundreds of dollars a month! Exceeding the number on your plan may mean being charged $.10 for each text you send and $.02–.10 for each you receive.

# Topic 3 — Spending Smart

## Are you a Smart Shopper? (Instructor Copy)

### *Instructor note:*

*Photocopy the activity handout on the following page. Divide the class into small groups and have them brainstorm tips to for each of the topics listed in the left had column of this chart. At least one tip must be something that one member of the group currently does to save money and shop smart. Then have each group report their tips. When they're finished, distribute the filled out chart on the page after next and discuss these key points.*

### Instructions:

Have your participants list several tips for each shopping situation.

| | |
|---|---|
| **At the store** | • Resist impulse buying!<br>• Ask: Do I really need it? Do I need it today? What if don't buy it now? Can I do this at a lower cost?<br>• Limit the cash you carry; shop with a spending plan in mind; avoid ATM fees; watch for sales; wait for the right price; look for coupons & rebates. |
| **Food shopping** | • Save money by eating at home; make a shopping list for the grocery store; watch for sales and coupons; buy products you use frequently in large sizes or bulk quantities.<br>• Don't go food shopping when hungry. |
| **Credit card tips** | • Use a credit card to purchase larger, lasting items; limit the number of credit cards you have; avoid having a monthly credit card balance greater than 10% of your monthly net income.<br>• Don't use credit cards to buy things you really can't afford—avoid debt! |
| **Cell phone tips** | • Shop for a package deal.<br>• Watch out for high text messaging and web access charges.<br>• Read the contract before you sign; ask questions; make sure you understand all features & fees.<br>• Deep track of your usage; pay your bill on time and in full. |
| **Take advantage of discounts** | • You may be eligible for discounts if you have a valid student or military, ID, or other organization memberships.<br>• Research the benefits and ask stores what cards they honor for discounts. Some grocery and drug stores offer savings cards for customers.<br>• Some stores and businesses offer their employees a special discount on merchandise. Consider getting a seasonal job at a store where you plan to do your holiday shopping, for example. |
| **Skip the rest, save for best** | • Consider skipping a few low-cost purchases you could do without in order to save for one item you really value.<br>• Bypass small luxuries (like fancy coffees and movie rentals) for a few months. Use the money to help you afford one great travel experience. |
| **Find a creative way** | • How can you obtain something you want at a lower cost or even for free? For example, you could hear a concert by volunteering to usher.<br>• Or you might get some friends together in order to qualify for a volume or group discount.<br>• Share magazine subscription w/ a friend instead of buying single issues. |

For more information about buying on credit, guide participants to the topic *All About Credit*. Next, they'll get advice about major purchases.

## Topic 3 — Spending Smart

### Are you a Smart Shopper?

**Instructions:**
List several tips for each shopping situation.

| | |
|---|---|
| **At the store** | |
| **Food shopping** | |
| **Credit card tips** | |
| **Cell phone tips** | |
| **Take advantage of discounts** | |
| **Skip the rest, save for best** | |
| **Find a creative way** | |

## Topic 3 — Spending Smart

### Are you a Smart Shopper?

| | |
|---|---|
| **At the store** | • Resist impulse buying!<br>• Ask: Do I really need it? Do I need it today? What if don't buy it now? Can I do this at a lower cost?<br>• Limit the cash you carry; shop with a spending plan in mind; avoid ATM fees; watch for sales; wait for the right price; look for coupons & rebates. |
| **Food shopping** | • Save money by eating at home; make a shopping list for the grocery store; watch for sales and coupons; buy products you use frequently in large sizes or bulk quantities.<br>• Don't go food shopping when hungry. |
| **Credit card tips** | • Use a credit card to purchase larger, lasting items; limit the number of credit cards you have; avoid having a monthly credit card balance greater than 10% of your monthly net income.<br>• Don't use credit cards to buy things you really can't afford—avoid debt! |
| **Cell phone tips** | • Shop for a package deal.<br>• Watch out for high text messaging and web access charges.<br>• Read the contract before you sign; ask questions; make sure you under-stand all features & fees.<br>• Deep track of your usage; pay your bill on time and in full. |
| **Take advantage of discounts** | • You may be eligible for discounts if you have a valid student or military, ID, or other organization memberships.<br>• Research the benefits and ask stores what cards they honor for discounts. Some grocery and drug stores offer savings cards for customers.<br>• Some stores and businesses offer their employees a special discount on merchandise. Consider getting a seasonal job at a store where you plan to do your holiday shopping, for example. |
| **Skip the rest, save for best** | • Consider skipping a few low-cost purchases you could do without in order to save for one item you really value.<br>• Bypass small luxuries (like fancy coffees and movie rentals) for a few months. Use the money to help you afford one great travel experience. |
| **Find a creative way** | • How can you obtain something you want at a lower cost or even for free? For example, you could hear a concert by volunteering to usher.<br>• Or you might get some friends together in order to qualify for a volume or group discount.<br>• Share magazine subscription w/ a friend instead of buying single issues |

Tip!

Not sure where your money's going? It's easy to keep track of your spending: keep your receipts and review your monthly statements. Check them both against your Spending Plan.

## Making Major Purchases (Instructor Copy)

### *Instructor note:*

*Photocopy the activity handout on the following page. Begin a discussion with your participants by asking questions such as:*

- *How do you select an item to purchase? Lowest price? Latest fad?*
- *What do you think should be a goal when you spend money?*
- *Who has recently bought something big? How did you decide which model/brand? Are you satisfied with your purchase?*
- *How can you safeguard yourself against problems when buying something big?*

*Then, distribute this activity handout and use it for your discussion.*

Ever buy something big and then regret it later? Follow these steps to make sure you're always a satisfied buyer.

### To be a highly satisfied buyer…

| | |
|---|---|
| **Consider your needs** | Is this item something you want or truly need? Ask yourself what needs you're trying to fill by making this purchase. |
| **Check your budget** | Decide how much you can spend on this purchase and still cover your other expenses. Watch for sales and special offers. Depending on the item and the store, you may be able to negotiate the price. |
| **Research first** | Inspect and try before you buy. Research product claims. Ask others for advice. Determine when, how, and where to buy the item to get the most for your money. Check warranties carefully. |
| **Comparison shop** | Shop around by Internet to save you time, effort, and transportation costs. Compare ads in newspapers and catalogues. Call three stores to compare prices, models, and return policies. |
| **Shop for value** | Remember: your goal is best overall value, not just the lowest price. Look for the features and quality you want, good customer service, a fair price, and a flexible return policy. |

**Tip!**

Save your receipts. Return unsatisfactory products. If there's a problem before or after you buy, speak to the store manager. They should be motivated to solve your problem and keep you as a customer.

### Making Major Purchases

Ever buy something big and then regret it later? Follow these steps to make sure you're always a satisfied buyer.

### To be a highly satisfied buyer…

| | |
|---|---|
| **Consider your needs** | Is this item something you want or truly need? Ask yourself what needs you're trying to fill by making this purchase. |
| **Check your budget** | Decide how much you can spend on this purchase and still cover your other expenses. Watch for sales and special offers. Depending on the item and the store, you may be able to negotiate the price. |
| **Research first** | Inspect and try before you buy. Research product claims. Ask others for advice. Determine when, how, and where to buy the item to get the most for your money. Check warranties carefully. |
| **Comparison shop** | Shop around by Internet to save you time, effort, and transportation costs. Compare ads in newspapers and catalogues. Call three stores to compare prices, models, and return policies. |
| **Shop for value** | Remember: your goal is best overall value, not just the lowest price. Look for the features and quality you want, good customer service, a fair price, and a flexible return policy. |

**Tip!**

Save your receipts. Return unsatisfactory products. If there's a problem before or after you buy, speak to the store manager. They should be motivated to solve your problem and keep you as a customer.

## Topic 3 — Spending Smart

***Instructor note:***
*At this point in the class, consider using this recommended library article listed below as a discussion resource or a takeaway for your participants. You can find this and other library articles at the end of this topic.*

### Recommended Article: Shopping and Spending Tips

Remember, the online *Hands on Banking*® program has dozens of additional library articles that you can use and distribute for this and other topics. Visit **www.handsonbanking.org** to browse all the available articles.

# Lesson Summary

### *Instructor note:*
*Summarize this lesson by reviewing these key points with your participants.*

Key points from the Be a Savvy Shopper lesson:

- Consider your needs and your budget before you buy a major item.
- Research thoroughly and comparison shop before making a purchase.
- Find the best overall value for your item and always follow up if there is a problem.
- Resist impulse buying and follow our tips and techniques for spending less and saving more.

## Additional Activities
These activities are designed to extend the new concepts presented in the Be a Savvy Shopper lesson. Use these or similar activities to give participants an opportunity to apply what they have just learned to real-life scenarios.

- Write down everything you bought last week. Consider your list—were they any impulse items? Did you comparison shop for any large ticket items? Is everything on your list something you needed or just wanted?
- Think about a large ticket item that you're planning to buy in the future. Begin doing your research following the tips you learned in this lesson. Find at least three different brands and research their features and prices online and in store. Create a chart of the likenesses, differences, capabilities, pricing and warranty options. You'll be well on your way to making an informed purchase!
- Think about different things you currently do or buy, that with a little creativity, you can get for a lower cost or even free. Do you buy magazines off the shelf? Consider buying a subscription with a friend. Do you want to see more plays or concerts? Volunteer to help with the production. Think about changing your cell phone service to a pay as you go so you don't have to pay penalties for going over your minutes.

# Lesson 4: Smart Car Buying

This lesson provides a realistic look at the costs of car ownership. Participants will consider whether they really need a car and how to afford one if they do. They'll learn the pros and cons of owning vs. leasing and gain useful tips for car shopping.

## Learning Objectives

After completing this lesson, participants will be able to:

- Consider all the costs involved when they determine what they can afford while car shopping.
- List the potential benefits and drawbacks of leasing a car.
- List the pros and cons of buying a new or used car.
- Explain good tips to use while car shopping.
- Understand basic car insurance terms and concepts.

## Start the Discussion

To start a discussion with your participants, ask some open-ended questions. Here are some examples you could use:

- How many of you currently own a car?
- What things were important to you when you went to buy this car?
- How did you prepare to cover the cost of the car?
- What is important to consider when you shop for a new car?
- What are some options to owing a car? Is there a positive impact on your financial situation?
- Does car shopping seem intimidating to anyone here? Why?
- What are other costs you will need to factor into your monthly budget/spending plan when you are buying a car?

## The Basics

- If you're one of the millions of people who decide to get a car, the main thing is just be realistic about what it's going to cost you.
- Owning a car is definitely fun but it's a major responsibility and expense too.
- There's more to consider than just the cost of the car—extra expenses such as gas, parking, maintenance, repairs, insurance, taxes, and fees.
- The value of your car goes down the more you put miles on it.
- Leasing a car is an option and has potential benefits, but consider the drawbacks as well.
- Deciding between buying a new and used car may be a difficult decision—weigh the pros and cons of both options.
- Car insurance is critical to your protecting yourself financially. Consult with professionals before you buy.

Before you start the lesson, use the following scenario to get participants thinking.

## Should Megan Buy a Car? (Instructor Copy)

### *Instructor note:*

*Photocopy the activity handout on the following page. Instruct your participants to read Megan's story and choose the best decision for her. Instruct them to also write a few sentences about why they selected an answer. Then, ask participants to share their answers and opinions and lead a discussion.*

### Instructions:

Have your participants read Megan's situation and then choose the best decision for her. Then, in the space provided, have them explain why they think this is the best choice.

### Megan's story:

Megan's new job starts in three weeks. She's trying to figure out the best way to commute that's convenient but economical, too.

1. Now that I have a full-time job, I should invest in a new car. I'll get to work on time and do my errands faster. Plus I can go away on weekends!

2. I'll try public transportation first and then ask around at the office about ride sharing.

3. Maybe I won't even need a car. I think I'll buy a really inexpensive used car. That will give me all three things I want—convenience, flexibility, and low cost.

### Key points:

- Megan's best choice is to try public transportation first and ask around at the office about ride sharing.
- She may find she can get by just fine without a car. If so, she'll save lots of money—not to mention help the environment.
- She'll save the cost of a down payment, monthly loan payments, and expenses such as insurance, gas, maintenance, and repairs.
- She may not always be able to travel exactly where, when, and how quickly she wants to, but she may avoid a major expense.
- She may realize she does not like her job. Not having car payments will give her the flexibility to look for another job without the pressure of having to make monthly car payments.
- If you can walk or bike, you'll save money, get free exercise, and help reduce traffic and pollution.

Tip!

> Depending on the state, some car rental companies will not rent to younger customers or charge much higher rates. Do some research and shop around.

Next, your participants will get a reality check on car ownership costs.

# Topic 3 — Spending Smart

## Should Megan Buy a Car?

### Instructions:

Read Megan's situation and then choose the best decision for her. Then, in the space provided, explain why you think this is the best choice.

### Megan's story:

Megan's new job starts in three weeks. She's trying to figure out the best way to commute that's convenient but economical, too.

1. Now that I have a full-time job, I should invest in a new car. I'll get to work on time and do my errands faster. Plus I can go away on weekends!

2. I'll try public transportation first and then ask around at the office about ride sharing.

3. Maybe I won't even need a car. I think I'll buy a really inexpensive used car. That will give me all three things I want—convenience, flexibility, and low cost.

Tip!

Depending on the state, some car rental companies will not rent to younger customers or charge much higher rates. Do some research and shop around.

## What Can You Afford? (Instructor Copy)

### *Instructor note:*

*Photocopy the activity handout on the following page. Ask your participants to give their opinion on what things they should consider before buying a car. Write each one on a chalkboard/whiteboard or large piece of paper. Then distribute the activity handout and lead a discussion starting with these key points.*

| | |
|---|---|
| **Your needs** | Based on your situation, what type of vehicle will fill your transportation needs now and in the next few years? Will a 2-door compact do the job, or do you need a 4-door car or maybe a pick-up truck? Are safety and fuel economy important to you? Options such as a sunroof, leather seats, fancy wheels, and a sound system can be great, but they can add a lot to the price of the car. |
| **Consider value** | Reference guides such as Kelly Blue Book and Edmunds can help you determine the value of a vehicle. Some features, such as sunroofs and leather seats, may add to a car's resale value. Safety features are typically not very expensive for the benefits they offer, but might not add much to the resale value. Visit Web sites such as autotrader.com or vehix.com to compare models/features. Talk with a loan officer to get more info about car values. |
| **New vs. used** | Remember, almost all cars depreciate (go down in value) over time. The value of a new car can drop hundreds or even thousands of dollars the day you drive it off the car dealer's lot. Your initial cost for a used car will be less—but checking its mechanical condition will be especially important. |
| **Buy vs. lease** | Buying a car means paying for it with cash and/or a loan. After you make all the payments, you own the vehicle and can sell or trade it. With leasing, you sign a contract and make monthly payments to have use of the car for a specific length of time and number of miles. After making all your lease payments, you return the car to the dealer. You own nothing and may even owe the dealer more money for any excess mileage or damage. However, monthly lease payments are often lower than loan payments. |
| **Down payment** | You'll probably need some significant cash up front to acquire the car to begin with. This is known as the down payment. Have you set aside the amount you'll need? |
| **Loan term** | If you get a car loan, you'll have a monthly payment to the lender. Keep in mind that the longer the term of your loan (that is, the longer you have to pay the money back) the lower your monthly payment will be. But this will also mean that you'll pay more interest over the life of the loan and will end up paying more for the car than you would with a shorter term loan. Make sure you know what your total costs will be and decide if the vehicle seems worth it to you at that price. |
| **Your monthly budget** | After you pay all of your other bills, how much money do you have available to pay the ongoing expenses of car ownership such as fuel, insurance, maintenance, registration, parking, and other expenses? Remember, over the years that you own the car, there may be times when your income drops or you're unemployed. Try to keep your car expenses within a range you can consistently afford through the ups and downs. |

Tip!

How much—and how quickly—your car will depreciate (go down in value) will depend on factors including the make, model, year, where you live and how much you drive it.

If your participants are considering a car loan, guide them to the topic All About Credit. Next, they'll learn about leasing a car.

## What Can You Afford?

Before you buy a car, consider all the costs to determine what you can afford.

| | |
|---|---|
| **Your needs** | Based on your situation, what type of vehicle will fill your transportation needs now and in the next few years? Will a 2-door compact do the job, or do you need a 4-door car or maybe a pick-up truck? Are safety and fuel economy important to you? Options such as a sunroof, leather seats, fancy wheels, and a sound system can be great, but they can add a lot to the price of the car. |
| **Consider value** | Reference guides such as Kelly Blue Book and Edmunds can help you determine the value of a vehicle. Some features, such as sunroofs and leather seats, may add to a car's resale value. Safety features are typically not very expensive for the benefits they offer, but might not add much to the resale value. Visit Web sites such as **autotrader.com** or **vehix.com** to compare models/features. Talk with a loan officer to get more info about car values. |
| **New vs. used** | Remember, almost all cars depreciate (go down in value) over time. The value of a new car can drop hundreds or even thousands of dollars the day you drive it off the car dealer's lot. Your initial cost for a used car will be less—but checking its mechanical condition will be especially important. |
| **Buy vs. lease** | Buying a car means paying for it with cash and/or a loan. After you make all the payments, you own the vehicle and can sell or trade it. With leasing, you sign a contract and make monthly payments to have use of the car for a specific length of time and number of miles. After making all your lease payments, you return the car to the dealer. You own nothing and may even owe the dealer more money for any excess mileage or damage. However, monthly lease payments are often lower than loan payments. |
| **Down payment** | You'll probably need some significant cash up front to acquire the car to begin with. This is known as the down payment. Have you set aside the amount you'll need? |
| **Loan term** | If you get a car loan, you'll have a monthly payment to the lender. Keep in mind that the longer the term of your loan (that is, the longer you have to pay the money back) the lower your monthly payment will be. But this will also mean that you'll pay more interest over the life of the loan and will end up paying more for the car than you would with a shorter term loan. Make sure you know what your total costs will be and decide if the vehicle seems worth it to you at that price. |
| **Your monthly budget** | After you pay all of your other bills, how much money do you have available to pay the ongoing expenses of car ownership such as fuel, insurance, maintenance, registration, parking, and other expenses? Remember, over the years that you own the car, there may be times when your income drops or you're unemployed. Try to keep your car expenses within a range you can consistently afford through the ups and downs. |

**Tip!**

How much—and how quickly—your car will depreciate (go down in value) will depend on factors including the make, model, year, where you live and how much you drive it.

## Leasing: Benefits & Drawbacks (Instructor Copy)

### *Instructor note:*

*Bring examples of car leasing ads and information (from newspapers, magazines, etc.) to share with participants to begin this discussion. Discuss what makes lease options appealing to consumers. Then, on the whiteboard/chalkboard or large piece of paper, write two headings: Benefits and Drawbacks*

*Divide the class into two teams. Alternate between teams asking them to provide a potential benefit or drawback for leasing a car (make sure to change it up so each team has to come up with drawbacks and benefits). Each team earns one point for a correct answer. After all the points are made, use this chart to add these key points.*

| Potential Benefits | Potential Drawbacks |
|---|---|
| **A new car**<br>Consider leasing if you enjoy having a new car with the latest features every few years—even though you won't actually own it. | **Fees for damage**<br>If you lease, it pays to maintain your vehicle in top condition. You may have to pay the dealer extra for even minor damage. |
| **Lower monthly payments**<br>Monthly lease payments are often lower than loan payments because you're only paying for the depreciation of the car during your lease—not for the car's full value. | **Excess mileage charges**<br>Your lease agreement will specify how many miles are included. At the end of the lease, you may be charged 15 to 20 cents or more for each mile above this limit. You can usually pay for extra miles ahead of time at a lower rate. |
| **Easy transition**<br>You'll avoid any trade-in or selling hassles when it's time for another car. | **Fixed term, early termination fee**<br>By signing a lease, you are making a commitment to pay for a certain period of months. Dealers typically charge a high fee if you end the lease early. |
| | **No trade-in value**<br>Similar to renting an apartment, leasing a car means that you're paying to use it. Because you do not own the vehicle, you can't sell or trade-in the vehicle as a down payment on your next vehicle. |

Next, your participants will decide whether they should go with a new or used car.

## New vs. Used Activity (Instructor Copy)

### *Instructor note:*

*Photocopy the activity handout on the following page. Distribute the activity handout and tell your participants they will be matching features and benefits of new and used cars.*

### Instructions:

Have your participants read the list of new and used car features. Have them write each feature under the New Cars or Used Cars column. Then, have them decide whether or not that feature is positive or a negative. Then use this activity and participants' comments to lead a discussion on car buying options.

### Features:

| | | |
|---|---|---|
| Fewer feature choices | Higher price | Limited or no warranty |
| Higher insurance, tax & fees | Instant depreciation | Lower price |
| Higher loan interest rate? | Latest features & options | Top condition |
| Higher maintenance | Declining depreciation | Warranty |

| New Cars | | Used Cars | |
|---|---|---|---|
| **Features** | **Plus or minus?** | **Features** | **Plus or minus?** |
| *Example: new car smell.* | + | | |
| **Higher price**<br>The purchase price of a new car is higher than a used car. | - | **Lower price**<br>Used cars cost less & can be a better value. Buying from a private seller might get you a better price, but the seller may not allow you to return it. | + |
| **Instant depreciation**<br>A new car depreciates by 15% or more the minute you buy it. | - | **Declining depreciation**<br>Used cars continue to depreciate but typically depreciate the most during the first three years. | + |
| **Higher insurance/ taxes/fees**<br>These are generally higher than for a used car. | - | **Higher loan interest rate**<br>A loan for a used car may carry a higher interest rate. Cars more than 7 yrs. old might not qualify for loans. | - |
| **Warranty**<br>New cars come with a warranty of up to 10 years or 100,000 miles. | + | **Limited or no warranty**<br>If you purchase from a private seller, your car may not carry a warranty. A dealer may or may not offer you a warranty on a used car. | - |

## New vs. Used Activity (Instructor Copy) (continued)

| New Cars | | Used Cars | |
|---|---|---|---|
| **Features** | **Plus or minus?** | **Features** | **Plus or minus?** |
| **Latest features and options** You'll have flexibility to order a new car with the features and options you want. | + | **Fewer feature choices** You can't "order" a used car with specific features. But you may get more features for the money. | +/- |
| **Top condition** A new car should have no previous wear, mechanical problems or body damage. | + | **Higher maintenance** Before buying, review maintenance documentation and check the car during the day. Test drive & consult a service to see if it has been damaged. Hire a mechanic for inspection. | - |

Tip!

A good middle ground between new and used is a "certified pre-owned" car. These have been checked out by a dealer and come with a warranty.

## New vs. Used Activity

### Instructions:

Read the list of new and used car features. Write each feature in the Features under the New Cars or Used Cars column. Then, decide whether or not that feature is positive or a negative.

### Features:

| | | |
|---|---|---|
| Fewer feature choices | Higher price | Limited or no warranty |
| Higher insurance, tax & fees | Instant depreciation | Lower price |
| Higher loan interest rate? | Latest features & options | Top condition |
| Higher maintenance | Declining depreciation | Warranty |

| **New Cars** | | **Used Cars** | |
|---|---|---|---|
| **Features** | **Plus or minus?** | **Features** | **Plus or minus?** |
| *Example: new car smell.* | + | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |

**Tip!**

A good middle ground between new and used is a "certified pre-owned" car. These have been checked out by a dealer and come with a warranty.

## Are you a Smart Car Shopper? (Instructor Copy)

***Instructor note:***
Begin a discussion with your participants by asking questions such as:

- If you own a car, what *tips or techniques did you use when you went car shopping?*
- *Did someone go with you when you went car shopping? Did they offer any advice? What was it and did it help you?*
- *Other than researching prices and types of cars, did you do any other research to prepare for car shopping?*

*Use this quick true and false quiz to test participants' knowledge. Divide the class into two teams. Read each statement. The first team spokesperson that calls out the correct answer earns 25 points. If a team answers incorrectly, they'll be penalized 25 points. The team with the most points wins.*

| | |
|---|---|
| Shop for your car loan before you shop for your car. | TRUE |
| Try to get pre-approved for your loan. | TRUE |
| Stay firm about the exact make, model, year, and color you want. | FALSE |
| Purchase all dealer options such as undercoating, fabric protection, and paint sealant. | FALSE |
| Once you've made the deal, never cancel it. | FALSE |
| Work with the seller to determine how you could afford higher monthly payments. | FALSE |
| Decide on your top price, with monthly payments you can afford. | TRUE |
| Never sign a contract with any blank spaces. | TRUE |

Tip!

A pre-approval is a written commitment from a lender that confirms the price of car you can purchase. It lets you and others see, in writing, that you qualify for a specific car loan amount.

***Instructor note:***
*At this point in the class, consider using this recommended library article listed below as a discussion resource or a takeaway for your participants. You can find this and other library articles at the end of this topic.*

## Recommended Article: Smart Car Shopping

Remember, the online *Hands on Banking*® program has dozens of additional library articles that you can use and distribute for this and other topics. Visit **www.handsonbanking.org** to browse all the available articles.

## Scenario Activity: What's the Best Choice? (Instructor Copy)

### *Instructor note:*

*Photocopy the activity handout on the next page. Ask participants to choose the best possible option, and then, for each option, instruct them to write a few sentences about why it was right or wrong for the situation. After participants finish, lead a group discussion about their choices, using the consequences and feedback provided below. Then have them share similar experiences they may have had.*

### Instructions:

Have participants read Carl's story. Based on his situation, have them choose the best possible option. Then, for each option, have them write a few sentences about why the option was right or wrong for Carl's situation.

### Carl's Story:

Carl has his own landscaping business and plans to get a pick-up truck. He's been considering a brand new one, but the same dealer has a used one in good condition with low miles. He has enough cash to buy the used one, although that might mean paying some of his bills late for a few months and a delay in buying new plants. Three years from now, he'd like to give the truck to his little brother, who will be turning 16. What should Carl do?

1. **Buy the used truck for cash and save the fees and interest expense of a loan.**
   *Consequences: Even though Carl owns the truck and isn't paying loan interest, he may not have any money left at all! He may not be able to buy plants and paying his bills late could hurt his business and his credit rating.*

   *Feedback: If Carl had plenty of cash to spare, he could own the truck right away, and he'd save on loan fees and interest. But if this purchase requires so much cash that he can't pay his other bills, then a cash purchase really isn't an affordable option.*

2. **Make a down payment for the used truck and get a loan for the rest.**
   *Consequences: Carl should feel good about his decision. He saved money by buying used and the down payment he made allowed him to get a loan with payments he can afford. When he makes his last loan payment three years from now, he'll own the truck and can give it to his brother*

   *Feedback: Both new and used cars can have high price tags, so most people get loans. It's a good strategy for Carl. But remember: he'll have to pay interest and fees for the loan, and he won't own the truck until he makes his final loan payment.*

3. **Lease the new truck.**
   *Consequences: Even though the down payment was small and maintenance costs are included in the lease agreement, Carl may end up paying extra because of the number of miles he drives. When the lease is up, he won't own the truck and will have to buy it from the dealer so he can then give it to his brother.*

   *Feedback: Leasing may enable Carl to drive a brand new truck for not much money upfront, but when all factors are considered, leasing is frequently more expensive than making loan payments and buying a vehicle. Monthly lease payments may be lower or higher than a loan, so it's important to comparison shop.*

## Scenario Activity: What's the Best Choice?

### Instructions:

Read Carl's story. Based on his situation, choose the best possible option. Then, for each option, write a few sentences about why the option was right or wrong for Carl's situation.

### Carl's Story:

Carl has his own landscaping business and plans to get a pick-up truck. He's been considering a brand new one, but the same dealer has a used one in good condition with low miles. He has enough cash to buy the used one, although that might mean paying some of his bills late for a few months and a delay in buying new plants. Three years from now, he'd like to give the truck to his little brother, who will be turning 16. What should Carl do?

1. **Buy the used truck for cash and save the fees and interest expense of a loan.**
   *Should Carl choose this option? Why or why not?*

2. **Make a down payment for the used truck and get a loan for the rest.**
   *Should Carl choose this option? Why or why not?*

3. **Lease the new truck.**
   *Should Carl choose this option? Why or why not?*

## Car Insurance Basics (Instructor Copy)

### *Instructor note:*

*Consider inviting an insurance agent in to talk with your participants.*

*Photocopy the activity handout on the following page. Begin a discussion with your participants by asking questions such as:*

- *What are some basic car insurance terms (give an example: deductible)? What does that term mean?*
- *If you're in a car accident at you're not at fault, who pays what?*
- *What is a deductible and how does it affect the premium?*
- *Name some different types of coverage.*

*Then, distribute the handout and lead a discussion using these key points.*

### Key points:

- Car insurance is critical for protecting yourself financially.
- Buying car insurance can protect you from major expenses that otherwise you couldn't afford.
- Consult with insurance professionals, consider the advice, and comparison shop before buying.

| | |
|---|---|
| **Basic insurance terminology** | When you buy insurance, you receive an insurance policy, a document that spells out exactly what is and isn't covered. The covered items are called your benefits. The amount you pay for insurance is called the premium. When you have costs and submit bills to your insurance company, this is known as filing a claim. Your deductible is the amount you must pay toward repairs or expenses before the insurance company pays. |
| **Who pays what?** | When you file a claim, typically your insurance company will pay only a portion of your costs, according to what is outlined in the insurance policy. The amount of a claim that you must pay before the insurance company will pay is called the deductible; the amount you pay toward each medical bill is called the co-pay. |
| **How deductible impacts premium** | Typically, the higher the deductible amount, the less expensive the insurance premium. So it's a good strategy to get a policy with the highest deductible that you'd be able to comfortably afford if you had to. This will minimize the cost of your policy. |
| **Your credit score** | Your credit score could impact how much insurance companies charge you in premiums. To learn more, see the topic All About Credit. |
| **Auto coverage types** | Car insurance can include different types of insurance on one policy. For example: collision insures you against damage to your vehicle caused in an accident; comprehensive protects you against other forms of damage to your car, such as fire, theft, flood, and vandalism; liability pays for injuries and property damage you cause to other people's property with your car if you're at fault; medical payments covers medical care for you and your passengers if injured in an accident in your car. |
| **How much coverage?** | Ask insurance professionals to determine how much coverage you need. In terms of your vehicle itself, the amount depends on how much money you could spare to repair or replace it. The higher the value of your car, the more coverage you should consider. For other forms of insurance, you should have enough to protect your assets in case you get sued. |

*This is provided for informational purposes only and should not be construed as legal or financial advice. Please consult your legal or financial advisor for more information.*

## Car Insurance Basics

### Key points:

- Car insurance is critical for protecting yourself financially.
- Buying car insurance can protect you from major expenses that otherwise you couldn't afford.
- Consult with insurance professionals, consider the advice, and comparison shop before buying.

| | |
|---|---|
| **Basic insurance terminology** | When you buy insurance, you receive an insurance policy, a document that spells out exactly what is and isn't covered. The covered items are called your benefits. The amount you pay for insurance is called the premium. When you have costs and submit bills to your insurance company, this is known as filing a claim. Your deductible is the amount you must pay toward repairs or expenses before the insurance company pays. |
| **Who pays what?** | When you file a claim, typically your insurance company will pay only a portion of your costs, according to what is outlined in the insurance policy. The amount of a claim that you must pay before the insurance company will pay is called the deductible; the amount you pay toward each medical bill is called the co-pay. |
| **How deductible impacts premium** | Typically, the higher the deductible amount, the less expensive the insurance premium. So it's a good strategy to get a policy with the highest deductible that you'd be able to comfortably afford if you had to. This will minimize the cost of your policy. |
| **Your credit score** | Your credit score could impact how much insurance companies charge you in premiums. To learn more, see the topic All About Credit. |
| **Auto coverage types** | Car insurance can include different types of insurance on one policy. For example: collision insures you against damage to your vehicle caused in an accident; comprehensive protects you against other forms of damage to your car, such as fire, theft, flood, and vandalism; liability pays for injuries and property damage you cause to other people's property with your car if you're at fault; medical payments covers medical care for you and your passengers if injured in an accident in your car. |
| **How much coverage?** | Ask insurance professionals to determine how much coverage you need. In terms of your vehicle itself, the amount depends on how much money you could spare to repair or replace it. The higher the value of your car, the more coverage you should consider. For other forms of insurance, you should have enough to protect your assets in case you get sued. |

**Tip!**

Some types of auto insurance may be required to register a car in your state; others might be optional.

***Instructor note:***

*At this point in the class, consider using this recommended library article listed below as a discussion resource or a takeaway for your participants. You can find this and other library articles at the end of this topic.*

## Recommended Article:
## Auto Insurance—Read this before you get behind the wheel!

Remember, the online *Hands on Banking*® program has dozens of additional library articles that you can use and distribute for this and other topics. Visit **www.handsonbanking.org** to browse all the available articles.

# Lesson Summary

### *Instructor note:*

*Summarize this lesson by reviewing these key points with your participants.*

Key points from the Smart Car Buying lesson:

- If you're one of the millions of people who decide to get a car, the main thing is just be realistic about what it's going to cost you.
- Owning a car is definitely fun but it's a major responsibility and expense too.
- There's more to consider than just the cost of the car—extra expenses such as gas, parking, maintenance, repairs, insurance, taxes, and fees.
- The value of your car goes down the more you put miles on it.
- Leasing a car is an option and has potential benefits, but consider the drawbacks as well.
- Deciding between buying a new and used car may be a difficult decision—weigh the pros and cons of both options.
- Car insurance is critical to your protecting yourself financially. Consult with professionals before you buy.

## Additional Activities

These activities are designed to extend the new concepts presented in the Smart Car Buying lesson. Use these or similar activities to give participants an opportunity to apply what they have just learned to real-life scenarios.

- Write down your dream car (within reason—Lamborghinis, Ferraris and Porsches, for example, won't work!). List out all the features you want.
- Go online and find out the cost of the same or similar car that is brand new. Then, use your local Auto Trader or visit a used car location to find the same/similar car that might not have all the features. What's the difference in cost?
- Call an insurance professional and find out what insurance costs are for your dream car.
- For one week, try to use only public transportation. What did you save in gas? How did you feel during this week?
- Choose a car model, year (not this year) and make—for example a 2005 Ford Mustang. Then, look up the car's Kelly Blue Book value to find out what this particular car cost brand new and what is sells for now. Where you surprised at the depreciation?
- List three other ways that you can get to work or school other than driving your own car. Do a cost analysis on each (e.g. gas savings, time savings, environmental savings, etc.)

## Topic 3 — Spending Smart

# Lesson 5: Renting an Apartment

In this lesson, participants gain valuable info to find what they're looking for in an apartment and learn how to make it work financially. They also learn how to calculate a target rent amount based on their income.

### Learning Objectives

After completing this lesson, participants will be able to:

- Explain the available options when they are considering where to live.
- Define steps that can result in success for renting an apartment.
- Explain how to calculate a target rent amount based on their income.

### Start the Discussion

To start a discussion with your participants, ask some open-ended questions. Here are some examples you could use:

- Who has their own apartment? Describe your apartment hunting experience.
- What were your criteria when you went looking for an apartment?
- How much of your monthly gross pay should you spend on a place to live?

### The Basics

- There are no right or wrong answers when deciding where to live.
- Everyone's goals and circumstances, financial and otherwise, are a little different. It's up to you to think through what works best for you, your job, your lifestyle, and your budget.
- You may have a few options: living with your family, student housing, or an apartment on your own or with roommates. Someday you may buy a home of your own.
- Housing is a major expense…for a lot of people it's their number one expense.
- Some places are generally more or less expensive to live in than others.
- The "cost of living" factor is important to keep in mind as you explore options for where and how you want to live.

## Consider Your Options (Instructor Copy)

### *Instructor note:*

*Begin a discussion with your participants by asking questions such as:*

- *What things do you think are important to consider when deciding where want to live?*
- *What are some options for your living situation if you do not live at home?*
- *For those of you who live on your own (roommates, etc.) Where does housing fall in the list of your major expenses? Highest? Midrange?*

*Then discuss these key points:*

### Key points:

- There are no right or wrong answers when deciding where to live.
- Everyone's goals and circumstances, financial and otherwise, are a little different. It's up to you to think through what works best for you, your job, your lifestyle, and your budget.
- You may have a few options: living with your family, student housing, or an apartment on your own or with roommates. Someday you may buy a home of your own.
- Housing is a major expense…for a lot of people it's their number one expense.
- Some places are generally more or less expensive to live in than others.
- The "cost of living" factor is important to keep in mind as you explore options for where and how you want to live.

**Tip!**

Is there a move in your future? The most recent U.S. Census shows that about a third of all people in their twenties move every year.

## A Place of Your Own (Instructor Copy)

### *Instructor note:*

*Photocopy the activity handout on the following page. Divide the class into groups. Give them five minutes to come up with five steps they think are important when they begin the process to rent an apartment. Have each group share their thoughts and note the items on the whiteboard/chalkboard or large piece of paper. Then distribute the activity handout. See which group came up with the most points listed below—they win! Continue the discussion until all the points are covered.*

*You may want to consider inviting a property management representative or residential landlord from the community to come in and talk to your class.*

If you want to rent an apartment by yourself or with roommates, here are the steps to success.

| | |
|---|---|
| **Set a rent maximum** | • Know how much you can afford to spend on rent.<br>• A general guideline is that housing shouldn't exceed 32% of your gross salary (the total amount of your paycheck before taxes and other deductions). |
| **Target neighborhoods** | • Consider how close the location is to your job or school, access to transportation, shopping, and entertainment, and neighborhood safety and livability—while keeping your rent within your budget. |
| **Shop around** | • Read apartment ads. Visit the neighborhoods that interest you.<br>• Look for "For Rent" signs.<br>• See as many apartments as you can. Make comparisons. |
| **Qualify credit-wise** | • Almost all landlords will do what's called a credit check to see what your history has been as a money manager and decide if they can trust you to pay your rent on a steady basis. |
| **Read the lease** | • In almost all cases, the owner or the apartment manager will ask you to sign a written contract called a lease.<br>• It's extremely important to read and understand the lease before you sign. |

Tip!

See the topic *All About Credit* to learn a lot more about what credit is and how to establish and maintain good credit.

How much can your participants afford to spend on rent? Find out next.

## A Place of Your Own

If you want to rent an apartment by yourself or with roommates, here are the steps to success.

| | |
|---|---|
| **Set a rent maximum** | • Know how much you can afford to spend on rent.<br>• A general guideline is that housing shouldn't exceed 32% of your gross salary (the total amount of your paycheck before taxes and other deductions). |
| **Target neighborhoods** | • Consider how close the location is to your job or school, access to transportation, shopping, and entertainment, and neighborhood safety and livability—while keeping your rent within your budget. |
| **Shop around** | • Read apartment ads. Visit the neighborhoods that interest you.<br>• Look for "For Rent" signs.<br>• See as many apartments as you can. Make comparisons. |
| **Qualify credit-wise** | • Almost all landlords will do what's called a credit check to see what your history has been as a money manager and decide if they can trust you to pay your rent on a steady basis. |
| **Read the lease** | • In almost all cases, the owner or the apartment manager will ask you to sign a written contract called a lease.<br>• It's extremely important to read and understand the lease before you sign. |

Tip!

See the topic *All About Credit* to learn a lot more about what credit is and how to establish and maintain good credit.

## What Can You Afford? (Instructor Copy)

### *Instructor note:*

*Photocopy the activity handout on the following page. Begin the activity by instructing participants to plug numbers into the equations. Instruct them to calculate the formula for $950, $1200 and $1500 as their gross monthly income. Then, give them example numbers for the rent of an apartment—$650, $800 and $950. Then lead a discussion using the key points below.*

### Instructions:

First, tell your participants that a good general guideline is that housing should not exceed 32% of their gross salary, or gross income. (Your gross salary is the total amount of your paycheck before taxes and other deductions.)

For the first formula, have your participants calculate their suggested maximum rent by using $950, $1200 and $1500 as their gross monthly income. Then, for the second formula, have them calculate their gross monthly income they'll need to rent an apartment that costs $650, $800 or $950 per month.

**Want to know how much you can afford to spend on rent? Use this formula:**

$__________________________ x .32 = $____________________________

*Your gross monthly income* *Your suggested maximum rent*

*Answers:*
*Gross monthly income of $950:* *$304*
*Gross monthly income of $1200:* *$384*
*Gross monthly income of $1500:* *$480*

**Want to know how much gross income you'll need to afford a particular apartment? Use this formula:**

$__________________________ / .32 = $____________________________

*The rent of the apartment you want* *Your suggested gross monthly income*

*Answers:*
*Apartment rent: $650:* *$2031*
*Apartment rent: $800* *$2500*
*Apartment rent: $950* *$2969*

### Key points:

- In addition to your monthly rent, you may have to pay for some or all of your utilities.
- Many landlords also require tenants to pay a security deposit.
- If the tenant damages the property or leaves owing rent, the landlord can use these funds to cover what the tenant owes.

Tip!

Consider getting renters insurance. Even though you're a renter and don't own your apartment, this insurance may cover your costs if your belongings are damaged or stolen.

Next, test your participants about the terms of a lease.

## What Can You Afford?

### Instructions:

A good general guideline is that housing should not exceed 32% of their gross salary, or gross income. (Your gross salary is the total amount of your paycheck before taxes and other deductions.)

For the first formula, calculate the suggested maximum rent by using $950, $1200 and $1500 as your gross monthly income. Then, for the second formula, calculate your gross monthly income you'll need to rent an apartment that costs $600, $850 and $1000 per month.

**Want to know how much you can afford to spend on rent? Use this formula:**

$ ____________________ x .32 = $ ____________________

*Your gross monthly income* *Your suggested maximum rent*

Answers:

If your gross monthly income is $950: = ____________________ maximum rent

If your gross monthly income is $1200: = ____________________ maximum rent

If your gross monthly income is $1500: = ____________________ maximum rent

**Want to know how much gross income you'll need to afford a particular apartment? Use this formula:**

$ ____________________ / .32 = $ ____________________

*The rent of the apartment you want* *Your suggested gross monthly income*

Answers:

You want an apartment that rents for $650: ____________________ gross salary needed

You want an apartment that rents for $800: ____________________ gross salary needed

You want an apartment that rents for $950: ____________________ gross salary needed

Tip!

Consider getting renters insurance. Even though you're a renter and don't own your apartment, this insurance may cover your costs if your belongings are damaged or stolen.

## A Lease You Can Live With (Instructor Copy)

### *Instructor note:*
*Use this quick true and false quiz to test participants' knowledge. Divide the class into two teams. Read each statement. The first team spokesperson that calls out the correct answer earns 25 points. If a team answers incorrectly, they are penalized 25 points. The team with the most points wins. Then use the information and the participants' comments to further discuss what they need to know before they sign a lease.*

| | |
|---|---|
| If there's anything you don't understand, don't sign; take it home and think it over. | TRUE |
| Ask the landlord if your roommates can co-sign the lease, making them equally responsible. | TRUE |
| If utilities won't be covered by your rent, don't include them in your monthly spending plan. | FALSE |
| Ask someone familiar with leases to help you understand the "lawyer language." | TRUE |
| Avoid a written lease if you can. Make a "handshake" deal with the landlord instead. | FALSE |
| If you have roommates, never let them read the lease. | FALSE |
| See how much notice is needed before moving out and the penalty if you break your lease. | TRUE |
| If the rent's affordable now, don't worry how often the landlord's allowed to increase it. | FALSE |

Tip!

Interested in becoming a homeowner? See the topic *Buying a Home* in the Hands on Banking Adults' course.

# Lesson Summary

## *Instructor note:*

*Summarize this lesson by reviewing these key points with your participants.*

Key points from the Renting an Apartment lesson:

- There are no right or wrong answers when deciding where to live.
- Everyone's goals and circumstances, financial and otherwise, are a little different. It's up to you to think through what works best for you, your job, your lifestyle, and your budget.
- You may have a few options: living with your family, student housing, or an apartment on your own or with roommates. Someday you may buy a home of your own.
- Housing is a major expense…for a lot of people it's their number one expense.
- Some places are generally more or less expensive to live in than others.
- The "cost of living" factor is important to keep in mind as you explore options for where and how you want to live.

## Additional Activities

These activities are designed to extend the new concepts presented in the Renting an Apartment lesson. Use these or similar activities to give participants an opportunity to apply what they have just learned to real-life scenarios.

- Look online or in the newspaper for available apartments in two or three areas you'd like to live. Is there a difference in price based on location (if all other factors—square footage, number of bedrooms, etc.) are the same?
- Create a list of all the things you want in an apartment—number of bedrooms, location, etc. Use your list to find apartments that fit the criteria.
- Collect two or three apartment rental applications. Begin filling one out. Is there information on the application that surprises you? Why?

# Topic Summary

***Instructor note:***
*Summarize this topic by reviewing these key points with your participants.*

Key points from the Spending Smart topic.

- Take control where your money is going. Create a Spending Plan to help live within your means and avoid running short.
- If there's not enough money to go around, look for ways to decrease your flexible and discretionary expenses and/or increase your income.
- Make it a priority to pay your bills on time. There are lots of potential penalties for paying late.
- When you shop, always consider whether it's something you really need. Get creative about making trade-offs.
- Before you sign any kind of contract, whether it's for cell phone service or an apartment lease, make sure you understand exactly what you're getting into.
- Spending is fun, but don't spend everything you earn. Save as much as you can. Start by building up at least two months of take-home pay in savings for an unexpected emergency.

Next, test your participants on what they've learned about Spending Smart.

# Topic 3 — Spending Smart

## Test Yourself (Instructor Copy)

### *Instructor note:*

*This short quiz can be used as a pre or post test with your participants to gauge their current knowledge on spending.*

*Photocopy the quiz on the next page. Distribute it to participants to test what they've learned about Spending Smart.*

### Instructions:

Have your participants answer these questions to test their knowledge.

1. Your take-home pay, or net income, is ________________________.
   a. the amount you receive after benefits, such as vacation pay and health insurance, have been added.
   **b. the amount you receive after taxes, insurance, or other costs have been subtracted.**
   c. The total amount you earn.
   d. The amount of cash needed to fill one basketball net.

2. Which of the following is a good example of a making a financial "trade-off"?
   a. skipping a few classes at school in order to go shopping at the mall.
   **b. skipping a few dinners out in order to save for a weekend trip.**
   c. skipping a few days of work in order to look for a new job.
   d. trading your U.S. dollars for Euros.

3. Typically, the higher the deductible amount, the less expensive the __________________.
   a. car.
   b. insurance benefits.
   **c. insurance premium.**
   d. cost of a double cheeseburger.

4. If your roommates co-sign your apartment lease, they are _________________________.
   a. smarter than you thought they were.
   b. not responsible for any damage that may occur.
   c. equally responsible for paying moving expenses.
   **d. equally responsible for honoring its terms.**

## Topic 3 — Spending Smart

### Test Yourself

### Instructions:

Answer these questions to test your knowledge.

1. Your take-home pay, or net income, is ___________________________.
   a. the amount you receive after benefits, such as vacation pay and health insurance, have been added.
   b. the amount you receive after taxes, insurance, or other costs have been subtracted.
   c. The total amount you earn.
   d. The amount of cash needed to fill one basketball net.

2. Which of the following is a good example of a making a financial "trade-off"?
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   c. skipping a few days of work in order to look for a new job.
   d. trading your U.S. dollars for Euros.

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   a. car.
   b. insurance benefits.
   c. insurance premium.
   d. cost of a double cheeseburger.

4. If your roommates co-sign your apartment lease, they are ___________________________.
   a. smarter than you thought they were.
   b. not responsible for any damage that may occur.
   c. equally responsible for paying moving expenses.
   d. equally responsible for honoring its terms.

# Appendix

## Library Articles & Additional Topic Resources

Use these library articles as a discussion resource or a takeaway for your participants. Remember, the online *Hands on Banking*® program has dozens of additional library articles that you can use and distribute for this and other topics. Visit **www.handsonbanking.org** to browse all the available articles.

# Shopping and Spending Tips

Here are some shopping tips to help you get the most from the money you spend:

### At the store

- Resist impulse buying! Ask yourself:
- Do I really need it?
- Do I need it today?
- What if don't buy it now?
- Can I do this at a lower cost?
- Limit the cash you carry.
- Shop with your budget in mind.
- Avoid ATM fees.
- Watch for sales.
- Wait for the right price.
- Look for coupons and rebates.
- Shop for value!

### Food shopping

- Save money by eating at home.
- Make a shopping list for the grocery store.
- Watch for sales and coupons.
- Buy products you use frequently in large sizes or bulk quantities.

### Credit card tips

- Get a credit card with a low annual fee and low interest rate.
- Don't use a credit card if you can't afford the price.
- Pay your credit card bills on time.
- Avoid cash advances.

### Keep track of your spending

- Keep your receipts.
- Check receipts against statements.
- Check statements against your budget.

## Shopping and Spending Tips (continued)

### Cell phone tips

- Shop for a package deal.
- Ask questions.
- Read the contract before you sign.
- Understand the features and prices.
- Watch out for high text messaging charges!
- Keep track of your usage.
- Pay your bill on time and in full.

### When making major purchases

- Consider your needs.
- Determine your budget.
- Research before you buy.
- Comparison shop.
- Research product claims.
- Try before you buy.
- Ask family and friends.
- Confirm the full price.
- Watch for sales, coupons and rebates.
- Consider negotiating.
- Find the best overall value—quality, service and price.
- Inspect products before you buy.
- Understand the warranty.
- Know the return policy.
- Save your receipt.
- Speak to the manager if you have a problem.

### Take advantage of membership discounts

You may be eligible for discounts if you have a valid student, military, or insurance ID, or other organization memberships. Research the benefits and ask stores what cards they honor for discounts. Some grocery and drug stores offer savings cards for customers.

### Ask about employee discounts

Some stores and businesses offer their employees a special discount on merchandise. You might consider getting a seasonal job at a store where you plan to do your holiday shopping, for example.

## Shopping and Spending Tips (continued)

**Comparison shop online**
Doing your research on the Web can save you time, effort, and transportation costs.

**Skip the rest to save for the best**
Consider skipping a few low-cost purchases you could do without in order to save for one item you really value. For example, trade-off your next few purchases of jeans and t-shirts to save for one nice work outfit, or skip your visits to fast food restaurants in order to afford one dinner at a top restaurant. Bypass small luxuries (like fancy coffees and movie rentals) for a few months and use the money to help you afford one great travel experience.

**Find a creative way**
Think about ways you might be able to obtain something you want at a lower cost or even for free. For example, you might be able to see a play or hear a concert by volunteering to usher. Or you might get some friends together in order to qualify for a volume or group discount. Share a magazine subscription with a friend rather than buying single issues off the rack.

We invite you to contact Wells Fargo for further information and assistance. Visit our Web site at **wellsfargo.com** or any Wells Fargo store.

# Smart Car Shopping

For many consumers, a new car is second only to a home as their most expensive purchase. It pays to get the most value possible for the money you spend. Review these tips before you begin the process of buying a car or other vehicle:

## Shop for your car loan

- Consider how much you're willing to spend. Will you pay cash for the vehicle, or make a down payment and finance the rest? If you plan to finance the purchase, shop for your loan before you shop for your car.
- Research a number of financing sources including banks, credit unions, and online lenders. Some car dealers also offer financing. Compare the Annual Percentage Rates (APR), interest rates, terms, and fees of the loans they offer. Find out what your monthly payment would be for different loan amounts and the total cost of each loan.
- Consider asking for pre-approval of your loan. If you're pre-approved, it means you can shop for a car in your price range with the confidence that you'll get the loan you need.
- Know your credit history and credit score before you negotiate an auto loan. At the Web site **www.annualcreditreport.com**, you can receive one free copy of your credit report once a year from each of the three largest credit bureaus in the United States. You can also purchase a credit score through this Web site.

## Do some advance research

- By doing some advance research, you'll be less likely make an impulsive or expensive purchase decision and more likely to be a satisfied buyer.
- Consider the kind of vehicle that will meet your transportation needs. Will the car you want now be the car you'll still want in a couple of years?
- Use the Web, consumer and auto magazines, and other publications to research the possibilities. Look at ratings and evaluations by automotive professionals and road tests, especially those performed over thousands of miles to evaluate a car's gas mileage, durability, and maintenance issues. Research safety records.
- Before heading out to the dealerships, go online to sites like Kelly Bluebook (**kbb.com**) and NADA (**nada.com**) to learn more about the car(s) you're interested in and what they cost.
- Remember, almost all cars depreciate (go down in value) due to wear and tear over time. The value of a new car can drop hundreds or even thousands of dollars the day you drive it off the car dealer's lot. You may be able to save a substantial amount by finding a used car in good mechanical condition.
- Narrow your choices to a few specific cars. Compare models and prices in ads and dealer showrooms. Consider contacting car-buying services and broker-buying services to make comparisons.

### Do some advance research (continued)

- Check with your insurance agent to compare the cost of insuring each car. Remember that insurance will be part of your cost of ownership.
- Based on your research, compare the total costs of each car you're considering. Does the amount fit your budget?

### Choose where, when, and how to shop

- Nowadays, an increasing number of people are buying cars over the Web. Even if you consider this option, it makes sense to visit local dealerships if you can. This will give you the opportunity to see the cars first-hand, take test drives, and ask questions. It will also give you the opportunity to evaluate the service quality of dealerships you may use for parts and service.
- Some dealers have adopted a "one-price" policy on new cars, meaning that every car is offered at a fixed price with no negotiating between the dealership and the customer. While this system may make your transaction faster and easier, keep in mind that the price you pay might be higher than what you might pay by negotiating.
- You may be able to get the best price on a car in the last two weeks of December, because business is often slow at the end of the year.
- From July through October, some dealers may offer good deals on current year cars because they're eager to make space for next year's models.
- Go car shopping with an objective friend who can point out possible concerns and stop you from making a hasty decision.

### Make your choice

- As you shop, retain some flexibility about make, model, year and color. As you comparison shop, you may find a car you like better and/or a better deal.
- Narrow your choice. Decide on specifics such as the color and options you want. Remember to take resale value into account. If it comes time to sell the car, you will want a color and options that appeal to prospective buyers.
- If the dealer doesn't have the car you want, consider ordering a new car. Although you'll have to wait for delivery, you could avoid paying more for options you don't want.
- Cars that need to be ordered should not cost more than the cars on the lot. On the other hand, a dealer may be willing to make a deal for a car on their lot if they're eager to sell current inventory.
- Be careful about extra options the dealer may offer you, such as undercoating, fabric protection, and paint sealant. These are often unnecessary add-ons that are significantly overpriced.
- If you're buying a used car, point out any flaws or problems with the car to the seller. Before you agree to buy it, be sure to have it inspected by a certified mechanic.
- Don't feel pressured to make a decision. Take your time and evaluate your options.

### Plan your buying strategy

- Consider whether you want to buy the car or lease it. Buying it means paying for it with cash and/or a loan. After you finish making the payments, you own the vehicle and can sell or trade it. With leasing, you sign a contract and make monthly payments to have use of the car for a specific length of time. After making all your lease payments, you return the car to the dealer. You own nothing and may even owe the dealer more money for any excess mileage or damage. However, monthly lease payments are often lower than loan payments.
- Don't leave your drivers license or social security number with a dealer. Dealers cannot run a credit check or an application for credit without your permission.
- Be prepared to cancel the deal. If something doesn't feel right, or you have a "gut feeling" that your purchase will be a mistake: walk away! Remember, you can always find another car.

### Tips for negotiating

- Negotiating can be challenging. To minimize the potential stress, make up your mind to be pleasant, friendly and non-combative throughout the process. This attitude will show the seller that you're a person who cannot be intimidated, rushed, pushed, or panicked into a decision.
- Be patient and persistent. The key to finding a good deal is being in the right place at the right time. If you're more anxious to buy than the seller is to sell, you'll reduce your chances of getting the best price you can.
- Plan to negotiate on price. Some dealers may be willing to bargain on their profit margin, which is often between 10 and 20 percent.
- Decide on your top price, a number you feel is fair for the vehicle, with monthly payments you can afford. Keep in mind that the dealer needs to make some profit. Then begin your negotiation at least 20% below what you're willing to pay. Remember, the dealer is likely to make a high counteroffer.
- Know your amount of "cash on hand." If you have the resources to write a check for a significant amount on the spot it will probably get the seller's attention and may strengthen your ability to negotiate the price.
- To increase your control of the negotiation, don't let the seller know exactly what you're thinking. Don't divulge the top amount you're willing to pay or the monthly payment you can afford. These are none of the seller's business.
- If the seller pressures you, simply smile politely and say something such as: "You have my offer. I appreciate your time and effort, but this is my budget limit."
- Beware of dealers who may bring another salesperson or manager into the negotiation in an effort to wear you down. Reach a deal with the original salesperson or walk out.
- Always be ready to walk away—but walk slowly. Chances are the seller will make one last attempt to find a price you can agree on.
- Leave on good terms. Even if you don't buy today, you might be back again later.

## Trading in your old car

The Federal Trade Commission (FTC) recommends that you discuss the possibility of a trade-in only *after* you've negotiated the best possible price for your new car and researched the value of your old car—online, in reference books, or magazines. Having this information may help you get a better price from the dealer. Selling your old car yourself may take more time, but generally you'll get more money for it than trading-in.

## Carefully consider add-ons

- If your dealer or lender asks you to buy credit insurance (to pay off your loan if you should die or become disabled), consider whether it's worth the cost. Check to see if you have an existing policy that offers this benefit. Credit insurance is not required by federal law. Check with your state Insurance Commissioner or consumer protection agency to find out about possible credit insurance requirements in your state.
- If you're offered a service contract by the dealer, manufacturer, or an independent company, review it carefully, and consider these questions:
    - What does the service contract cover compared to what's already covered by the manufacturer's warranty?
    - What repairs are covered? Is routine maintenance covered?
    - Who pays for parts and labor?
    - Who is authorized to make repairs?
    - What's the length of the contract?
    - What are the cancellation and refund policies?
- An extended warranty is a way to protect yourself from costly repairs that may be required after the manufacturer's warranty expires. Typically, neither manufacturer warranties nor extended warranties cover everything. Normal wear and tear (such as brake pads and batteries) and vehicle interior items (such as fabric and lights) are usually not covered. However, if you plan to keep the vehicle a long time, an extended warranty might be worth the cost. It can give you greater peace of mind and might also increase your vehicle's resale value. Before you buy, be sure you know exactly what's covered.
- If you purchase an extended warranty from the dealer when you buy your car, you may be able to add the cost of the warranty into your vehicle financing rather than paying for it in cash. If you don't purchase an extended warranty when you purchase the car, you may be able to purchase one later. However the closer you get to the expiration date of your manufacturer's warranty, the more the extended warranty is likely to cost.

## Before you sign

- Review the contract carefully. Make sure it reflects everything that was agreed on.
- Beware of any unnecessary or overpriced extras the dealer may attempt to tack on.
- Don't pay for "dealer prep!" It's already been paid for by the manufacturer.
- Examine extended warranties carefully. You may not need one, or may be able to get a better deal later.
- Never sign a contract with any blank spaces.
- Immediately get a copy of the contract that both you and the dealer have signed.

We invite you to contact Wells Fargo for further information and assistance. Visit our Web site at **wellsfargo.com** or any Wells Fargo store.

# Auto Insurance
## Read this before you get behind the wheel

Nothing puts the brakes on fun like a car accident. And no matter how careful you are on the road, chances are you may be involved in an accident at some point in your life. So if you own, lease or drive a car, you need to have auto insurance.

Auto insurance protects you, your passengers and your vehicle in the event of an accident, storm, vandalism or theft. What must be or can be covered by auto insurance is usually determined by state laws. Although laws vary from state to state, these types of protection are commonly included in an auto insurance policy:

- **Liability coverage** pays for injuries and property damage if you are found at fault in a car accident.
- **Medical payments protection** covers the cost of medical care (up to an amount set by the policy) for you and your passengers after an accident.
- **Personal injury protection** covers your lost income if you are unable to work as a result of injuries related to an accident, and pays for medical expenses, replacement services and funeral costs.
- **Collision protection** covers damage to your car caused by an accident.
- **Comprehensive coverage** pays for repairing damage to your car due to a fire, theft, flood or vandalism.
- **Uninsured motorist or underinsured motorist protection** pays for your medical expenses if you are hurt by a hit-and-run driver or a motorist who does not have any—or enough—insurance.

Optional protection for roadside assistance after an accident and reimbursement if you need to rent a car while yours is being repaired may also be available in your state.

### Check Your State's Limits

Driving without auto insurance is illegal. However, required coverage limits vary from state to state, so it is essential that you verify your state's requirements and get the required insurance before you get behind the wheel.

Never drive without auto insurance. If you get into an accident as an uninsured motorist, you may have to pay for legal fees, medical bills and repair charges. These expenses add up fast, and would likely cost a lot more money than the price of that auto insurance policy you should have purchased in the first place.

# Auto Insurance (continued)

### Review, Renew, Repeat

If you only review your auto insurance annually, you're not alone—but you could be missing out on discounts that could reduce your premiums. To ensure you have the right amount of coverage and get the best rates, you should review your policy with an independent insurance agent every time you:

- **Buy a new or pre-owned vehicle.**
  You'll need to provide the year, make and model of the car you plan on purchasing. Note: Some insurance companies now offer discounts to hybrid-vehicle owners.
- **Move, or if your dependent child relocates to another city or state for college.**
  A simple ZIP code change can dramatically impact your rates.
- **Change your daily commute.**
  Traveling shorter distances each day (i.e., if you start working out of your home or your company moves) could decrease your rates.
- **Install anti-theft equipment.**
  Adding an after-market security system could boost your savings on monthly premiums.
- **Receive grade reports for your dependent child.**
  Some insurance companies offer "good-student" discounts.

We invite you to contact Wells Fargo for further information and assistance. Visit our Web site at **wellsfargo.com** or any Wells Fargo store.

## Topic 4 — Save, Invest, and Build Wealth

# Topic Overview

The Save, Invest & Build Wealth topic teaches participants how saving provides great benefits.

This topic has five lessons:

1. Getting ahead
2. Reward yourself by saving
3. Investing basics
4. Get started with investing
5. How to build wealth

These lessons include a number of hands-on participant activities. Use these activities to help simulate real-world scenarios and activities with your participants.

This instructor guide is based on and follows the structure of the online *Hands on Banking®* program. We invite you to use and experience the online program as it is an excellent resource that will support your instructional efforts and enhance your participants' experience. It includes a variety of interactive lessons and many helpful resource library articles to augment this guide. Visit **www.handsonbanking.org** to access the program. Should you require a CD ROM to access the program you may request a free copy at **HOBCD@wellsfargo.com**.

## Topic 4 — Save, Invest, and Build Wealth

# Instructor's Guide—Young Adults
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# Instructor's Guide—Young Adults
# Table of Contents

# Glossary

***Instructor note:***

*The Glossary contains definitions and descriptions of valuable terms and phrases related to this topic. Encourage your participants to use the Glossary during and after the class to become more familiar and comfortable with the terminology.*

*Photocopy the glossary on the next page and hand it out to your participants.*

# Glossary

| | |
|---|---|
| **Annual Percentage Yield (APY)** | The rate of return on an investment, such as a deposit in an interest-bearing savings account, for a one year period. |
| **Asset** | Anything of value owned by a person or company. For example, a person's assets might include cash, a house, a car, and stocks. A business's assets might include cash, equipment, and inventory. |
| **Bond** | An investment offered to the public by a corporation, the U.S. Government, or a city. A bond pays interest annually and is payable in full at a specified date. Bonds are rated, and the rating indicates their probability of default. |
| **Capital** | The assets a borrower owns, for example a car, or cash in a savings account minus your liabilities. If a borrower is unable to make his or her loan payments, a lender might use these assets to pay the debt. Capital is also known as collateral or assets. |
| **Capital gain** | The dollar amount by which an asset's selling price exceeds its initial purchase price. For example, if you buy a stock for $4 per share and sell it for $7 per share, your capital gain is $3 per share. |
| **Capital loss** | The decrease in value of an investment or asset. The opposite of capital gain. |
| **Cash flow** | A measure of the changes in a company's cash during a specific period of time (usually a month, quarter, or year). Specifically, a company's cash income minus the cash payments it makes. |
| **Certificates of Deposit (CDs)** | A bank account in which you agree to keep the money for a specified period of time, usually anywhere from three months to several years. As a result, this account usually offers higher rates of return than a savings account. Money removed before the agreed upon date is subject to an early withdrawal penalty. The account pays interest on the deposit and is FDIC-insured. Banks issue an actual certificate for a CD account. If no certificate is issued, the account is known instead as a "time deposit." |
| **Compound interest** | When a financial institution pays you interest not only on your initial principal (the amount you originally deposited) but also on the interest your deposit has earned over time. |
| **Credit rating** | An evaluation of an individual's or business's financial history and the ability to pay debts. Lenders use this information to decide whether to approve a loan. The credit rating is usually in the form of a number or letter. |
| **Dividend** | If a company does well financially, its board of directors may decide to pay a small amount of its profits, called a dividend, directly back to its shareholders. Dividends are usually cash, but may also take the form of stock or other property. |
| **Dollar cost averaging** | A method of accumulating assets by purchasing securities at regular intervals with a fixed dollar amount. |
| **Equity** | The value of your investment above the total of your lien (debt). |

# Glossary

| | |
|---|---|
| **Fixed rate** | An interest rate that remains the same during the entire term of the loan. |
| **Foreclose, repossess** | The legal process by which an owner's right to a property is terminated, usually because of failure to make loan payments as agreed. Foreclosure typically involves a forced sale of the property at public auction, with the money applied to the remaining debt. |
| **Home equity** | The financial difference between what your home or other real estate is worth and the amount you still owe as debt on the home or other real estate. For example, your home is worth $100,000 and you owe $75,000 on your mortgage, then you have $25,000 of equity in your home. |
| **Interest** | The amount of money paid by a borrower to a lender in exchange for the use of the lender's money for certain period of time. For example, you earn interest from a bank if you have a savings account and you pay interest to a lender if you have a loan. |
| **Interest rate** | The amount of interest paid per year divided by the principal amount (that is, the amount loaned, deposited, or invested). For example, if you paid $500 in interest per year for a loan of $10,000, the interest rate is 500 divided by 10,000, or five percent (5%). |
| **Investing** | Purchasing something of value (for example, stocks or real estate) with the goal of earning money over time if the value increases. |
| **Liability** | The amount of money an individual or business owes to someone else: a debt. |
| **Liquidity** | The ability of an asset to be converted into cash quickly. |
| **Money Market Deposit Account (MMDA)** | A form of savings account that requires a larger balance than CDs or regular savings accounts, usually $10,000 or more. |
| **Mortgage** | A loan to finance the purchase of a home, usually with defined payments and interest rates. The homeowner gives the bank a lien, called the "mortgage," on the home, which serves as collateral for the loan. |
| **Mutual fund** | A type of investment where an investment company sells shares to the public and then invests the money in a group of investments such as stocks and bonds. |
| **Net worth** | The value of a company or individual's assets. Including cash, less total liabilities |
| **Portfolio** | A collection of investments all owned by the same person or organization. For example, a portfolio might include a variety of stocks, bonds, and mutual funds. |
| **Principal** | The total amount of money borrowed, loaned, invested, etc., not including interest or service charges. |
| **Profit** | The positive gain from an investment or a business operation after subtracting all expenses. |
| **Rate of return** | The annual rate of return is the percentage change in the value of an investment. For example: If you assume you earn a 10% annual rate of return, then you are assuming that the value of your investment has grown by that percentage. |

## Glossary

| | |
|---|---|
| **Real property assets** | Land and anything permanently affixed, including building, fences, trees, and minerals that has monetary value that is owned by a person or a company. |
| **Return on investment (ROI)** | The income that an investment produces for the investor. |
| **Rule of 72** | A way to estimate the time or interest rate you would need to double your money on an investment. For example, if you have an investment that's earning 8% per year, 72 divided by 8 equals 9. This means it would take about nine years for your original investment to double. |
| **Simple interest** | Interest that is calculated only on the principal sum, that is, the amount of money that was originally deposited. (By contrast, compound interest is when a financial institution pays you interest not only on your initial principal but also on the interest your deposit has earned over time.) |
| **Stock** | Certificate of ownership in a company. |
| **Stock exchange** | An organized market place in which stocks are traded by members of the exchange, such as brokers and principals. |
| **Term** | A period of time over which a loan is scheduled to be repaid. For example, a home mortgage may have a 30-year term, meaning it must be repaid within 30 years. |

## Topic 4 — Save, Invest, and Build Wealth

# Lesson 1: Getting Ahead

In this lesson, participants look at where they're headed financially. They test what they already know about saving, investing, and building wealth.

### Learning Objectives

After completing this lesson, participants will be able to:

- See how they now plan their financial future.
- See what they already know about saving, investing and building wealth.

### Start the Discussion

To start a discussion with your participants, ask some open-ended questions. Here are some examples you could use:

- If you're earning money, what are you doing to reward yourself?
- What do you think "wealth" is?
- Have you taken any steps to start building wealth? If so, what are they?

### The Basics

- There is a big difference between "having money" and building wealth.
- Money comes in and goes out, but wealth encompasses things like savings, investments, property, or your own business.
- Wealth is a set of resources that give you options and let you take advantage of opportunities in life.

## Topic 4 — Save, Invest, and Build Wealth

### Your Target Timeline (Instructor Copy)

### *Instructor note:*

*Photocopy the activity handout on the following page and distribute to your participants. Instruct them to read each step and put a checkmark next to the ones they have already completed. Then, next to the ones they haven't yet completed, ask them to write down their intended timeline (e.g. by next month, or "in one to two years" or "long term).*

*Begin a discussion by asking your participants to share what they've done already and what they need to do.*

### Instructions:

Have participants read the checklist below. If they've already completed a step, have them put a checkmark in the appropriate column. If they haven't completed a step, instruct them to write in a target timeline for completion (e.g. next year, long term, etc.)

| Steps to Build Wealth | Completed? (checkmark) | If not completed, suggested timeline? |
|---|---|---|
| I opened my own savings account. | | |
| I'm committed to a monthly saving goal. | | |
| I've set-up automatic transfers to my savings account. | | |
| As I earn more, I increase the amount I save. | | |
| I contribute to my own/my company's retirement savings plan. | | |
| I have enough savings to cover 2-6 months of expenses. | | |
| My debts are low enough that I can comfortably pay them. | | |
| I have started to invest in stocks, bonds, or mutual funds. | | |
| I own my own home. | | |
| I have started my own business. | | |

### *Instructor note:*

*Advise participants to continue to bring their goals and timeline into sharper focus over time. There are no right or wrong answers. It's all up to them.*

## Topic 4 — Save, Invest, and Build Wealth

### Your Target Timeline

**Instructions:**
Read the checklist below. If you've already completed a step, put a checkmark in the appropriate column. If you haven't completed a step, write in a target timeline for completion (e.g. next year, long term, etc.)

| Steps to Build Wealth | Completed? (checkmark) | If not completed, suggested timeline? |
|---|---|---|
| I opened my own savings account. | | |
| I'm committed to a monthly saving goal. | | |
| I've set-up automatic transfers to my savings account. | | |
| As I earn more, I increase the amount I save. | | |
| I contribute to my own/my company's retirement savings plan. | | |
| I have enough savings to cover 2-6 months of expenses. | | |
| My debts are low enough that I can comfortably pay them. | | |
| I have started to invest in stocks, bonds, or mutual funds. | | |
| I own my own home. | | |
| I have started my own business. | | |

# Lesson Summary

### *Instructor note:*
*Summarize this lesson by reviewing these key points with your participants.*

Key points from the Getting Ahead lesson:

- There is a big difference between "having money" and building wealth.
- Money comes in and goes out, but wealth encompasses things like savings, investments, property, or your own business.
- Wealth is a set of resources that give you options and let you take advantage of opportunities in life.

## Additional Activities
These activities are designed to extend the new concepts presented in the Getting Ahead lesson. Use these or similar activities to give participants an opportunity to apply what they have just learned to real-life scenarios.

- Using the checklist from the previous activity, create an action plan for completing the steps you need to start building wealth in the next one to three years and beyond. Create a visual timeline on a calendar.

# Lesson 2: Reward Yourself By Saving

In this lesson, participants learn how savings can benefit them. It provides tips for saving more and earning more on the money they save. The concept of compound interest is introduced and participants can see how it can make their savings grow.

## Learning Objectives

After completing this lesson, participants will be able to:

- State why saving money is critical to their financial future.
- Use money-saving tips.
- Explain the power of compound interest.

## Start the Discussion

To start a discussion with your participants, ask some open-ended questions. Here are some examples you could use:

- Who here saves money on a regular basis (other than saving up for a special item/occasion)? How do you do it?
- Are there some short-term or long term items you are saving for or want to save for?
- Why is interest an important consideration when talking about savings?
- What is compound interest?

## The Basics

- Saving is a key to financial independence and building wealth.
- Think of saving as giving a gift, or paying a reward, to you!
- The money you save gives you so many benefits, like cash in an emergency, and the ability to buy big things, like a car.
- Building up huge amounts won't happen overnight. But it will happen if you make it a habit, make it automatic, and stick with it over time.
- A great place to save is in a bank savings account. It helps your money grow with interest.
- Compounding is a powerful way to make your money grow faster.
- The higher the APY, the more interest you receive.
- Savings is an investment in yourself and your future.

Before you start the lesson, use the following scenario to get participants thinking.

## Scenario Activity: Building a Future (Instructor Copy)

### *Instructor note:*
*Photocopy the activity handout on the next page. Ask participants to choose the best possible option, and then, for each option, instruct them to write a few sentences about why it was right or wrong for the situation. After participants finish, lead a group discussion about their choices, using the consequences and feedback provided below. Then have them share similar experiences they may have had.*

### Instructions:
Have participants read Randie's story. Based on her situation, have them choose the best possible option. Then, for each option, have them write a few sentences about why the option was right or wrong for Randie's situation.

### Randie's Story
Randie is trying to decide how to increase her savings. Randie's making money, paying bills, and buying stuff, but sometimes runs short between paychecks. She doesn't like feeling broke. She wants to get into the habit of saving so that she has money to fall back on if she loses her job or has an emergency. She also wants to save up for big purchases, like a vacation trip. In the long-run she wants something to show for her hard work and to be able to retire some day. What should Randie do?

1. Make saving her #1 priority. Set a goal and calculate an amount to save every month no matter what.
   *Consequences: This didn't work out for Randie. She needed to get real about how much she could save based on her earnings and monthly expenses. She has to pay her bills no matter what, but she should save too. There may be some expenses she can cut back on, and if she gets a raise or a bonus or a tax refund, she can save that, too.*

   *Feedback: This advice wasn't realistic. She's better off setting an amount to save from every paycheck, taking into account her monthly income and expenses. Her ideas to cut expenses and save extra money are both great.*

2. Put any extra money she receives (such as tax refunds, bonuses, raises, gifts) into her savings.
   *Consequences: Setting aside extra money definitely helps, but my savings aren't building up as much or as fast as she wants. It might be easier to have a percentage of every paycheck automatically go into my savings account. If she doesn't see that money, she won't be tempted to spend it, and her savings will build up a lot faster.*

   *Feedback: Good advice but it's only part of the solution. A great way to save more is to make it automatic. She can do better by having a percentage of every paycheck deposited directly into her savings account, or sets up an automatic monthly transfer from her checking account.*

3. Automatically deposit a percentage of her income (e.g. 5–10%) into her savings account.
   *Consequences: This is great for Randie. Money goes right into her savings so she's never tempted to spend it. The percentage works for her, so she still has enough money to pay bills. Now she's looking at other ways to keep her savings growing—like earning a higher interest rate and saving extra money, like my tax refund.*

   *Feedback: Awesome advice! Making savings automatic and saving as much as you can at the best interest rate you can find are all great strategies for building wealth and a strong financial future. As she earns more over time, she should increase the amount she saves as much as she can.*

### *Instructor note:*
*Tell your participants to see the Spending Smart topic to learn more about creating their own spending plan, including deciding how much to save.*

## Topic 4 — Save, Invest, and Build Wealth

### Scenario Activity: Building a Future

### Instructions:
Read Randie's story. Based on her situation, choose the best possible option. Then, for each option, write a few sentences about why the option was right or wrong for Randie's situation.

### Randie's Story
Randie is trying to decide how to increase her savings. Randie's making money, paying bills, and buying stuff, but sometimes runs short between paychecks. She doesn't like feeling broke. She wants to get into the habit of saving so that she has money to fall back on if she loses her job or has an emergency. She also wants to save up for big purchases, like a vacation trip. In the long-run she wants something to show for her hard work and to be able to retire some day. What should Randie do?

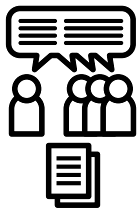
1. Make saving her #1 priority. Set a goal and calculate an amount to save every month no matter what.
   *Should Randie choose this option? Why or why not?*

2. Put any extra money she receives (such as tax refunds, bonuses, raises, gifts) into her savings.
   *Should Randie choose this option? Why or why not?*

3. Automatically deposit a percentage of her income (e.g. 5–10%) into her savings account.
   *Should Randie choose this option? Why or why not?*

Tip!

To earn more interest on your savings, shop for a savings account with the highest Annual Percentage Yield (APY) you can find.



## All About Saving (Instructor Copy)

### *Instructor note:*

*Consider inviting a banker or financial professional to come in and speak with the class about saving.*

*Photocopy the activity handout on the following page Begin a discussion with your participants by asking questions such as:*

- *Who has a savings account? Are you using it to save money for something special?*
- *When did you start saving money? How has it benefited you?*
- *What is one way to make saving money easier for you?*

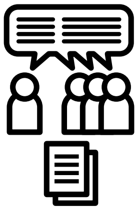
*Then distribute the activity handout and focus on these key points.*

*After this activity, transition to the next topic which shows the power of compound interest.*

### Key points:

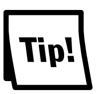
- Saving is a key to financial independence and building wealth.
- Think of saving as giving a gift, or paying a reward, to you!
- The money you save gives you so many benefits, like cash in an emergency, and the ability to buy big things, like a car.
- Building up huge amounts won't happen overnight. But it will happen if you make it a habit, make it automatic, and stick with it over time.
- A great place to save is in a bank savings account. It helps your money grow with interest.

| | |
|---|---|
| **Ways a savings account can benefit you** | • Keeps your money safe.<br>• Your money grows with interest.<br>• You're prepared for unexpected expenses.<br>• You're ready to make large purchases.<br>• Helps you achieve major life goals. |
| **How much interest can I earn?** | • If you put savings in an interest earning account, such as a bank savings account, the amount of interest you'll earn depends on three factors: the interest rate; how long you keep the money in your account; and, how the bank pays the interest.<br>• Almost all banks compound interest. It's a powerful way to make your savings grow faster. |
| **What is compound interest?** | • Compounding means a financial institution pays you interest on the amount you originally deposited, and on the interest your deposit earns over time.<br>• With compound interest, your money grows more and a lot faster. (If an account pays what's called simple interest, you only earn interest on the principal—the amount of money you originally deposited.) |



## All About Saving (Instructor Copy) (continued)

| | |
|---|---|
| **How often is interest compounded?** | • Depending on the account, interest may be compounded daily, monthly, or quarterly.<br>• Each time, you're paid interest on the new, total amount in your account.<br>• The more frequently money is compounded, the more interest you'll earn. |
| **How do I pick a high-interest account?** | • Compare the annual percentage yield, or APY, of the accounts.<br>• The APY is the rate of return for a one year period. The higher the APY percentage, the more interest you'll receive. |
| **Is the interest I earn taxable?** | • Yes. The interest you earn in your bank accounts is considered income, so it is taxable.<br>• The bank will send you a form at the end of the year that shows the total amount of interest you earned. |




The higher the interest rate, the more your money grows. Also, *time* is one of your most important tools for saving and investing. The more time your money has to grow, the better.

# Topic 4 — Save, Invest, and Build Wealth

## All About Saving

| | |
|---|---|
| **Ways a savings account can benefit you** | • Keeps your money safe.<br>• Your money grows with interest.<br>• You're prepared for unexpected expenses.<br>• You're ready to make large purchases.<br>• Helps you achieve major life goals. |
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**Tip!**

The higher the interest rate, the more your money grows. Also, *time* is one of your most important tools for saving and investing. The more time your money has to grow, the better.

## Compare the Results Activity (Instructor Copy)

***Instructor note:***

*It's easy to see the benefits of compound interest when the results are compared side-by-side. Use this comparison to reinforce the benefits of compound interest.*

*Photocopy the activity handout on the following page. First, introduce the story of the Shoebox Saver (puts money in a shoebox, under a mattress, etc.) and the Super Saver (puts money in interest-earning accounts).*

*Then, tell participants that both people put away five dollars per day per year. The Super Saver earned 5% interest, compounded daily.*

*Ask participants how much more money they think the Super Saver has made after 30 years as compared to the Shoebox Saver.*

*After you receive guesses from the participants, pass out the handout with the savings chart.*

| SHOEBOX SAVER | SUPER SAVER |
|---|---|
| **Year 1**<br>$1,825 | **Year 1**<br>$1,871<br>**$46 more** |
| **Year 5**<br>$9,125 | **Year 5**<br>$10,366<br>**$1,241 more** |
| **Year 10**<br>$18,250 | **Year 10**<br>$23,677<br>**$5,427 more** |
| **Year 30**<br>$54,750 | **Year 30**<br>$127,077<br>**$72,327 more!** |

**Tip!**

There's not much difference at the end of one year—but at the end of 30 years, the "Super Saver" has more than $72,000 extra!

## Compare the Results Activity

| SHOEBOX SAVER | SUPER SAVER |
|---|---|
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Tip!

There's not much difference at the end of one year—but at the end of 30 years, the "Super Saver" has more than $72,000 extra!

## Try an Interest Formula Activity (Instructor Copy)

### *Instructor note:*

*Photocopy the activity handout on the following page. Divide the class into small groups. Introduce the formula for calculating compound interest. Explain each variable in the equation. Explain to them when they use this formula, they should take the amount in the parentheses and take it to the "nth" power and then multiply by P. Instruct your participants to use the formula to complete the example.*

The formula for calculating compound interest is:

$$M = P(1 + i)n$$

- Where M is the final amount including the principal.
- P is the principal amount.
- i is the rate of interest per year.
- n is the number of years invested.

### Instructions:

Have your participants use this formula to determine the final amount of money they'll have if they invest:

- $1000.00
- For three years
- With a 5% compound interest rate

$$M = 1000\ (1 + 5\%)3$$

### Answer Key:

Step 1: Change 5% to .05.
Equation now reads: M=1000 (1+ .05)3

Step 2: Add 1 and .05.
Equation now reads: M= 1000 (1.053)

Step 3: Cube 1.05 (1.05 x 1.05 x 1.05).
Equation now reads: M=1000 (1.15762)

Step 4: Multiply 1000 by 1.15762.

Final Answer: $1157.62

Next, if your participants want to save more money, introduce some savings tips that will really help.

## Topic 4 — Save, Invest, and Build Wealth

### Try an Interest Formula Activity

TThe formula for calculating compound interest is:

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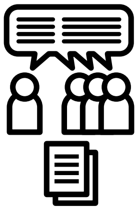
### Instructions:

Have your participants use this formula to determine the final amount of money they'll have if they invest:

- $1000.00
- For three years
- With a 5% compound interest rate

Final Answer:



## Tips for Saving More $ (Instructor Copy)

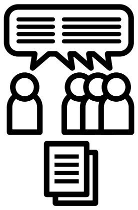
### *Instructor note:*

*Photocopy the activity handout on the following page. Divide the class into small groups. Instruct each group to create a list of ideas that will help them save more money. Then, have each group share their list. Write the best of each groups' ideas on a whiteboard/chalkboard or large piece of paper. Then, distribute this handout and focus on the key points.*

Do you have enough cash to fall back on or to make big-ticket buys? Hope to retire someday? Learn to be a better saver by following these tips.

| | |
|---|---|
| **Do you want it or need it?** | • Are you buying products or services you don't really need?<br>• Save money by cutting back on eating out or buying the latest fads and fashions. Also give some thought to items on which you could spend less. |
| **Make savings an automatic habit** | • Put a portion of every paycheck into your savings account by using direct deposit or automatic transfer. You'll be much less likely to spend the money that way. |
| **Pay yourself first!** | • Set aside money for savings at the beginning of each month, rather than waiting to see what's left at the end.<br>• Decide on a percentage of your monthly income (e.g. 5–10%) to direct deposit or transfer into your savings account. |
| **Set aside "extra" money into savings** | • If you receive a tax refund, deposit it directly into your savings account.<br>• If you get a raise or bonus put the extra amount into your savings.<br>• If you receive cash as a gift, save at least part of it.<br>• If you have paid off a loan, keep making the monthly payments—to yourself, in your own savings account! |
| **Pay your bills on time** | • When you pay bills on time, you avoid late fees; extra finance charges; disconnection of (and re-connection fees for) phone, electricity, or other services; the cost of eviction; repossession of cars or other items; bill collectors. |
| **Avoid check-cashing stores** | • At $10 or more for each check you cash, this can add up to several hundred dollars per year.<br>• Consider opening a checking account at a bank instead. |
| **Save for retirement** | • If you work for a company that has a retirement savings plan, don't pass up the opportunity to participate.<br>• If you're self-employed, set up a retirement savings account of your own. |

## Topic 4 — Save, Invest, and Build Wealth



### Tips for Saving More $

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| **Pay your bills on time** | • When you pay bills on time, you avoid late fees; extra finance charges; disconnection of (and re-connection fees for) phone, electricity, or other services; the cost of eviction; repossession of cars or other items; bill collectors. |
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***Instructor note:***
*At this point in the class, consider using this recommended library article listed below as a discussion resource or a takeaway for your participants. You can find this and other library articles at the end of this topic.*

## Recommended Article: Personal Goal Setting

Remember, the online *Hands on Banking*® program has dozens of additional library articles that you can use and distribute for this and other topics. Visit **www.handsonbanking.org** to browse all the available articles.

## Topic 4 — Save, Invest, and Build Wealth

# Lesson Summary

***Instructor note:***
*Summarize this lesson by reviewing these key points with your participants.*

Key points from the Reward Yourself By Saving lesson:

- Saving is a key to financial independence and building wealth.
- Think of saving as giving a gift, or paying a reward, to you!
- The money you save gives you so many benefits, like cash in an emergency, and the ability to buy big things, like a car.
- Building up huge amounts won't happen overnight. But it will happen if you make it a habit, make it automatic, and stick with it over time.
- A great place to save is in a bank savings account. It helps your money grow with interest.
- Compounding is a powerful way to make your money grow faster.
- The higher the APY, the more interest you receive.
- Savings is an investment in yourself and your future.

### Additional Activities

These activities are designed to extend the new concepts presented in the Reward Yourself by Saving lesson. Use these or similar activities to give participants an opportunity to apply what they have just learned to real-life scenarios.

- If you don't already, set up an automatic savings plan. Have money automatically deposited into a savings account from every paycheck.
- Create a list of things you'd like to buy/achieve (a special item, a trip, etc.) in the next three months, the next six months and a year from now. What can you to do accomplish these goals? What are the costs of each goal?
- Research online savings accounts or see what special deals your bank offers for saving.

**Topic 4 — Save, Invest, and Build Wealth**

# Lesson 3: Investing Basics

In this lesson, participants learn that investing involves taking risks for potential rewards. This lesson introduces what they should know before they start investing, such as basic investing terminology, types of investments, how inflation erodes money and how compounding can make it grow. The lesson also covers the Rule of 72.

## Learning Objectives

After completing this lesson, participants will be able to:

- Explain the concept of risk vs. reward.
- Explain investing basics, such as terminology, investment types and inflation.
- Explain the Rule of 72.

## Start the Discussion

To start a discussion with your participants, ask some open-ended questions. Here are some examples you could use:

- Do you or your family have any investments? Are they stocks, bonds, real estate?
- Do you think you're in a position to begin investing? Why or why not?
- What happens during inflation to value of money? Are we having inflation or deflation right now?
- Has anyone heard of compound interest? How does it work?
- Is there a difference between saving and investing? What is it? Is one better than the other?

## The Basics

- Investing is putting money you've saved into things you think will increase in value over time.
- There are lots of possible investments. Examples include stocks, bonds and real estate.
- Buy investments when the price is low, then try to sell when the price is high. That's how you make a profit.
- One big difference between saving and investing is that investing always involves risk.
- If the value of your investment goes up, you could earn more than you would in a savings account. But if the value goes down, you could lose some or even all of your money.
- Never invest money that you can't afford to lose.
- Any time you sell an investment for a profit, your earnings are called capital gains. If you lose money when you sell your investment, you'll have what's called a capital loss.
- With investing, there's always a risk of losing some or even all of your money if the investment doesn't perform well.
- The greater the risk of a loss on an investment, the greater the potential return. The lower the risk of loss, the lower the potential return.
- Return on investment (ROI) is the money income that an investment produces for the investor.
- Any time you sell an investment for a profit, your earnings are called capital gains. If you lose money when you sell your investment, you'll have what's called a capital loss.

## Saving vs. Investing Activity (Instructor Copy)

### *Instructor note:*

*Photocopy the activity handout on the following page. Divide the class into small groups. Instruct them to brainstorm the differences between savings and investing. Ask each group to share their list as you write them on a whiteboard/chalkboard or large piece of paper. Then, use the key points below to lead the discussion.*

### Instructions:

Have your participants list differences and similarities between investing and saving.

Compare some of the differences between saving and investing.

| Saving | Investing |
|---|---|
| **Short-term: Ready to go**<br>• Saving is typically for smaller, shorter-term goals in the near future (usually three years or less) like going on vacation or having money for an emergency. | **Long-term : Achieve major goals**<br>• Investing can help you reach bigger long-term goals (at least four to five years away), like buying a house or retiring. |
| **Ready access to cash**<br>• A savings account gives you access to ready cash when you need it.<br>• But many savings accounts do limit how often you can take your money out. Ask at your bank. | **Harder to access cash**<br>• When you invest your money, it's typically not as easy to get your hands on it quickly as compared to a savings account. |
| **Minimal risk**<br>• If your money is in a savings account, it's at minimal or no risk. | **Always involves risk**<br>• You may lose some or all of the money you invest. |
| **Earn interest**<br>• You can earn interest by putting money in a savings account, but savings accounts generally earn a lower return than do investments. | **Potential for profit**<br>• Investments have the potential for higher return than a regular savings account.<br>• Your investments may appreciate (go up in value) over time. This increases your net worth, which is the value of your assets (what you own) minus your liabilities (what you owe).<br>• If you sell for higher price than you invested initially, you make a profit. |

Tip!

Remember: the greater the risk of an investment, the higher potential return or loss of your money.

Next, introduce participants to different types of investments.

## Saving vs. Investing Activity

### Instructions:

List differences and similarities between investing and saving.

| Saving | Investing |
|---|---|
| *Example: Provides ready cash for emergencies.* | *Example: Can help you achieve long-term goals.* |

Tip!

Remember: the greater the risk of an investment, the higher potential return or loss of your money.

## Types of Investments (Instructor Copy)

### Instructor note:

*Consider inviting a banker or financial professional to class to discuss investment options.*

*Photocopy the activity handouts on the following two pages. Begin a discussion with your participants by asking questions such as:*

- *Do any of you have any investments?*
- *Have your parents or other family members invested money for you?*
- *What investing terms or types of investments have you heard about?*

Before you invest, it's important to understand the basics about different types of investments.

| | |
|---|---|
| **Low-risk investments** | • Low-risk investments enable you to earn interest on your money while maintaining some liquidity—flexible access to your cash.<br>• The odds of losing your money through these investments are extremely low, but they have lower potential return compared to higher-risk investments like stocks.<br>• Examples: Certificates of Deposit (CDs) and Money Market Deposit Accounts (MMDA). |
| **Certificates of Deposit (CDs)** | • CDs = a low-risk investment you can open with an initial deposit of as little as $1,000.<br>• With CDs, you agree that you won't touch the money you deposit for a specific period of time (from a few days to a few years).<br>• Generally, the longer you keep your money in the account, the greater the return rate |
| **Money Market Deposit Account (MMDA)** | • A (MMDA) is a low-risk investment. It's a form of savings account that requires a larger balance than CDs or regular savings accounts, usually $10,000 or more.<br>• Compared to regular savings accounts, MMDAs offer a better interest rate and allow you more flexible access to the funds in your account. |
| **Stocks** | • Investing in stocks is risky because their value can change daily.<br>• But stocks can also have great potential for growth and total return.<br>• When you invest in stocks, you're investing in businesses. These could be small, medium, or large companies in the U.S. or around the world.<br>• Buying stock gives you part ownership in a company. That's why you should only buy stocks in companies you believe in, and believe you can do well. |
| **What are "shares" and "dividends?"** | • Stocks are usually bought and sold in units called shares. A share's value, or share price, rises and falls based on how much people will pay for a share.<br>• People will pay money for the stock if they think the company will be successful. If it is, its stock will increase in value.<br>• Sometimes the company will also pay its investors a dividend. That's when the company pays the shareholders a part of its profits. |

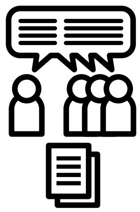
## Types of Investments (Instructor Copy) (continued)

| | |
|---|---|
| **Mutual funds** | • A mutual fund is a professionally managed collection of money from a group of investors.<br>• A mutual fund manager decides which stocks or bonds to buy and sell and when for everyone in the group.<br>• Some mutual funds will be higher risk than others, and no mutual fund is a sure thing. |
| **Risk vs. reward with mutual funds** | • Because a mutual fund invests in a variety of stocks, bonds, and other products, there is usually greater potential reward than many low-risk investments, and less risk than buying individual stocks and some bonds. |
| **Bonds** | • Corporations, governments and municipalities issue bonds to raise funds.<br>• In return they typically repay the bond owners with interest. In this way, a bond is like a loan.<br>• When you purchase a bond, you are lending money to a corporation or to the government for a certain period of time called a term.<br>• The bond certificate is a promise from the corporation or government that they will repay you on a specific date, usually with a fixed rate of interest. |
| **Why do people invest in bonds?** | • The main objectives of investing in bonds are current income and the potential for stability and future income.<br>• Bond terms can range from a few months to 30 years.<br>• The longer you hold your investment in bonds, the better the return—so consider bonds a long-term investment. |
| **Is there risk in buying bonds?** | • Yes, like all investments, bonds involve risk. Government bonds are low-risk because they are backed by the U.S. government.<br>• Corporate bonds have a higher potential risk. You should research the company before you invest to make sure it has the ability to repay the loan. |
| **Real Estate** | • Many people invest in real estate, such as a home or property.<br>• One positive aspect to investing in real estate is that it usually increases in value over time without the daily ups and downs that happen in the stock market.<br>• Like stocks, you earn money when you sell real estate for more than what you paid for it.<br>• Keep in mind that it can take time to sell a home or property, and that there are costs involved in buying, selling, and owning real estate. |

**Tip!**

The collection of investments you own is called your portfolio.

## Topic 4 — Save, Invest, and Build Wealth



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## Types of Investments (continued)

| | |
|---|---|
| **Risk vs. reward with mutual funds** | • Because a mutual fund invests in a variety of stocks, bonds, and other products, there is usually greater potential reward than many low-risk investments, and less risk than buying individual stocks and some bonds. |
| **Bonds** | • Corporations, governments and municipalities issue bonds to raise funds.<br>• In return they typically repay the bond owners with interest. In this way, a bond is like a loan.<br>• When you purchase a bond, you are lending money to a corporation or to the government for a certain period of time called a term.<br>• The bond certificate is a promise from the corporation or government that they will repay you on a specific date, usually with a fixed rate of interest. |
| **Why do people invest in bonds?** | • The main objectives of investing in bonds are current income and the potential for stability and future income.<br>• Bond terms can range from a few months to 30 years.<br>• The longer you hold your investment in bonds, the better the return—so consider bonds a long-term investment. |
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Tip!

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## Recommended Articles: About Bonds, About Stocks and About Mutual Funds

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## Inflation Erodes Purchasing Power (Instructor Copy)

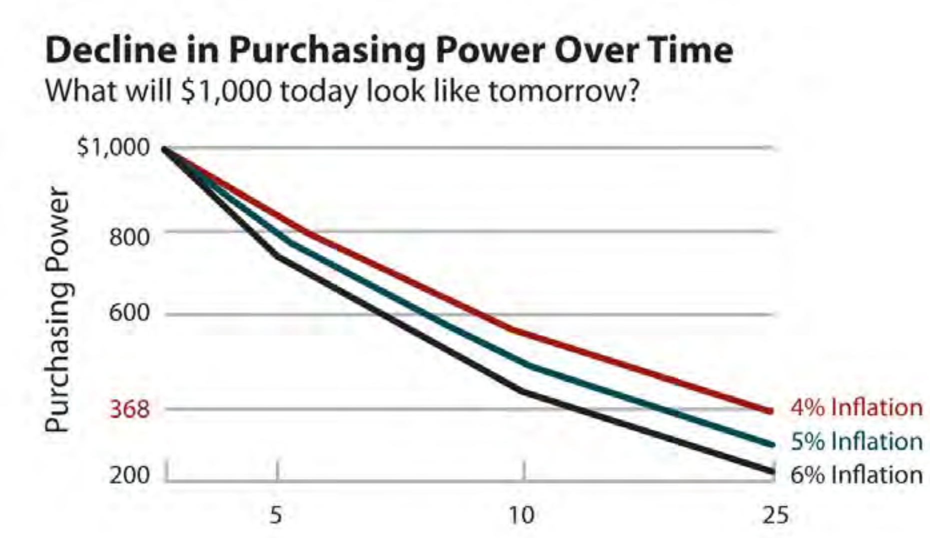
### *Instructor note:*

*Consider inviting an economics professional or an economics professor or teacher from a nearby college, community college or high school to talk to your class about inflation.*

*Discuss the concept of inflation using these key points. You can use the graph and example to enhance inflation information.*

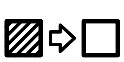
### Key points:

- This graph shows how inflation affects your money over time.
- You've probably noticed that the prices for lots of things have gone up over the years.
- When the general price level of goods and services goes up, that means the purchasing power of your dollar goes down.
- It's called inflation, and it can really eat away at your future purchasing power.
- It's important to understand that if your money isn't growing at a rate at least equal to the rate of inflation, you're losing money.
- Try to make sure that your money is always growing at a higher rate than the rate of inflation. Saving and investing money can help you do that.




### Example:

Let's say you stash $1,000 in a safety deposit box and leave it there for 25 years. Assuming an inflation rate of 4%, when you take the money out, your original $1,000 would only be able to purchase $368 worth of goods!



Next, show your participants the power of compound interest.

## Inflation Erodes Purchasing Power (Instructor Copy)

### *Instructor note:*

*Consider inviting a banker or financial professional to talk to your class about compound interest.*

*Begin a discussion with your participants by asking questions such as:*

- *What is compound interest?*
- *How do you think compound interest can benefit you?*

*Then focus on these key points:*

Use the chart to show the most important point of compound interest:

### Compounding occurs when your earnings on an investment are added to the amount you originally invested.

| | |
|---|---|
| **Principal in Dollars** | $1000 |
| **Annual Contributions** | 4 |
| **Interest Rate** | 4% |
| **Length in Years** | 20 |
| **Compounded Yearly** | 2315.00 |
| **Compounded Quarterly** | 2339.60 |
| **Compounded Monthly** | 2345. 25 |
| **Compounded Daily** | 2348.00 |

### Key points:

- To take advantage of the power of compounding, it pays to start investing as soon as you can.
- The earlier you start, the easier it will be to achieve your financial goals.
- Compounding occurs when your earnings on an investment are added to the amount you originally invested.
- As your total investment grows larger, your earnings have the potential to grow larger, too.
- How fast an investment grows over time depends on the rate of return you earn each year.

**Tip!**

Get started investing as early as you can! Many investors lose out because they wait too long to get started or invest too little. If you don't start investing early, it can be difficult to catch up.

## The Rule of 72 Activity (Instructor Copy)

### *Instructor note:*

*Photocopy the activity handout on the following page. Divide the class into pairs and distribute the activity handout.*

*Say to participants as you write the formula on a whiteboard/chalkboard or large piece of paper:*

*"Let's say you have an investment that's earning 8% per year. Start with the number 72 and divide it by the interest rate, eight. 72 divided by 8 equals 9. This means it would take about nine years for your original investment to double."*

*Then, explain that you will be read three questions based on this formula. The first group to buzz in with the correct answer earns one point. If a team states a wrong answer, another team can steal.*

### Instructions:

Have your participants complete the math problems on the page using this formula:

## 72 ÷ interest rate = years it will take to double your investment

1. Take the interest rate of your investment.
2. Divide 72 by the interest rate.
3. The number you come up with is how many years it will take your original investment to double.

### Scenario 1:

You have an investment that's earning 4% per year. How many years will it take to double your investment?

Answer: **18 years**

### Scenario 2:

You have 10 years to invest your money. What interest rate will you need to have to double your money in that time?

Answer: **7.2%**

### Scenario 3:

Your investment earns 6%. How many years will it take to double that investment?

Answer: **12 years**

## The Rule of 72 Activity

# 72 ÷ interest rate = years it will take to double your investment

1. Take the interest rate of your investment.
2. Divide 72 by the interest rate.
3. The number you come up with is how many years it will take your original investment to double.

### Instructions:

Listen to each scenario your instructor reads. Use the formula to come up with the correct answer.

### Scenario 1:

### Scenario 2:

### Scenario 3:

## Topic 4 — Save, Invest, and Build Wealth

# Lesson Summary

***Instructor note:***
*Summarize this lesson by reviewing these key points with your participants.*

Key points from the Investing Basics lesson:

- Investing is putting money you've saved into things you think will increase in value over time.
- There are lots of possible investments. Examples include stocks, bonds and real estate.
- Buy investments when the price is low, then try to sell when the price is high. That's how you make a profit.
- One big difference between saving and investing is that investing always involves risk.
- If the value of your investment goes up, you could earn more than you would in a savings account. But if the value goes down, you could lose some or even all of your money.
- Never invest money that you can't afford to lose.
- Any time you sell an investment for a profit, your earnings are called capital gains. If you lose money when you sell your investment, you'll have what's called a capital loss.
- With investing, there's always a risk of losing some or even all of your money if the investment doesn't perform well.
- The greater the risk of a loss on an investment, the greater the potential return. The lower the risk of loss, the lower the potential return.
- Return on investment (ROI) is the money income that an investment produces for the investor.
- Any time you sell an investment for a profit, your earnings are called capital gains. If you lose money when you sell your investment, you'll have what's called a capital loss.

## Additional Activities

These activities are designed to extend the new concepts presented in the Save, Invest and Build Wealth topic. Use these or similar activities to give participants an opportunity to apply what they have just learned to real-life scenarios.

- Go online and find different investing and compound interest calculators. Experiment with different amounts of money that you think you could comfortably save. Then use these figures to see how fast your money will grow over time.
- Research stock prices of some of your favorite companies. Find out what the stock prices were for these same companies a year ago, five years ago or ten years ago.
- Make a list of companies that you think you could invest in and will do well over the long term.

## Topic 4 — Save, Invest, and Build Wealth

# Lesson 4: Getting Started With Investing

This lesson shows participants if they're ready to invest. Participants learn how to get started with investing. The lesson introduces valuable guidelines for smart investing: deciding when to buy and sell, diversifying to reduce risk, and more.

### Learning Objectives

After completing this lesson, participants will be able to:

- Determine whether or not they're ready to invest.
- Identify the steps they should take to get started with investing.
- Follow guidelines for smart investing.

### Start the Discussion

To start a discussion with your participants, ask some open-ended. Here are some examples you could use:

- When do you think you can start investing?
- How much money do you think you'll need before you can start?
- Where did you come up with that figure?
- If you are ready to invest, what is your first step?

### The Basics

- Before you start to invest, be sure you're prepared to cover your expenses in case of an emergency, a sudden illness, or if you lose your job.
- There are specific steps you should take before investing.
- There are specific guidelines you can follow to invest wisely.

Before you start the lesson, use the following scenario to get participants thinking.

## Scenario Activity: Jack Considers an Investment (Instructor Copy)

### *Instructor note:*

*Photocopy the activity handout on the next page. Ask participants to choose the best possible option, and then, for each option, instruct them to write a few sentences about why it was right or wrong for the situation. After participants finish, lead a group discussion about their choices, using the consequences and feedback provided below. Then have them share similar experiences they may have had.*

### Instructions:

Have participants read Jack's story. Based on his situation, have them choose the best possible option. Then, for each option, have them write a few sentences about why the option was right or wrong for Jack's situation.

### Jack's Story

Jack's trying to decide whether to invest in his friends' new start-up company. He is off to a good start financially. He has minimized his expenses, built up his savings, and started to invest. Some friends have a fantastic new business idea and have asked him to invest, but they don't have a business plan. He'd have to quickly sell the investments he's made so far to give them the money. His investments are low-risk but haven't earned much. Is this his chance for a huge profit? What should he do?

1. Yes! The whole idea of investing is to make a profit. He shouldn't pass up this opportunity.
   *Consequences: Jack believes in his friends. He invested everything with them, even paying fees and taking a loss on investments he sold. He's not sleeping well, though. This investment is too high-risk for him. His friends have already spent most of his money, so it's not like he can get it back right now.*

   *Feedback: Not good advice. It's important to decide how much risk you're comfortable with. Overreacting to "hot" investment opportunities can put you in danger of losing your money. Dividing your money between different types of investments, called diversifying, is a good way to reduce your risk.*

2. No, it's too risky. He should get a cash advance on a credit card and give them 50% of the amount.
   *Consequences: It was a good idea to keep his other investments, but no to take a cash advance on a credit card? Now he has to pay a huge amount of interest on the loan—way more than the return he could get on the investment. And, if he can't get it back, he'll damage his credit. And the business might not earn a profit.*

   *Feedback: Keeping his investments was a good idea, but the cash advance was definitely not! This advice put both Jack's money and his credit at high risk with no guarantee of reward.*

3. No! It's too risky without a business plan. He needs to "wait and see." This business may fail.
   *Consequences: This seemed like a 'once-in-a-lifetime' opportunity. But if something sounds too good to be true, it probably is. His friends are psyched, but they don't even have a business plan yet. Jack should divide his money between different types of investments, companies, and industries.*

   *Feedback: Good advice! It may have been hard for him to take a pass, but Jack made the smart choice. He's controlling the amount of risk he wants to take. Dividing his money between different types of investments, called diversifying his portfolio, is a good way for him to cut his risk.*

## Scenario Activity: Jack Considers an Investment

### Instructions:

Read Jack's story. Based on his situation, choose the best possible option. Then, for each option, write a few sentences about why the option was right or wrong for Jack's situation.

### Jack's Story

Jack's trying to decide whether to invest in his friends' new start-up company. He is off to a good start financially. He has minimized his expenses, built up his savings, and started to invest. Some friends have a fantastic new business idea and have asked him to invest, but they don't have a business plan. He'd have to quickly sell the investments he's made so far to give them the money. His investments are low-risk but haven't earned much. Is this his chance for a huge profit? What should he do?

1. Yes! The whole idea of investing is to make a profit. He shouldn't pass up this opportunity.
   *Should Jack choose this option? Why or why not?*

2. No, it's too risky. He should get a cash advance on a credit card and give them 50% of the amount.
   *Should Jack choose this option? Why or why not?*

3. No! It's too risky without a business plan. He needs to "wait and see." This business may fail.
   *Should Jack choose this option? Why or why not?*

## Ready To Invest? Activity (Instructor Copy)

### *Instructor note:*

*Begin a discussion by asking questions such as:*

- *Who believes they are ready to invest? Why?*
- *Is there such a thing as a "good time" to invest? When would that be?*

*Then, pose the following question to your participants. Ask them to write down the letters of the correct answer(s). Identify the correct answers and continue the discussion using the key points.*

**Which two of the following should be in place before you start investing?**

**A. Enough savings to cover two to six months of expenses**

B. Debts low enough that you can comfortably pay them

C. Own a home with a 30-year mortgage loan

**D. You've repaid all of your loans on time and in full**

E. No more than $1,000 in credit card debt

F. Enough savings to cover 9 to 12 months of expenses

### Key points:

- Before you start to invest:
- Be sure you're prepared to cover your expenses in case of an emergency, a sudden illness, or if you lose your job.
- Consider working with professionals. Ask at your financial institution—many offer investment products and guidance.

## How to Get Started (Instructor Copy)

### Instructor note:

*Begin a discussion with your participants by asking questions such as:*

- *What are some things you should do before you begin investing?*
- *If you're not ready to invest right now, what do you think is holding you back?*
- *How much risk can you handle?*

*Then, continue the discussion by focusing on these five steps.*

Want to start investing? Here are the first five steps to take.

| | |
|---|---|
| **Cover your expenses** | Make sure your expenses and debts are low enough that you can comfortably pay them. Set aside enough money in your savings account to cover two to six months of expenses. |
| **Set goals** | Make an investing plan. List your financial goals and how much time you have to reach them. (For more about setting financial and life goals, see the topic *Getting Started*.) |
| **Weigh risk** | Determine how much risk you are comfortable taking. |
| **Determine mix** | Decide on the mix of investments you want to maintain in order to reach your goals. |
| **Decide how much $** | Determine how much money you will invest every month and make a commitment to follow-through. |

Tip!

Always research before you invest. Base your decisions on facts, not emotions. Visit Web sites that offer investment information and news. Consider seeking guidance from investing professionals.

Next, help participants realize they should always research investments before they buy.

## Guidelines for Smart Investing (Instructor Copy)

### *Instructor note:*

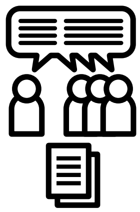
*Consider inviting a financial professional/advisor in to talk to the class.*

*Photocopy the activity handout on the following page. Begin a discussion with your participants by asking questions such as:*

- *What do you think are good guidelines for investing?*
- *What does buy low and sell high mean?*

*Then, distribute the activity handout and continue the discussion by focusing on these key points.*

| | |
|---|---|
| **Buy low and sell high** | Selling an investment for more than you paid is how you make a profit. The idea is simple, but it's a challenge to do it consistently. The historical trend of a stock's price may help indicate what might happen in the future, but there are no guarantees. Try to avoid buying a stock at its high point. Look for opportunities to buy stocks with good potential at low prices after a major market down turn. |
| **Diversify** | Divide your money among different types of investments to reduce your risk. Have a balance of different investment types in many companies and industries. |
| **Buy and hold** | Some investors overreact to news items or "hot stock tips." They start trading all the time, buying and selling investments quickly in an attempt to make fast gains. These strategies rarely work and can jeopardize your money. Stay objective and focus on the long term. Be an investor, not a gambler. Avoid the impulse to react to sudden changes in the market or to buy the latest hot stock. |
| **Decide when to sell** | A key to successful investing is deciding when to sell investments that are doing poorly as well as those that have increased in value. To cut your potential losses and maximize your gains, consider setting strict guidelines for yourself regarding the specific price, either high or low, at which you will sell. Review your portfolio on a regular basis to see which investments have significantly increased in value, which have dropped, and whether the time to sell is now. |
| **Pay attention to costs** | Taxes, fees, inflation, and other costs can all affect your return on an investment. It's wise to consult with an investment professional and your tax adviser regarding the best way to minimize these costs. |
| **Keep track** | Whether you invest online or through a professional, it's important to keep track of your investments. A fast and convenient way is through online account access offered by many investment brokerage companies. This service allows you to view balance and transaction information, transfer money, contact customer service, and more. It's usually provided for free. |
| **Finally, stick with your plan** | Periodically review your investing plan so that you don't lose sight of your goals. Adjust your portfolio as needed to maintain the mix of investments you want at your target level of risk. |



## Guidelines for Smart Investing

| | |
|---|---|
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| **Diversify** | Divide your money among different types of investments to reduce your risk. Have a balance of different investment types in many companies and industries. |
| **Buy and hold** | Some investors overreact to news items or "hot stock tips." They start trading all the time, buying and selling investments quickly in an attempt to make fast gains. These strategies rarely work and can jeopardize your money. Stay objective and focus on the long term. Be an investor, not a gambler. Avoid the impulse to react to sudden changes in the market or to buy the latest hot stock. |
| **Decide when to sell** | A key to successful investing is deciding when to sell investments that are doing poorly as well as those that have increased in value. To cut your potential losses and maximize your gains, consider setting strict guidelines for yourself regarding the specific price, either high or low, at which you will sell. Review your portfolio on a regular basis to see which investments have significantly increased in value, which have dropped, and whether the time to sell is now. |
| **Pay attention to costs** | Taxes, fees, inflation, and other costs can all affect your return on an investment. It's wise to consult with an investment professional and your tax adviser regarding the best way to minimize these costs. |
| **Keep track** | Whether you invest online or through a professional, it's important to keep track of your investments. A fast and convenient way is through online account access offered by many investment brokerage companies. This service allows you to view balance and transaction information, transfer money, contact customer service, and more. It's usually provided for free. |
| **Finally, stick with your plan** | Periodically review your investing plan so that you don't lose sight of your goals. Adjust your portfolio as needed to maintain the mix of investments you want at your target level of risk. |

## Topic 4 — Save, Invest, and Build Wealth

# Lesson Summary

### *Instructor note:*

*Summarize this lesson by reviewing these key points with your participants.*

Key points from the Getting Started with Investing lesson:

- Before you start to invest, be sure you're prepared to cover your expenses in case of an emergency, a sudden illness, or if you lose your job.
- There are specific steps you should take before investing.
- There are specific guidelines you can follow to invest wisely.
- Be alert to "get rich" investment scams you receive online or in the mail.

### Additional Activities

These activities are designed to extend the new concepts presented in the Getting Started with Investing lesson. Use these or similar activities to give participants an opportunity to apply what they have just learned to real-life scenarios.

- Try to accomplish the two things you should have covered before starting to invest (have enough savings to cover two to six months of expenses and repay all your loans on time and in full), then make an appointment to talk with a financial professional about getting started with investing.

## Topic 4 — Save, Invest, and Build Wealth

# Lesson 5: How to Build Wealth

In this lesson, participants learn that wealth is a set of resources they can use to create and take advantage of life's opportunities.

### Learning Objectives

After completing this lesson, participants will be able to:

- Define the wealth-building pyramid to help build wealth.
- Use the three pillars of wealth building to determine their wealth disbursement.

### Start the Discussion

To start a discussion with your participants, ask some open-ended questions.

- In your opinion, what's the difference between wealth and having a lot of money?
- What are some things you' can do to begin to start building wealth?
- Give an example of a person who has built wealth (not through inheritance, etc.)? What traits does this person have?

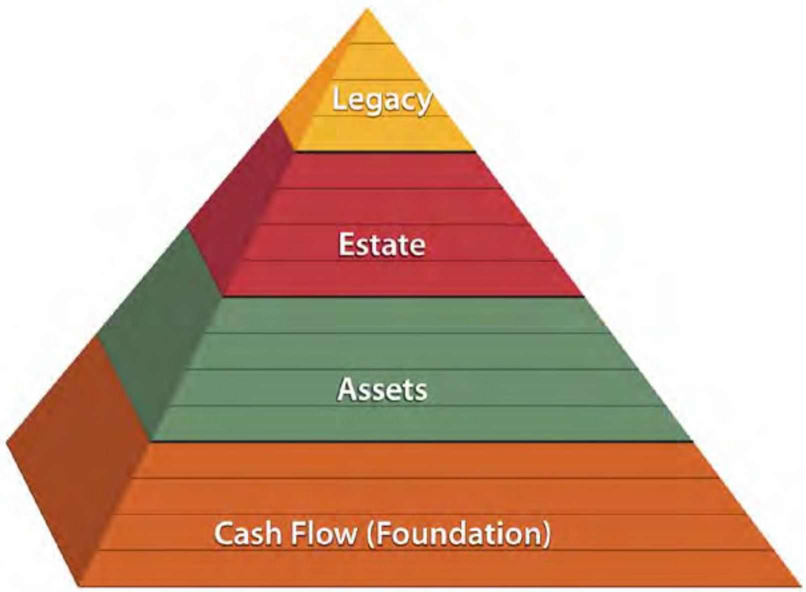
### The Basics

- "Having money" and "building wealth" are really two different things.
- Having income is great, but that money goes into your pocket and right back out.
- Wealth is a set of resources—savings, property, investments—you can use to create and take advantage of life's opportunities.
- Building wealth usually doesn't happen overnight, or in a year, or even three years. It's a series of steps that you take over time.
- The steps are simple to explain, but a lot harder to do. You have to discipline yourself to make wealth-building a lifelong pattern. If you do, you'll keep getting better at it as time goes on.

## The Wealth-Building Pyramid Activity (Instructor Copy)

### *Instructor note:*

*Photocopy the activity handout on the following page. Instruct your participants to label the diagram as you walk through each stage of wealth building and take notes in the space provided.*




| | |
|---|---|
| **Cash Flow (Foundation)**<br>You must consistently generate enough income to handle month-to-month expenses and have enough savings set aside to cover at least two months, and if possible three to six months of living expenses, in case of a financial emergency. | |
| **Assets**<br>Next, begin to invest in assets—investments, such as real estate or stocks. These investments will hopefully appreciate in value over time and allow you to retire at some point in the future with a comfortable lifestyle. | |
| **Estate**<br>Your estate is the wealth you'll pass on to your family. If you're a business owner, this could include your business. | |
| **Legacy**<br>These are your legacy goals, or your philanthropic goals—the many positive ways you might share your wealth by giving back to your community. | |

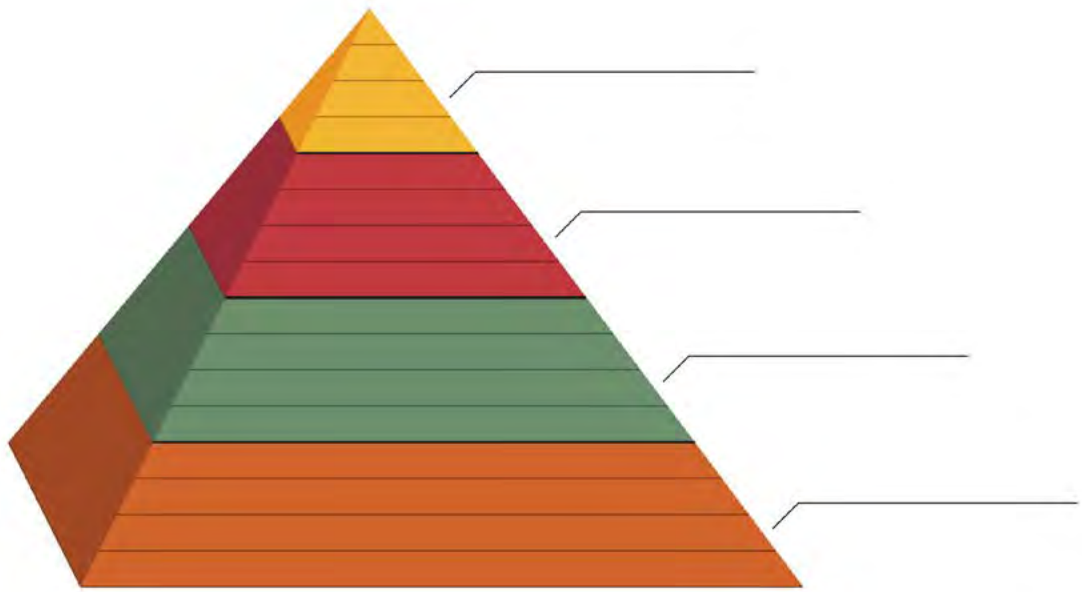
**Tip!**

Remember that your wealth-building pyramid needs a solid foundation—a foundation you provide by being a good money manager, establishing credit, and managing your credit wisely.

## The Wealth-Building Pyramid Activity

### Instructions:

Label the diagram and take notes in the space provided as you listen to the discussion.



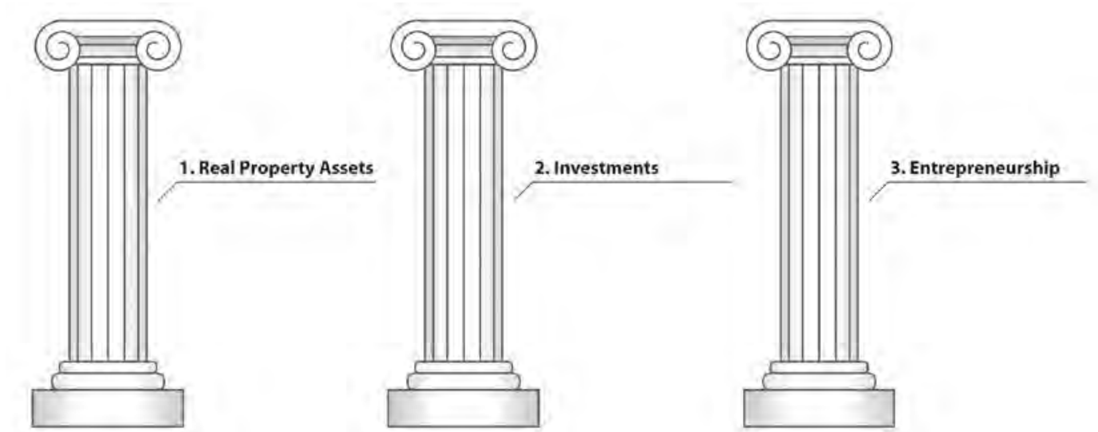
| |
|---|
| **Cash Flow (Foundation)** |
| **Assets** |
| **Estate** |
| **Legacy** |

**Tip!**

Remember that your wealth-building pyramid needs a solid foundation—a foundation you provide by being a good money manager, establishing credit, and managing your credit wisely.

## The Three Pillars of Wealth-Building (Instructor Copy)

***Instructor note:***
*Photocopy the activity handout on the following page. Instruct your participants to label the diagram and take notes as you lead the discussion.*




### The Three Pillars of Wealth-Building

| First Pillar | Second Pillar | Third Pillar |
|---|---|---|
| The first pillar of wealth building is "Real Property Assets" (your personal residence and investment real estate) because in general, real estate appreciates in value.<br><br>And once you own a home, you gain the potential to tap into your home equity, which means you may be able to borrow money using your home as security. Home equity gives people financial flexibility and options. | The second pillar is investments—for example, a retirement account where you have stocks and bonds. | And the third pillar, for many people, is entrepreneurship—owning a business of your own. |

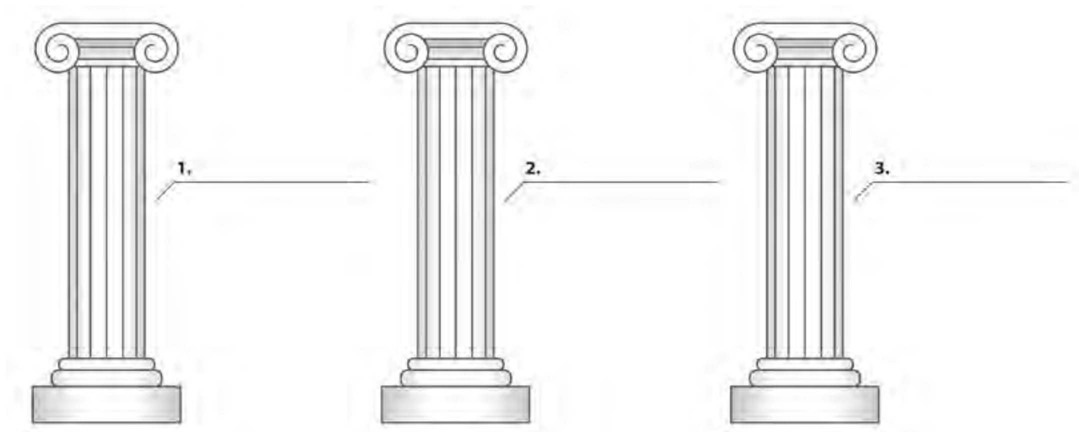
**Tip!**

For most people, 2/3 of family wealth is in the family home. Home equity can be a source of capital for all your wealth-building goals, and a home can be a significant legacy for the next generation.

## The Three Pillars of Wealth-Building

### Instructions:

Label the diagram and take notes as you listen to the discussion.




### The Three Pillars of Wealth-Building

| First Pillar | Second Pillar | Third Pillar |
|---|---|---|
| | | |

Tip!

For most people, 2/3 of family wealth is in the family home. Home equity can be a source of capital for all your wealth-building goals, and a home can be a significant legacy for the next generation.

## Homeownership: Benefits & Realities (Instructor Copy)

### *Instructor note:*

*Photocopy the activity handouts on the following two pages. Divide the class into two groups and have them create lists of the benefits and realities of owning a home. Have participants share their lists and write their findings on the whiteboard/chalkboard or large piece of paper. Then, distribute the completed handout and lead a discussion based on these key points.*

### Instructions:

Have your participants write a list of benefits of owning a home and a list of the realities of owning a home.

| Benefits of Owning a Home | Realities of Owning a Home |
|---|---|
| **A place of your own**<br>• Owning a home is an opportunity to settle down and gain a sense of belonging in a community.<br>• It can give you a sense of personal satisfaction to have a home of your own to share and enjoy with family and friends. | **Ongoing costs**<br>• Homeownership is a large, long-term financial responsibility.<br>• If you don't want to commit to a mortgage, taxes, insurance, utilities, and maintenance—or if your future income is uncertain—owning a home may not be practical at this time. |
| **An investment in your future**<br>• The value of your home can increase over time, making your investment grow.<br>• As you pay down your mortgage loan over the years, you can build ownership interest, called equity, which can offer financial flexibility under the right circumstances.<br>• Your home is also a legacy, financial or other-wise, for the next generation. | **Less easy to move**<br>• If you think you may need to move in the near future, buying a home may not be practical because selling it could take time.<br>• If you buy a home and then have to move, you could end up paying for the home you already own, plus the added expense of a new home. |
| **Manage your housing payments**<br>• In some cases, monthly mortgage payments may be lower than rental payments.<br>• Many home loans, or mortgages, are fixed-rate. This means the amount you pay stays the same month after month, which can help you plan your spending. | **Upkeep of the home**<br>• You'll be responsible for all utility bills, home repairs, and maintenance, some of which can be costly.<br>• You'll also be responsible for property taxes and homeowners insurance, costs that often increase over time. |
| **Tax benefits**<br>• Most homeowners receive tax breaks, because interest paid on a home mortgage and real estate taxes are almost always tax deductible.<br>• Consult your tax advisor regarding the deduct-ibility of interest. | **Increased value not guaranteed**<br>• While most homes increase in value over time, it is possible that your home could lose some of its value.<br>• You could lose money if you sell it for less than what you paid for it.<br>• Even if values in your area remain steady or increase, if you don't keep your property well-maintained, it could decrease in value. |
| **A financial stepping stone**<br>• Paying your mortgage and other expenses on time and in full will strengthen your credit rating.<br>• Managing your finances responsibly helps to increase your financial strength and options. | **Possibility of foreclosure**<br>• In an extreme situation, if you couldn't make your mortgage payments, the lender could foreclose. This means you would lose owner-ship of the property. |

## Homeownership: Benefits & Realities

### Instructions:

In the spaces provided, write a list of the benefits of owning a home and a list of the realities of owning a home.

| Benefits of Owning a Home | Realities of Owning a Home |
|---|---|
| *Example: A place of your own.* | *Example: Repairs and maintenance.* |

## Topic 4 — Save, Invest, and Build Wealth

### Homeownership: Benefits & Realities

| Benefits of Owning a Home | Realities of Owning a Home |
|---|---|
| **A place of your own**<br>• Owning a home is an opportunity to settle down and gain a sense of belonging in a community.<br>• It can give you a sense of personal satisfaction to have a home of your own to share and enjoy with family and friends. | **Ongoing costs**<br>• Homeownership is a large, long-term financial responsibility.<br>• If you don't want to commit to a mortgage, taxes, insurance, utilities, and maintenance—or if your future income is uncertain—owning a home may not be practical at this time. |
| **An investment in your future**<br>• The value of your home can increase over time, making your investment grow.<br>• As you pay down your mortgage loan over the years, you can build ownership interest, called equity, which can offer financial flexibility under the right circumstances.<br>• Your home is also a legacy, financial or other-wise, for the next generation. | **Less easy to move**<br>• If you think you may need to move in the near future, buying a home may not be practical because selling it could take time.<br>• If you buy a home and then have to move, you could end up paying for the home you already own, plus the added expense of a new home. |
| **Manage your housing payments**<br>• In some cases, monthly mortgage payments may be lower than rental payments.<br>• Many home loans, or mortgages, are fixed-rate. This means the amount you pay stays the same month after month, which can help you plan your spending. | **Upkeep of the home**<br>• You'll be responsible for all utility bills, home repairs, and maintenance, some of which can be costly.<br>• You'll also be responsible for property taxes and homeowners insurance, costs that often increase over time. |
| **Tax benefits**<br>• Most homeowners receive tax breaks, because interest paid on a home mortgage and real estate taxes are almost always tax deductible.<br>• Consult your tax advisor regarding the deduct-ibility of interest. | **Increased value not guaranteed**<br>• While most homes increase in value over time, it is possible that your home could lose some of its value.<br>• You could lose money if you sell it for less than what you paid for it.<br>• Even if values in your area remain steady or increase, if you don't keep your property well-maintained, it could decrease in value. |
| **A financial stepping stone**<br>• Paying your mortgage and other expenses on time and in full will strengthen your credit rating.<br>• Managing your finances responsibly helps to increase your financial strength and options. | **Possibility of foreclosure**<br>• In an extreme situation, if you couldn't make your mortgage payments, the lender could foreclose. This means you would lose owner-ship of the property. |

## Are You Ready? (Instructor Copy)

### *Instructor note:*

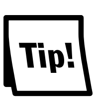
*Photocopy the activity handout on the following page. Distribute to participants and instruct them to complete the checklist. After they're done, begin a discussion by asking questions such as:*

- *Is owning a home important to you? Why or why not?*
- *What are some things you need to accomplish before you buy a home?*
- *Describe your dream home? When do you think you'll be in a position to own a home?*
- *How many of you think you're ready to buy a house right now?*

### Instructions:

Have your participants read each item in the checklist. If they can check "yes" to at least six of the items on this worksheet, they are probably in a good situation to consider buying their first home. If they are not ready yet, they should take the necessary steps to strengthen their financial picture.

| Yes √ | No √ | Situation |
|---|---|---|
| | | I have a steady, reliable source of money coming in. |
| | | I've been employed on a steady basis for at least the last two years. |
| | | I pay my regular monthly bills, such as rent and utilities, on time. |
| | | I make regular payments on my debts (credit cards, car loans, etc.). |
| | | I can afford to continue to pay these debts plus pay a mortgage. (In general, mortgage costs should not exceed 28% of your gross income.). |
| | | I've researched how much my other expenses are likely to be—such as homeowners insurance, taxes, association dues, utilities, repairs, and maintenance—and feel confident that I can pay them. |
| | | I have some money saved for the purpose of buying a home. |
| | | I understand that buying a home is a major, long-term responsibility. I'm committed to fulfilling that responsibility. |
| | | I have time to take care of a house—including responsibilities like home repairs and yard work. |
| | | I've recently reviewed my credit report; I know my current credit score. |




As a homeowner, your monthly house expenses may be higher than what you paid in rent, but you're investing in an asset that can help you build wealth and roots in a community.

### *Instructor Note:*

*Advise your participants to see Buying a Home in the Hands on Banking Adults course for much more about home buying.*

# Topic 4 — Save, Invest, and Build Wealth

## Are You Ready?

### Instructions:

Read each item in the checklist. If you can check "yes" to at least six of the items on this worksheet, you are probably in a good situation to consider buying your first home. If you are not ready yet, take the necessary steps to strengthen your financial picture.

| Yes √ | No √ | Situation |
|---|---|---|
| | | I have a steady, reliable source of money coming in. |
| | | I've been employed on a steady basis for at least the last two years. |
| | | I pay my regular monthly bills, such as rent and utilities, on time. |
| | | I make regular payments on my debts (credit cards, car loans, etc.). |
| | | I can afford to continue to pay these debts plus pay a mortgage. (In general, mortgage costs should not exceed 28% of your gross income.). |
| | | I've researched how much my other expenses are likely to be—such as homeowners insurance, taxes, association dues, utilities, repairs, and maintenance—and feel confident that I can pay them. |
| | | I have some money saved for the purpose of buying a home. |
| | | I understand that buying a home is a major, long-term responsibility. I'm committed to fulfilling that responsibility. |
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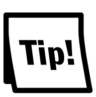


As a homeowner, your monthly house expenses may be higher than what you paid in rent, but you're investing in an asset that can help you build wealth and roots in a community.

## Retirement Planning: Start Early! (Instructor Copy)

### *Instructor note:*

*Consider inviting a financial professional or a retirement specialist to come in and talk to the class.*

*Photocopy the activity handout on the following page. Begin a discussion with your participants by asking questions such as:*

- *When people retire, where do they get money to live on?*
- *Have you ever talked to your parents/grandparents about retirement planning or saving?*
- *What things do you think you can do now to start saving for retirement?*
- *When do you think you'll be ready to retire (what age/year, etc.)?*
- *Then, distribute the activity handout and continue the discussion using these key points.*

There are lots of options and it's never too early to start planning ahead. Here are steps to create the kind of retirement you want.

| | |
|---|---|
| **Create a strategy** | Think about where and how you'd like to live in retirement. Get financial advice from your Human Resources (H.R.) Dept., financial planner, banker, tax advisor, insurance agent, and others. |
| **Set a $ goal** | Many experts recommend that you aim for 75–85% of your pre-retirement income after you're retired. How much money you'll *want* to have for retirement depends on the lifestyle you'd like to enjoy. |
| **Consider 3 key factors** | As you set your savings goal, remember that you don't want to outlive your savings. Consider your cost of living, how many years you'll be retired, and what your health care expenses are likely to be. |
| **Be realistic** | Don't bet on the federal government's Social Security program to fund your "dream" retirement. In December 2006, the average monthly benefit was $1,044. That's just over $12,500 a year. |
| **Use the 4% rule** | Many studies indicate that for every dollar you want to withdraw annually during retirement, you should have at least $25 in assets set aside. |

Tip!

The length of your retirement may equal the number of years you were in the workforce. You may need to support yourself financially for a retirement that lasts decades!

### *Instructor Note:*

*Advise your participants to see Planning Your Future in the Hands on Banking Adults course for much more about retirement.*

Next, your participants learn about the 4% Rule.

## Retirement Planning: Start Early!

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| | |
|---|---|
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| **Use the 4% rule** | Many studies indicate that for every dollar you want to withdraw annually during retirement, you should have at least $25 in assets set aside. |

**Tip!**

The length of your retirement may equal the number of years you were in the workforce. You may need to support yourself financially for a retirement that lasts decades!

## The 4% Rule (Instructor Copy)

### *Instructor note:*

*Photocopy the activity handout on the following page. As you begin the discussion mention the bullet points below first. At this point, hand out the worksheet you've photocopied. Then, walk the participants through the example.*

### Key Points:

- Many studies indicate that if you want your retirement savings to last, you should withdraw no more than 4% to 6% of your savings each year.
- The exact percentage depends on many factors; including how long you live and how much income you receive from part-time work, social security, etc.

Here's a formula to help insure that your retirement savings last as long as you do!

In this example:

- Jose wants $80,000 in annual income during retirement.
- Each year, he's going to receive $30,000 from Social Security and a pension.
- To earn the remaining $50,000 a year on his investments (the difference between the 80,000 he wants and the 30,000 he will get), he needs to have a portfolio of at least $1.25 million dollars set aside by the time he retires.
- $50,000 is 4% of $1.25 million—hence the 4% rule.

### The 4% Rule

| | |
|---|---|
| Desired retirement income: | $80,000 |
| Social security: | $20,000 |
| Pension: | + $10,000 |
| Investment income needed: | $50,000 |
| 4% withdrawal rate | **x 25** |
| Total investment assets needed: | **$1,250,000** |

If someone has $100,000 in savings and withdraws 4% a year, that's just $4,000 a year. With $1,000,000 dollars in savings (at the same 4% withdrawal rate) the amount grows to $40,000 a year…which sounds like a much nicer retirement!

**Tip!**

Here's another way to look at it: Assuming a withdrawal rate of 4%, for every dollar you want to withdraw annually during retirement, you need to have $25 in assets set aside at the time you retire.

## The 4% Rule

### Key Points:

- Many studies indicate that if you want your retirement savings to last, you should withdraw no more than 4% to 6% of your savings each year.
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**Tip!**

Here's another way to look at it: Assuming a withdrawal rate of 4%, for every dollar you want to withdraw annually during retirement, you need to have $25 in assets set aside at the time you retire.

## Protect Yourself With Insurance (Instructor Copy)

### *Instructor note:*

*Consider inviting an insurance professional to talk to the class about this topic.*

*Photocopy the activity handout on the following page. Begin a discussion with your participants by asking questions such as:*

- *Who has their own car insurance? What type of coverage do you have? Do you understand all the components of it? Can you explain to the rest of the class in layman's terms?*
- *Why is insurance so important to your financial future?*
- *Have any of you thought about your medical insurance for now or in the future?*
- *Then, distribute the activity handout and continue the discussion based on these key points.*

Insurance can preserve wealth by protecting you from major expenses that you otherwise couldn't afford.

| | |
|---|---|
| **Basic insurance terminology** | • When you buy insurance, you receive an insurance policy, a document that spells out exactly what is and isn't covered.<br>• The covered items are called your benefits.<br>• The amount you pay for insurance is called the premium.<br>• When you file a claim, you submit bills of your costs to your insurance company. |
| **Who pays what** | • If you file a claim, typically your insurance company will pay a portion of the costs.<br>• The amount of a claim that you must pay before the insurance company will cover the rest is called the deductible; the amount you pay toward each medical bill is called the co-pay. |
| **How deductible impacts premium** | • Typically, the higher the deductible, the less expensive the insurance premium.<br>• So it's a good strategy to get a policy with the highest deductible that you can comfortably afford if you had to. This will minimize the cost of your policy. |
| **"Save" on health insurance?** | • If you're young and healthy, you may try to save money by not buying health insurance.<br>• But with today's high costs of medical care, taking your chances that you'll stay healthy is a strategy that may have serious financial consequences.<br>• One serious illness has the potential to financially wipe out you—and your family.<br>• The younger and healthier you are when buying health insurance, the less expensive it's likely to be. |


 

## Protect Yourself With Insurance (Instructor Copy) (continued)

| | |
|---|---|
| **Benefits of life insurance** | • Consider life insurance regardless of your family circumstances or your age.<br>• While its primary purpose is to ease the financial burden of an untimely death, it can be an effective tool for both asset protection and wealth accumulation.<br>• Some types of life insurance can be used as a source of retirement income or to fund a child's education |
| **Before you buy** | • Check the "financial strength rating" of an insurance company.<br>• This measures their financial soundness and how capable they are of handling the claims of their customers.<br>• The highest rating is AAA, followed by AA.<br>• Avoid companies without at least an A rating. You can research these ratings on the Web with companies including AM Best, Moody's, and Standard & Poors.<br>• The most reputable insurers receive consistently high ratings. |
| **How much coverage?** | • Ask insurance professionals to suggest types and how much coverage you need.<br>• A general rule: never insure something you can afford to pay for yourself. |

*This is provided for informational purposes only and should not be construed as legal or financial advice. Please consult your legal or financial advisor for more information.*

**Tip!**

Your credit score could impact how much insurance companies charge you in premiums. To learn more, see the topic *All About Credit*.

## Protect Yourself With Insurance

Insurance can preserve wealth by protecting you from major expenses that you otherwise couldn't afford.

| | |
|---|---|
| **Basic insurance terminology** | • When you buy insurance, you receive an insurance policy, a document that spells out exactly what is and isn't covered.<br>• The covered items are called your benefits.<br>• The amount you pay for insurance is called the premium.<br>• When you file a claim, you submit bills of your costs to your insurance company. |
| **Who pays what** | • If you file a claim, typically your insurance company will pay a portion of the costs.<br>• The amount of a claim that you must pay before the insurance company will cover the rest is called the deductible; the amount you pay toward each medical bill is called the co-pay. |
| **How deductible impacts premium** | • Typically, the higher the deductible, the less expensive the insurance premium.<br>• So it's a good strategy to get a policy with the highest deductible that you can comfortably afford if you had to. This will minimize the cost of your policy. |
| **"Save" on health insurance?** | • If you're young and healthy, you may try to save money by not buying health insurance.<br>• But with today's high costs of medical care, taking your chances that you'll stay healthy is a strategy that may have serious financial consequences.<br>• One serious illness has the potential to financially wipe out you—and your family.<br>• The younger and healthier you are when buying health insurance, the less expensive it's likely to be. |
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## Protect Yourself With Insurance (continued)

| | |
|---|---|
| **How much coverage?** | • Ask insurance professionals to suggest types and how much coverage you need.<br>• A general rule: never insure something you can afford to pay for yourself. |

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**Tip!**

Your credit score could impact how much insurance companies charge you in premiums. To learn more, see the topic *All About Credit.*

***Instructor note:***
*At this point in the class, consider using this recommended library article listed below as a discussion resource or a takeaway for your participants. You can find this and other library articles at the end of this topic.*

## Recommended Articles: Life Insurance and Personal Insurance

Remember, the online *Hands on Banking*® program has dozens of additional library articles that you can use and distribute for this and other topics. Visit **www.handsonbanking.org** to browse all the available articles.

## The Big Picture: Your Financial Plan (Instructor Copy)

### *Instructor note:*

*Consider inviting a financial planner/advisor in to talk to your class.*

*Begin a discussion with your participants by asking questions such as:*
- *What is a financial plan?*
- *Do you think it's worth investing in a profession financial planner to help you create a financial plan?*
- *What types of things do you think are included in a financial plan?*

*Then, continue the discussion using these key points.*

### Key points:

- Seeing the big picture can help you reach your financial goals.
- Professionals can help you create your plan.
- Financial planning means creating a long-term vision and clear goals for the future you want.
- Creating a financial plan helps you see what you're trying to achieve and how all of the major pieces of your financial world add up into one complete picture relative to your goals.
- Major pieces of your financial plan include your job or business; your spending plan; major assets you own; debts you owe; real estate; insurance; investments; estate planning for the next generation.
- Take advantage of professional advice. Some financial services companies will answer basic financial questions for free, or create a basic financial plan for as little as a few hundred dollars.
- You may have to pay for some planning services, but financial advice doesn't have to be expensive.

Tip!

> Paying for financial planning advice now can be a bargain if it helps you make smart financial choices that pay off in the long run.

## Topic 4 — Save, Invest, and Build Wealth

# Lesson Summary

### *Instructor note:*
*Summarize this lesson by reviewing these key points with your participants.*

Key points from the How to Build Wealth lesson:

- “Having money” and “building wealth” are really two different things.
- Having income is great, but that money goes into your pocket and right back out.
- Wealth is a set of resources—savings, property, investments—you can use to create and take advantage of life’s opportunities.
- Building wealth usually doesn’t happen overnight, or in a year, or even three years. It’s a series of steps that you take over time.
- The steps are simple to explain, but a lot harder to do. You have to discipline yourself to make wealth-building a lifelong pattern. If you do, you’ll keep getting better at it as time goes on.

### Additional Activities
These activities are designed to extend the new concepts presented in the How to Build Wealth lesson. Use these or similar activities to give participants an opportunity to apply what they have just learned to real-life scenarios.

- Use some example numbers and the 4% rule formula to calculate how much money you’ll need during retirement.

### Topic 4 — Save, Invest, and Build Wealth

## Topic Summary

***Instructor note:***
*Summarize this topic by reviewing these key points with your participants.*

Key points from the Save, Invest and Build Wealth topic.

- Every time you get paid, make it a habit to set some money aside in savings. If you do, you'll be less likely to spend it and your money will grow with interest. Plus you'll be ready for emergencies and to make major purchases.
- Try to earn the most interest you can on the money you save. Remember that the amount of interest you earn will depend on which account you choose and the amount you keep in the account over time.
- When you're financially ready, get started with investing. Consider using the guidelines you've learned to help manage your risk.
- Building wealth is all about investing in things that will hopefully go up in value over time. Whether it's real estate or stocks, try to "buy low and sell high." That's how you make a profit.
- Consider creating your own financial plan. Looking at the big picture of your financial situation can help you get clear about your goals and how you're going to reach them…including retiring some day.

## Test Yourself (Instructor Copy)

### *Instructor note:*

*This short quiz can be used as a pre or post test with your participants to gauge their current knowledge on spending.*

*Photocopy the quiz on the next page. Distribute it to participants to test what they've learned about Spending Smart.*

### Instructions:

Have your participants answer these questions to test their knowledge.

1. The amount of interest you earn on money in your savings account will depend a lot on which three factors?
   a. The wind chill factor, the alignment of the stars and planets, and whether Mercury is in retrograde.
   b. The interest rate, how often you make deposits, and how the financial institution invests your money.
   **c. The interest rate, how long you keep the money in your account, and how the financial institution pays the interest**
   d. The prime rate, your credit rating, and how you make the deposits (cash, check, or direct deposit).

2. The collection of investments you own is called your __________________________.
   **a. portfolio**
   b. dividend
   c. profit margin
   d. liabilities

3. Many studies indicate that if you want your retirement savings to last, you should withdraw no more of your savings each year than __________________________.
   a. 1–2%
   **b. 4–6%**
   c. 8–10%
   d. 10% of your age

4. To build wealth, try to focus on buying assets you think are likely to _______________ over time.
   a. depreciate
   b. negotiate
   **c. appreciate**
   d. initiate

## Topic 4 — Save, Invest, and Build Wealth

### Test Yourself

### Instructions:

Answer these questions to test your knowledge.

1. The amount of interest you earn on money in your savings account will depend a lot on which three factors?
   a. The wind chill factor, the alignment of the stars and planets, and whether Mercury is in retrograde.
   b. The interest rate, how often you make deposits, and how the financial institution invests your money.
   c. The interest rate, how long you keep the money in your account, and how the financial institution pays the interest
   d. The prime rate, your credit rating, and how you make the deposits (cash, check, or direct deposit).

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   a. depreciate
   b. negotiate
   c. appreciate
   d. initiate

# Appendix

## Library Articles & Additional Topic Resources

Use these library articles as a discussion resource or a takeaway for your participants. Remember, the online *Hands on Banking®* program has dozens of additional library articles that you can use and distribute for this and other topics. Visit **www.handsonbanking.org** to browse all the available articles.

# Personal Goal Setting

Chances are, you're working hard to "get ahead"…but where are you headed? What kinds of things would you like to do, have, and accomplish over the next few months or years?

You probably have goals in various areas of your life, such as career, finance, education, or fitness. Some of these may be short-term goals such as getting a promotion at work, buying new clothes, or going on a vacation trip. Others may be long-term goals—whether it's buying a home, starting a business, or paying for college education.

**Goals can guide you financially**

Setting financial goals can help guide your approach to saving, investing, and managing your money in general. To determine your financial goals, Imagine your future:

- Where do you want to live? In what kind of home? In what sort of neighborhood?
- Will you have children (or more children)? How many?
- What career will you have?
- What will your lifestyle be like—both while you're employed and in retirement?
- In what manner would you like to provide a legacy for the next generation and give back to your community?

**Write down your goals**

To reach your goals, it can be very helpful to write them down on paper as opposed to just thinking about them. Writing your goals can help you determine exactly what you want to accomplish, and by when. It'll help you see what's really important to you and where to focus your time and effort. That's why writing down your goals is a great first step for moving your ideas from dreams to reality.

Use the worksheet below to describe your long-term, short-term, and immediate goals in different categories. Over time, as your personal circumstances change, your goals may change as well. Update your goals on a regular basis and during times of major change.

We invite you to contact Wells Fargo for further information and assistance. Visit our Web site at wellsfargo.com or any Wells Fargo store.

## Personal Goal Setting Worksheet

As you determine your goals, consider what action steps you'll need to take; what obstacles you may face and how you'll address them; what resources you'll need; and who can help you. Update your goals on a regular basis and during times of major change.

| | | | Categories | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Goals** | **Start Date** | **Goal Date** | **Career** | **Finance** | **Education** | **Health & Fitness** | **Community** | **Personal Development** | **Leisure** |
| **Immediate** (next 6 months–1 year) | | | | | | | | | |
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| **Short-Term** (next 1–5 years) | | | | | | | | | |
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| **Long-Term** (next 6–10 years+) | | | | | | | | | |
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# About Bonds

Corporations, governments and municipalities issue bonds to raise funds. In return they typically pay the bond owners a fixed interest rate. In this way, a bond is like a loan. As part of a diversified portfolio, bonds can help you manage market fluctuations and generate income.

### What makes a bond price go up and down?

- Interest rates may be the most significant factor affecting a bond's value. When interest rates fall, the market price of existing bonds rise because their fixed-interest rates may be more attractive in the market than the rates for new issues. Similarly, when interest rates rise, the market price of existing bonds with lower, fixed-interest rates tend to fall.
- Inflation may erode the purchasing power of interest income. Generally, bonds with longer maturities are more sensitive to inflation than bonds with shorter maturities.
- Economic conditions may cause bond values—particularly corporate bonds—to fluctuate. An economic change that adversely affects a company's business may reduce the perceived ability of a company to make interest or principal payments.

### How to invest in bonds

Bonds may be traded in the market just like stocks, and you will typically pay a broker a fee if you buy or sell a bond. There is, however, one exception; you may purchase U.S. Treasury securities directly through the Treasury Direct program of the Federal Reserve System, in which case you do not need a broker's services and incur no fee beyond the bond's purchase price.

Two other ways to purchase bonds that offer diversification are bond mutual funds and unit investment trusts (UIT).

Bond mutual funds sold through a brokerage firm may charge a sales fee, or "load." No-load funds may be purchased directly from the fund company. You may also purchase a variety of load or no-load funds through most online brokerage firms. Some funds are sold on discount brokerage sites without a transaction fee, while others are subject to trading fees.

The information contained herein is being provided as-is and without representation or warranty. The enclosed information is not intended as legal, tax or financial planning advice. Any discussion of tax or accounting matters herein (including any attachments) should not and may not be relied on by any recipient or reader. The recipient/reader should consult his/her tax adviser, legal consultant and/or accountant for a statement of tax and accounting rules applicable to his/her particular situation and for all other tax and accounting advice.

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# About Stocks

Buying stock means taking an ownership or equity stake in a corporation. If you are a shareholder, you own an undivided interest in the assets of the corporation and may be paid a proportionate share of the company's earnings in the form of dividends.

Stocks are usually bought and sold in units called shares. A share's value, or share price, rises and falls based on how much people will pay for a share. People will pay money for the stock if they think the company will be successful. If it is, its stock will increase in value.

The amount you pay per share is, at first, set by investment banks during a company's initial public offering (IPO), and is determined by the company's value. For example, if a $100 million company offers 10 million shares, its shares go for $10 each. But that's just the starting point. The price of a share can go up and down over time.

Stocks are generally considered to be a riskier investment than bonds or cash. Stock prices tend to fluctuate more sharply—both up and down—than other types of asset classes. However, stocks can help you build long-term growth into your overall financial plan. History has repeatedly demonstrated that stocks, as an asset class, have outperformed every other type of investment over long periods of time.

Be sure to research a company before investing in its stock. You should understand its products or services, its market, as well as whether it has a sound balance sheet, cash-flow management, and competent directors and managers. You should also consider analysts' projected earnings estimates.

### What makes a stock price go up and down?

There are many factors, including:

- How the company offering the stock is doing: Good news from a company, such as a new product launch or exceeding quarterly financial projections, tends to make a stock's price go up. Bad news, such as a product recall or lawsuits against the company, generally can cause the price to drop.
- World events: Major political shifts, natural disasters, wars and social unrest can all affect a stock's price. When people are uncertain about what's happening in the world, they're less likely to take on the high risk associated with stocks, so less money is put into the stock market.
- The U.S. economy: When the government enacts policies that seem to help the economy, such as tax breaks to spur consumer spending, stock prices are apt to rise. Policies that may hurt the economy, such as the Federal Reserve raising interest rates, can cause stock prices to decline.
- Market conditions: When people are optimistic about the economy and investing more money, a bull market can occur. During this time, stock prices rise faster than usual and people experience positive returns on their investments. But when people are pessimistic about the economy, a bear market can ensue, which brings falling stock prices.

# About Stocks (continued)

### What makes a stock price go up and down? (continued)

- Supply and demand: A company offers a limited number of shares—that's the supply. People who want to buy the stock create the demand. When demand is high and supply is low (because shareholders are not selling), the stock's price goes up. When there is low demand and high supply, a stock's price goes down.

If you want to be a savvy investor, you can't just watch the ups and downs of your individual stocks (collectively known as your portfolio). You should also monitor the market's overall performance.

### Stock exchanges

Places where stocks are bought and sold are called stock exchanges. The Dow, S&P 500, and NASDAQ Composite Index are stock indexes that are used to measure the upward or downward trends of stock values. The Dow consists of about 30 very large U.S. companies. The S&P 500 is 500 of the largest publicly traded U.S. corporations. In order to be traded, a stock has to be listed on an exchange. Different stocks list on different exchanges. The stocks of approximately 3,200 companies are traded on the NASDAQ exchange.

There are a number of Web sites where you can check stock prices for free. Keep in mind that information from the stock markets is not posted in real-time. There may be a short time delay, often as much as 20 minutes. These sites usually feature other information that can help you make investment decisions, such as interactive charts and recent company news. Many daily newspapers also list the closing stock prices from the previous day.

### Getting started

In order to buy or sell stocks, known as making trades, you must go through a licensed broker. As a first step, you need to set up a brokerage account by contacting a brokerage firm and filling out an application. Every time you buy or sell a stock, your brokerage firm will typically charge you a service fee.

You can invest independently using an online discount brokerage firm. These firms will give you access to research tools to help you decide what stocks to buy, but will not provide advice or recommendations. This helps to keep the service fees low. Alternatively, you can invest with the guidance of a professional broker who will monitor your portfolio and give advice on what stocks you should invest in—but this help typically comes with higher fees.

But before you invest in stocks, consider visiting one of the many Web sites offering tools to research, select, and track stocks.

### How do you make money in the stock market?

There is no guaranteed method for making money with stocks. Making your investments pay off takes a lot of work. You need to follow the financial news, use the Dow and S&P 500 to watch market trends, and thoroughly research companies you want to invest in.

# About Stocks (continued)

**How do you make money in the stock market? (continued)**
One way to earn money is to look for companies that pay dividends, which is a payment given to shareholders based on the company's profit. The amount of your individual dividend payment is based on the number of shares you own. So if the dividend pays $5 a share and you own 250 shares, you'll receive a dividend payment of $1,250. You can choose to keep the money or reinvest it to buy more shares of the company.

The basic goal is to buy low and sell high. The difference between your purchase price and your sale price is your capital gain—and that's your profit.

While it may be tempting, don't jump into buying a stock just because it looks cheap. Find stocks that are of good value, or even slightly undervalued (as recommended by your research), and buy as many shares as you can. Hold onto those stocks, watching their performance over time, and sell when the price is higher than what you paid for it. Sounds easy—but it takes strategy, diligence and time to master the technique.

Some investors use a strategy called dollar cost averaging, which can be implemented as a "constant dollar plan." With this practice, dollar cost averaging means adding the same amount of money to an investment account on a regular basis. By doing this, you purchase fewer shares when the share price is high, and more when the price is low. This generally results in a lower average cost per share than purchasing a constant *number* of shares at the same periodic intervals. However, dollar cost averaging does not ensure a profit or protect against loss.

Keep in mind that you will pay taxes on all the money you make in the stock market, whether you earn it from dividends or from capital gains.



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# About Mutual Funds

A mutual fund is an investment that pools the money of many individual investors. This money is then managed by experienced professionals who can buy or sell a diversified or well-mixed number of stocks, bonds, or money market securities for the fund. As a mutual fund investor, you own shares in a portfolio made up of as many as several hundred different securities.

Mutual funds are designed to offer the individual investor diversification and professional money management, even with low investment amounts. Mutual funds may be an appropriate investment option to consider if you're a beginning investor, if you don't have a lot to invest, or if you want diversification in your portfolio.

### How do mutual funds work?

- **A mutual fund pools money from its many investors to purchase securities for the fund's portfolio.** As a result, investors typically own a portion of a portfolio that includes many more investments than they could afford to purchase individually. The value of the investor's share of that portfolio increases or decreases based on the value of the investments in the portfolio.
- **Every mutual fund has a specific investment objective.** Most mutual funds invest in stocks, bonds, cash equivalents, or a combination of these. Within those categories, a stock fund may emphasize domestic or foreign stocks or stocks from a particular industry sector. A bond fund may concentrate on investments with either long- or short-term maturities, or on government or corporate securities.
- **A mutual fund distributes its income and capital gains.** As the fund buys and sells investments within its portfolio, it distributes any income received from stock dividends or bond interest to the shareholders along with any capital gains from the sale of securities.

### How risky are mutual fund investments?

ALL investments involve risk. However, as with any investment, risk and rate of return are related. Generally, as the risk of an investment increases, the potential return increases as well. In order to become a successful investor, you must match the mutual fund's risk level to your own risk tolerance and match your objectives with that of the fund (for example, selecting a fund with an objective of long-term growth if your target retirement date is 15 or more years away).

### Be sure to read the prospectus before investing.

The prospectus tells you how the fund will invest, how you may purchase shares, how the fund will be administered, and what it will cost you in fees and other expenses.

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# Avoid Common Investing Mistakes

**Here are some common sense guidelines to help you invest successfully and avoid common mistakes.**

### Decide if you're ready

Most financial advisors recommend that you have enough savings on-hand to cover two to six months of expenses before starting to invest. That way, you'll be prepared to cover your expenses in case of an emergency, a sudden illness, or if you lose your job. Once you've built up enough savings—and your debts are low enough that you can comfortably pay them—you're ready to consider investing.

### Start investing as soon as you can

The earlier you start, the easier it will be to achieve your financial goals. Many investors lose out because they wait too long to get started or invest too little. If you don't start early, it can be difficult to catch up.

### Understand the basics

Before you actually invest any money, it's important to understand the basics about different types of investments, such as stocks, bonds, and time accounts. One of the keys to success will be dividing your money among these types.

### Consider your risk-tolerance

Investing involves taking some level of risk in exchange for potential reward. Consider your current financial situation and goals. Determine how much risk are you comfortable taking.

### Diversify

Divide your money among different types of investments to reduce your risk. Have a balance of different types of investments in a variety of companies and industries.

### Have a plan

Before you invest, create an overall plan of what you are trying to accomplish. Set financial goals and determine how much time you have to reach them. Taking your tolerance for risk into account, decide how much money you need to invest every month and the mix of investments you want to maintain.

### Research before you invest

Research is critical to investing success. Always do research before investing. Most online brokerages offer research and financial news in addition to stock and mutual fund quotes. Base your decisions to invest on facts, not emotions. Be as objective as you can about the risks and potential rewards. View "hot tips" about investments with skepticism. Always do your research.

# Avoid common investing mistakes (continued)

## Buy low and sell high
Selling an investment for more than you paid is how you make a profit. The idea is simple, but it's a challenge to do it consistently. The historical trend of a stock's price may help indicate what might happen in the future, but there are no guarantees. When you research possible investments, experts recommend that you focus on the investment's objective (in other words, whether the goal is to give investors income, growth, safety, or some combination of the three), risk profile, and how well it fits into your overall portfolio. Try to avoid buying a stock at its high point. Look for opportunities to buy stocks with good potential at low prices after a major market downturn.

## Buy and hold
Some investors overreact to news items they read or "hot stock tips." They start trading all the time, buying and selling investments very quickly in an attempt to make quick gains. These strategies rarely work and can put you in serious danger of losing your money. Stay objective and focus on the long term. Be an investor, not a gambler. Avoid the impulse to react to sudden changes in the market or to buy the latest hot stock.

## Decide when to sell
One of the keys to successful investing is deciding when to sell investments that are doing poorly as well as those that have increased in value. Most professional investors set strict guidelines for themselves regarding the specific price, either high or low, at which they will sell. To cut your potential losses and maximize your gains, consider adopting the same approach. Review your portfolio on a regular basis to see which investments have significantly increased in value, which have dropped, and whether the time to sell is now. You may also want to consider the tax consequences of selling a particular asset at a particular time.

## Pay attention to costs
Taxes, fees, inflation, and other costs can all affect your return on an investment. It's wise to consult with an investment professional and your tax adviser regarding the best way to minimize these costs.

## Keep track
Whether you trade online or invest though a professional, it's important to keep track of your investments. A fast and convenient way is through online account access offered by many investment brokerage companies. This service allows you to view balance and transaction information, transfer money, contact customer service, and more. It's usually provided for free.

## Understand market and limit orders
Unlike most things you buy, the prices of most stocks change very frequently. This means you need to tell the broker, that is the person or company handling your transaction, the price you agree to pay. Market orders are filled at the price a stock is trading when the order is received. If the stock price is volatile that day, you might pay more than you planned to. With limit orders, you set the buy or sell price, but you run the risk of not getting your order executed. Review your broker's trading guide before getting started to be sure you pick the order type that's right for you.

# Avoid common investing mistakes (continued)

### Be accurate
If you trade online, make sure you type accurately. Check and double-check the order you type in. Have you entered the right stock symbol and number of shares? If you're rushed or distracted, you could make a serious mistake.

### Stick with your plan
Periodically review your investing plan so that you don't lose sight of your goals. Adjust your portfolio as needed to maintain the mix of investments you want at your target level of risk.

*The material provided above is for information only and is not intended to provide specific investment advice to any individual for any particular purpose. For advice related to your personal situation, you should consult an investment and tax professional.*

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# Life Insurance

### Life insurance terminology

**Beneficiary:** The person or organization designated by a policy holder to receive the proceeds from an insurance policy.

**Policy proceeds**: The money that is paid to a beneficiary as a result of an insurance policy.

**Term:** The period of time for which insurance coverage is provided under a policy, usually 5 to 30 years.

### Life Insurance: Peace of Mind is Priceless

There is nothing more reassuring than knowing your loved ones will be taken care of after you are gone. Often people are uncomfortable acknowledging that they need life insurance simply because they are uneasy thinking about the concept of death—especially in relation to their own. But while discussing death can be difficult, planning ahead and purchasing life insurance is one of the most loving ways you can provide for your family, friends and others you care about.

If you have significant financial obligations, a spouse or dependents, you should seriously consider life insurance. Without adequate life insurance coverage for yourself, your loved ones could be left swimming in a sea of debt after you are gone. The next time you sit down to pay bills with your partner, consider: Who would pay for your portion of the mortgage in the event of your death? What about your child's activities, clothes, health care and possible college tuition? Life insurance provides a means to cover these expenses, in addition to medical bills, funeral costs, taxes and more. This type of coverage also allows you to leave a legacy in the form of an inheritance to your children or other beneficiary, such as a charitable organization, after your death.

There are two basic types of life insurance—temporary and permanent. Term life is considered temporary life insurance as it provides flexible, lower-cost coverage for people who need coverage for a period of time—generally from 5 to 30 years. Whole life insurance, on the other hand, is referred to as permanent insurance because it builds up a cash value and affords continuous protection for as long as the premiums are paid.

When compared to whole life insurance, term life insurance offers the most amount of protection for the least amount of money. Term life insurance can also be a less expensive option for families with limited budgets. The basic idea behind term life insurance is pretty simple: If you die during the time frame specified in your policy, your beneficiaries will receive your policy's proceeds.

# Life Insurance (continued)

**Review Your Policy**
Over the course of your lifetime, you may want to combine shorter- and longer-term policies to accommodate your family's changing needs. To ensure you have enough coverage, review your life insurance policy with an insurance agent each time you make a significant change in your lifestyle—not just when your term expires or your policy is up for renewal. Here are some specific life events that may require an increase or decrease in your life insurance coverage:

- The birth or adoption of a child
- Marriage or divorce
- Buying a home or downsizing to a smaller residence
- Changing jobs

With Internet scams and mail fraud on the rise, it's becoming increasingly important that you do your homework when dealing with unfamiliar insurance companies. If you receive a life insurance offer that sounds too good to be true, chances are, it is. Most insurance companies have financial strength ratings from independent organizations such as A. M. Best Company, Standard & Poor's and Moody's Investor Services. To verify insurers' authenticity, look for companies with "A" ratings or better. Or, check prospective insurance companies' complaint records with your state department of insurance.

It's never easy to talk about dying—particularly your own death. But you may find that the subject of mortality is much easier to face when you know that your affairs are in order. In fact, many find great comfort in planning the legacy they will leave for loved ones.

# Personal Insurance

## Personal Insurance Terminology

Here are some commonly used terms you may encounter when exploring personal insurance.

**Agent:** A professional licensed by the state who represents one insurance company or several (commonly referred to as an independent agent), and sells insurance; commissions are paid by the insurance companies, whereas a broker's fees are paid by his or her customers.

**Assets:** Property owned by a policy holder including but not limited to money in savings or checking accounts, stocks, bonds and real estate.

**Broker:** A licensed insurance professional who works on behalf of buyers to find suitable insurance; fees are paid by the customers, whereas an agent receives commissions paid by the insurance companies it represents.

**Limit:** The maximum amount of money an insurance company will pay out for a covered loss, such as medical care or auto repair costs due to a covered car accident.

**Policy holder:** The individual who owns and controls an insurance contract.

**Premium:** The cost of insurance coverage for a specific risk provided by an insurer for a set length of time.

**Provider:** A company that supplies insurance; sometimes referred to as an insurance carrier.

**Rate:** The per-unit price of insurance; this amount is used when calculating premiums and is generally based on state regulations and historical losses for comparable risks.

**Risk:** A peril or event that could potentially cause loss to a policy holder.

## Insurance: Protect All You Value

Designed to reduce financial losses, policy holders pay insurance companies premiums to cover personal property in exchange for financial protection against specific events, including fire, flood or theft. Insurance is essential because it protects you from loss. Without the protection that insurance provides, you may be vulnerable to risks that could destroy your financial stability, such as:

- The cost to repair or replace damaged or stolen items.
- Temporary relocation expenses if you should become displaced as a result of a storm or fire.
- Income lost when you can't go to work because of an accident.
- Lawsuits and legal fees.

## Make More Informed Decisions About Insurance

Before you ask yourself "Is insurance worth it?" consider how much it would cost to replace your personal property, home and other assets if you were to suffer a devastating loss, such as a fire, flood, car accident or home invasion. While insurance premiums may stretch your budget from time to time, their costs are relatively low when compared against the actual expenses involved with replacing everything you've worked hard to buy or build.

# Personal Insurance (continued)

### Make More Informed Decisions About Insurance (continued)
Choosing whether or not to have insurance isn't always optional. Some types of protection, like auto insurance, are required by law. Insurance requirements vary from state to state, however, generally motorists who own, lease or drive a vehicle must be insured. Homeowners insurance is another example where coverage is mandatory; if you finance your home, your mortage lender will require you to have homeowners insurance.

### Get Expert Advice
Your protection needs are as unique as your fingerprints. Take your home, for example: While the design or structure of your house may look similar to your next-door neighbor's, its contents are entirely distinct.

Since insurance plans vary from company to company, finding the precise amount of protection you need at a price you can afford can be challenging. However, if you work with an insurance agent, you could save time and money—especially if you bring your existing insurance policies and a list of questions to discuss, such as:
- Does the insurance company offer a multi-policy discount for bundling several different insurance policies (such as auto and homeowners) into one contract?
- What are my deductible options?
- What are my state's specific insurance coverage limits?
- Am I eligible for discounts?
- Do I need to take out a special insurance rider to cover valuables such as art, jewelry or antiques?
- Can you compare several insurance companies for me?

### Review Your Policies
Whether you are moving into your first new home or planning for retirement, review your policies frequently and fine-tune your coverages as needed through every stage of your life—not just at renewal. To ensure that you are getting the best rates and that your coverage is keeping pace with your needs, re-examine your policies when you:
- Get married or divorced
- Welcome a new baby to your family
- Send a child off to college
- Buy a vacation home or cabin
- Begin a home remodeling project
- Plan on retiring in the near future
- Make another significant change to your lifestyle

Knowing your home and belongings are properly protected against loss provides peace of mind.

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## Topic 5 — All About Credit

# Topic Overview

The All About Credit topic teaches participants the basics of credit. It explains credit scores, credit reports, credit cards, loans and how to deal with debt. Throughout the topic, participants are introduced to good and bad credit and learn how to build good credit and avoid too much debt.

The topic includes:

1. Before you borrow
2. Credit basics
3. Your credit score
4. Your credit report
5. Credit cards
6. Loans
7. Dealing with debt

These lessons include a number of hands-on participant activities. Use these activities to help simulate real-world scenarios and activities with your participants.

This instructor guide is based on and follows the structure of the online *Hands on Banking*® program. We invite you to use and experience the online program as it is an excellent resource that will support your instructional efforts and enhance your participants' experience. It includes a variety of interactive lessons and many helpful resource library articles to augment this guide. Visit **www.handsonbanking.org** to access the program. Should you require a CD ROM to access the program you may request a free copy at **HOBCD@wellsfargo.com**.

## Topic 5 — All About Credit

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## Topic 5 — All About Credit

# Instructor's Guide — Young Adults
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## Topic 5 — All About Credit

# Glossary

***Instructor note:***

*The Glossary contains definitions and descriptions of valuable terms and phrases related to this topic. Encourage your participants to use the Glossary during and after the class to become more familiar and comfortable with the terminology.*

*Photocopy the glossary on the next page and hand it out to your participants.*

# Glossary

| | |
|---|---|
| **Annual fee** | The fee a credit card company charges a credit card holder to use the card for a year. Or, the fee a lender charges a borrower for the use of a line of credit for a year. |
| **Annual percentage rate (APR)** | A measurement used to compare different loans, the APR takes into account a loan's interest rate, term, and fees to illustrate the total cost of credit expressed as a yearly rate. The lower the APR, the lower the total cost of the loan. |
| **Asset** | Anything of value owned by a person or company. For example, a person's assets might include cash, a house, a car, and stocks. A business's assets might include cash, equipment, and inventory. |
| **Bad credit** | A situation in which lenders believe that, due to a borrower's poor history of repaying his or her debts, further loans to this person would be especially risky. |
| **Bankruptcy** | To legally declare yourself unable to repay your debts. A bankruptcy remains on a person's credit history for up to seven years. Depending on the type of bankruptcy, it could stay on a person's credit history for up to ten years. |
| **Capacity** | A borrower's ability to make monthly loan payments. When reviewing loan applications, lenders look at a borrower's income and debts to determine his or her capacity to repay. |
| **Capital** | The assets a borrower owns, for example a car, or cash in a savings account minus your liabilities. If a borrower is unable to make his or her loan payments, a lender might use these assets to pay the debt. Capital is also known as collateral or assets. |
| **Cardmember agreement** | Are the Terms and Conditions of your credit card account. It includes information such as the rate, fees, and other cost information associated with the account. |
| **Character** | The financial steadiness and stability of a borrower. For example, when reviewing your loan application, a lender may look at how long you've lived at your current address or worked at your current job. |
| **Collateral** | Any assets of a borrower (for example, a home) that a lender has a right to take ownership of if the borrower doesn't repay the loan as agreed. |
| **Collection agency** | A business that specializes in collecting past due debts. |
| **Conditions** | Eligibility requirements that may be required by a lender to secure a loan or product. |
| **Credit** | When a bank or business allows its customers to purchase goods or services on the promise of future payment. Also used to describe any item that increases the balance in a bank account. Deposits and interest payments are both examples of credits. |
| **Credit bureau** | A company that gathers information on consumers who use credit. These companies send this information to lenders and other businesses in the form of a credit report. The three largest bureaus are Equifax, Experian, and TransUnion. |
| **Credit counselor** | A professional advisor who specializes in helping people with debt and credit problems. |

# Glossary

**Credit history** A written record of a person's use of credit, including applying for credit, and using credit or loans to make purchases. Also called a credit record.

**Credit limit** The maximum dollar amount the lender is willing to make available to the borrower according to the agreement between them. For example, if you have a credit card, the credit agreement will usually specify the maximum amount of money you're allowed to charge.

**Credit rating** An evaluation of an individual's or business's financial history and the ability to pay debts. Lenders use this information to decide whether to approve a loan. The credit rating is usually in the form of a number or letter.

**Credit record** Also known as your credit history when provided by a credit bureau to a lender or other business.

**Credit report** A report issued by an independent credit agency that contains information concerning a loan applicant's credit history and current credit standing.

**Credit score** A numerical rating that indicates an individual's creditworthiness based on a number of criteria. Credit scores are used by lenders in the loan approval decision process. (FICO)

**Creditor** A business that makes money available for others to borrow.

**Creditworthiness** A lender's measure of an individual or company's ability to pay debt.

**Debt** Money, goods, or services you owe to others.

**Debt-to-income ratio** A percentage that is calculated by dividing a loan applicant's total debt payments to his or her gross income.

**E-mail alerts** An online message service you can sign-up for with your financial institution to receive timely account alerts.

**Equal Credit Opportunity Act (ECOA)** A federal law to ensure that all consumers are given an equal chance to obtain credit. This doesn't mean all consumers who apply for credit get it; factors such as income, expenses, debt, and credit history are considerations for creditworthiness.

**Establishing credit** Giving lenders the trust and confidence to make loans to you based on a good history of paying your debts.

**Fees** Charges for services by a financial institution or lender.

**Finance charge** The amount of money a borrower pays to a lender for the privilege of borrowing money, including interest and other service charges.

**Good credit** A situation in which lenders are willing to make loans to an individual, due to his or her good history of repaying debts.

**Grace period** The length of time, as defined in the cardmember agreement, between the use of credit to make a purchase and the start of the interest on the amount charged.

# Glossary

| | |
|---|---|
| **Guarantee** | A lender may require an additional signature on a loan to insure that this person will pay the loan if you do not. |
| **Installment credit, installment loan** | A loan that is repaid to the lender in equal amounts, over a fixed period of time. |
| **Installment payment** | An amount of money repaid to a lender according to the terms of an installment loan. |
| **Interest** | The amount of money paid by a borrower to a lender in exchange for the use of the lender's money for a certain period of time. For example, you earn interest from a bank if you have a savings account and you pay interest to a lender if you have a loan. |
| **Interest rate** | The amount of interest paid per year divided by the principal amount (that is, the amount loaned, deposited, or invested). For example, if you paid $500 in interest per year for a loan of $10,000, the interest rate is 500 divided by 10,000, or five percent (5%). |
| **Late fees** | The charge or fee that is added to a loan or credit card payment when the payment is made after the due date. |
| **Lender** | A business that makes money available for others to borrow. |
| **Loan** | An agreement between a borrower and a lender, where the borrower agrees to repay money with interest over a period of time. |
| **Long-term loan** | A loan that can be paid back over a period of more than one year, usually requiring interest payments. |
| **Net income** | For a business, the amount of money earned after all expenses and taxes. For an individual, total take-home pay after all deductions (taxes, social security, etc.). Also called after tax income or net salary. |
| **Net worth** | The value of a company or individual's assets. Including cash, less total liabilities. |
| **Outstanding balance** | The amount still owed on a bill, loan, or credit line. |
| **Phishing** | Is usually a two-part scam involving email and spoof websites. Fraudsters, also known as phishers, send email to a wide audience that appears to come from a reputable company requesting personal information accounts numbers. This is known as a phish email. |
| **Principal** | The total amount of money borrowed, loaned, invested, etc., not including interest or service charges. |
| **Required payment** | The least amount of money to be repaid on a loan or credit card in order to keep the account in good standing. |

# Glossary

**Revolving credit** A type of credit allowing an individual to borrow up to a certain amount of money, repay the money borrowed with interest when it is due, and then borrow the money again. The most popular kind of revolving credit account is the credit card.

**Secured credit card** A credit card secured by a savings account. The money in the savings account is collateral and may be claimed by the company issuing the card if the account holder fails to make the necessary payments. Using a secured credit card, and paying according to the terms of the agreement, can be a good first step for individuals or businesses that want to establish or rebuild their credit.

**Statement** A monthly accounting document sent to you by your bank that lists your account balance at the beginning and end of the month, and all of the checks you wrote that your bank has processed during the month. Your statement also lists other deposits, deductions, and fees, such as service charges.

**Term** A period of time over which a loan is scheduled to be repaid. For example, a home mortgage may have a 30-year term, meaning it must be repaid within 30 years.

**Unpaid balance** The amount that is still owed on a loan or credit card debt.

## Topic 5 — All About Credit

# Lesson 1: Before You Borrow

In this lesson, participants test their knowledge of credit.

### Learning Objectives

After completing this lesson, participants will be able to:

- Understand some key terms related to credit.

### The Basics

- Having the ability to borrow money when you need it can give you flexibility and help you meet your goals.
- Trust is a key ingredient. Lenders are only going to loan you money if they trust you to pay them back.
- If you understand how credit works, use it wisely and avoid having too much debt, credit can help you to reach your goals.

Tip!

| |
|---|
| A little basic vocabulary: Those who lend you money are called lenders or creditors. The money you owe is called debt. |

Next, test your participants to see what they already know about credit.

## Credit Quiz (Instructor Copy)

### Instructor note:

*Write all the credit terms on a chalkboard/whiteboard or large piece of paper. Divide your class into groups. Tell your participants that you will read a partial definition of each term. Each group's spokesperson will have fifteen seconds to state the correct term once you stop reading the definition. Each correct answer earns one point. If a group cannot answer, another group can steal. Then, go through each term and mention the key points from the chart below.*

*Feel free to add other definitions and terms to this list.*

### Instructions:

Have participant groups state the correct term for the definition that's read.

| | |
|---|---|
| **Credit** | **The ability to borrow money when you need it.** When you borrow from a lender, you promise to pay it back. |
| **Credit score** | **Numerical rating lenders use to make loan approval decisions.** This is a number that indicates how reliable you are at paying back your debts. |
| **Installment credit** | **A loan repaid in equal amounts, over a fixed period of time.** If you have an installment loan, you borrow the money and just once and repay the lender in equal amounts, over a fixed period of time.) |
| **APR** | **The total cost of credit expressed as a yearly rate.** Annual Percentage Rate (APR) is a measurement you can use to compare the cost of different loans. The lower the APR, the lower the total cost of the loan. |
| **Revolving credit** | Detractor |
| **Credit history** | Detractor |
| **Secured loan** | Detractor |

## Topic 5 — All About Credit

# Lesson Summary

### *Instructor note:*

*Summarize this lesson by reviewing these key points with your participants.*

Key points from the Before You Borrow lesson:

- Having the ability to borrow money when you need it can give you flexibility and help you meet your goals.
- Trust is a key ingredient. Lenders are only going to loan you money if they trust you to pay them back.
- If you understand how credit works, use it wisely and avoid having too much debt, credit can help you to reach your goals.

# Topic 5 — All About Credit

## Lesson 2: Credit Basics

This lesson provides an easy-to-understand introduction to credit, how it can benefit participants and the risks they should watch out for. Participants learn the differences between good and bad credit, how to build credit and the "five C's"—how lenders evaluate credit worthiness.

### Learning Objectives

After completing this lesson, participants will be able to:

- Define credit.
- Describe how credit can benefit them.
- List risks to be aware of when dealing with credit.
- Explain the differences between good and bad credit.
- Explain how to build good credit.
- Define the 5 C's—how lenders evaluate credit worthiness.

### Start the Discussion

To start a discussion with your participants, ask some open-ended questions. Here are some examples you could use:

- How can having credit benefit you?
- How would you describe good credit? Bad credit? How has having this good credit helped you?
- What are the risks of using credit cards or taking out a loan?
- How can you minimize these risks?
- Do you know your "credit worthiness"?

### The Basics

- Credit is the ability to borrow money.
- There are lots of situations where people borrow money: car loans, credit cards, student loans, etc. In each case, you're borrowing money from a lender with a promise to pay it back.
- The lender makes money by charging you an extra amount in interest and fees over and above the amount of the loan itself.
- The cost of borrowing money mostly depends on three things: How much you borrow, called the principal; how long you take to pay the money back, known as the term and the interest rate you're being charged.
- Lenders will only loan you money if they have trust and confidence that you're able to pay them back. Earning their trust is called establishing credit.
- Every time you borrow money and keep your promise to pay it back, you strengthen your ability to borrow again the next time. That's called building a good credit record, or a good credit history.
- Using credit can help you reach your goals, but remember: credit has benefits and risks.

## Credit risks vs. benefits (Instructor Copy)

### *Instructor note:*

*Divide the class into two groups—one will list real-world examples of credit risks and the other will list examples of credit benefits. Give the class five minutes to create their lists. When they are finished, write their examples on a whiteboard/chalkboard or large piece of paper, then lead a discussion by focusing on the key points below.*

### Benefits:

- Having good credit makes it easier to rent an apartment and get service from local utility companies.
- Good credit also gives the option of buying things now (like a sound system and cell phone) and paying the money back over time, rather than having to wait.
- With good credit, it's easier to buy what you want, when you want it.
- You have the financial flexibility to make major purchases that take more money than you have on hand.
- Good credit is giving me the chance to act on life opportunities such as going to college.
- To avoid debt problems, never let your credit card debt exceed 20% of your yearly net income. Also, keep your credit card debt low enough so that your required payments are no more than 10% of my monthly income.

### Risks:

- Credit makes it too easy to spend—it can become a struggle to pay it back, and if you pay a few things late, you can lose money on late fees too.
- Not making loan payments can really hurt your credit record. You can miss out on an apartment or get turned down for a job because of it!
- A low credit rating makes it tougher for me to get loans or credit the next time. Even if you're able to borrow you'll have to pay a higher interest rate.

Tip!

Borrowing too much money and being unable to pay it back is a huge problem in the United States.

Now, compare good credit and bad.

## Good credit vs. bad (Instructor Copy)

### *Instructor note:*

*Divide the class into two groups—good credit and bad credit. Each group will list the signs and results of good or bad credit. When they are finished, write each sign and result on the whiteboard/chalkboard or large piece of paper and lead a discussion using the key points below.*

### Key points:

- Credit = Ability to borrow $
- Establishing credit = Gaining trust of lenders
- Borrowing = Responsibility to repay (loan payments, interest, fees)
- Your goal = Good credit history
- Costs depend on interest rate & how long you take to repay.
- Good credit means that you make your payments in full and on time.
- Bad credit is just the opposite.

| **Good Credit Signs:** | **Bad Credit Signs:** |
|---|---|
| • Paying at least the minimum required payment<br>• Paying on time<br>• Never missing a payment<br>• Staying within your credit limit | • Paying too little<br>• Paying too late<br>• Missing payments<br>• Going over your credit limit<br>• Having too much debt |
| **Result:**<br>• Easier to borrow money<br>• No additional penalty fees | **Result:**<br>• Difficult to borrow money<br>• You lose money on late fees |

Tip!

If you want to have good credit, and reduce the amount of interest you'll pay, it's a good idea to pay more than the minimum amount due on your credit card each month, up to the total amount if you can.

## Steps to Establish Credit (Instructor Copy)

### *Instructor note:*

*Consider inviting a banker or financial professional to talk to your class about building credit.*

*Begin a discussion with your participants by asking questions such as:*

- *What are some ways you can build credit?*
- *Why should you consider getting a credit card if it could lead to debt accumulation?*
- *Other than taking out a loan or getting a credit card, what are other easy ways to build credit?*

*Then, focus on these key points.*

Want to get started building credit? Here are good steps to take:

- Open your own bank accounts and manage them well.
- Never spend more than you have in your bank accounts.
- Get a gas/store credit card; always pay your bills on time.
- Take out a small loan; repay it monthly in full and on time.
- Get a secured credit card linked to a savings account (See the Credit Cards lesson to learn more.)

Tip!

Here's another good way to establish credit: put your apartment lease and utility bills in your name and always pay your rent and bills on time..

Now, you'll teach participants how to discover how lenders decide whether or not to loan you money.

## The "Five Cs" of Credit Activity (Instructor Copy)

### *Instructor note:*

*Photocopy the activity handout on the following page. Instruct your participants to match each of the 5 C's with its correct description. After they are finished, walk through each "C."*

How do lenders decide whether or not to loan you money? The 5 C's of course—character, capacity, capital, collateral and conditions. Some lenders develop their own loan decision "scorecards" using aspects of the 5 C's and other factors.

### Instructions:

Have your participants read the descriptions in the right hand column of the table. Then, instruct them to write in the right "C" for each description—character, capacity, capital, collateral or conditions.

### Which "C?"

| | |
|---|---|
| **Character** | • When lenders evaluate this "C", they look at stability—for example, how long you've lived at your current address, how long you've been in your current job, and whether you have a good record of paying your bills on time and in full.<br>• If you want a loan for your business, the lender may consider your experience and track record in your business and industry to evaluate how trustworthy you are to repay. |
| **Capacity** | • Your other debts and expenses could impact ability to repay the loan.<br>• Creditors evaluate your debt-to-income ratio, that is, how much you owe compared to how much you earn.<br>• The lower your ratio, the more confident creditors will be in your ability to repay the money you borrow. |
| **Capital** | • This term refers to your net worth—the value of your assets minus your liabilities.<br>• In simple terms, how much you own (for example, car, real estate, cash, and investments) minus how much you owe. |
| **Collateral** | • This refers to any asset of a borrower (for example, a home) that a lender has a right to take ownership of and use to pay the debt if the borrower is unable to make the loan payments as agreed.<br>• Some lenders may require a guarantee in addition to this.<br>• A guarantee means that another person signs a document promising to repay the loan if you can't. |
| **Conditions** | • Lenders consider a number of outside circumstances that may affect the borrower's financial situation and ability to repay, for example what's happening in the local economy.<br>• If the borrower is a business, the lender may evaluate the financial health of the borrower's industry, their local market, and competition. |

Tip!

Some lenders develop their own loan decision "scorecards" using aspects of the 5 C's and other factors. Example: borrower's credit used vs. credit available..

## The "Five Cs" of Credit Activity

How do lenders decide whether or not to loan you money? The 5 C's of course—character, capacity, capital, collateral and conditions. Some lenders develop their own loan decision "scorecards" using aspects of the 5 C's and other factors.

### Instructions:

Read the descriptions in the right hand column of the table. Then, write in the right "C" for each description—character, capacity, capital, collateral or conditions.

### Which "C?"

| | |
|---|---|
| | • When lenders evaluate this "C", they look at stability—for example, how long you've lived at your current address, how long you've been in your current job, and whether you have a good record of paying your bills on time and in full.<br>• If you want a loan for your business, the lender may consider your experience and track record in your business and industry to evaluate how trustworthy you are to repay. |
| | • Your other debts and expenses could impact ability to repay the loan.<br>• Creditors evaluate your debt-to-income ratio, that is, how much you owe compared to how much you earn.<br>• The lower your ratio, the more confident creditors will be in your ability to repay the money you borrow. |
| | • This term refers to your net worth—the value of your assets minus your liabilities.<br>• In simple terms, how much you own (for example, car, real estate, cash, and investments) minus how much you owe. |
| | • This refers to any asset of a borrower (for example, a home) that a lender has a right to take ownership of and use to pay the debt if the borrower is unable to make the loan payments as agreed.<br>• Some lenders may require a guarantee in addition to this.<br>• A guarantee means that another person signs a document promising to repay the loan if you can't. |
| | • Lenders consider a number of outside circumstances that may affect the borrower's financial situation and ability to repay, for example what's happening in the local economy.<br>• If the borrower is a business, the lender may evaluate the financial health of the borrower's industry, their local market, and competition. |

Tip!

Some lenders develop their own loan decision "scorecards" using aspects of the 5 C's and other factors. Example: borrower's credit used vs. credit available.

## Topic 5 — All About Credit

# Lesson Summary

***Instructor note:***
*Summarize this lesson by reviewing these key points with your participants.*

Key points from the Credit Basics lesson:

- Credit is the ability to borrow money.
- There are lots of situations where people borrow money: car loans, credit cards, student loans, etc. In each case, you're borrowing money from a lender with a promise to pay it back.
- The lender makes money by charging you an extra amount in interest and fees over and above the amount of the loan itself.
- The cost of borrowing money mostly depends on three things: How much you borrow, called the principal; how long you take to pay the money back, known as the term and the interest rate you're being charged.
- Lenders will only loan you money if they have trust and confidence that you're able to pay them back. Earning their trust is called establishing credit.
- Every time you borrow money and keep your promise to pay it back, you strengthen your ability to borrow again the next time. That's called building a good credit record, or a good credit history.
- Using credit can help you reach your goals, but remember: credit has benefits and risks.

## Additional Activities

These activities are designed to extend the new concepts presented in the Credit Basics lesson. Use these or similar activities to give participants an opportunity to apply what they have just learned to real-life scenarios.

- If you do not have any credit, or very little, determine what steps you can begin to take to establish your credit history. Consider opening a checking or savings account or apply for a very small loan. Or apply for a gas credit card that you will pay off in full every month. After a period of time (6 to 9 months) order your credit report from **www.annualcreditreport.com**.
- Make an appointment with a banker or financial professional to discuss credit card options, rates, penalties and fees, etc. Do some comparison shopping on fees and rates.

## Topic 5 — All About Credit

# Lesson 3: Your Credit Score

This lesson shows participants how their credit score can affect their life and financial options. They learn how their credit score is determined and what they can do to help improve it.

### Learning Objectives

After completing this lesson, participants will be able to:

- Describe how their credit scores can affect their lives and financial options.
- Understand how their credit scores are determined.
- Use tips and techniques to improve their credit score.

### Start the Discussion

To start a discussion with your participants, ask some open-ended questions. Here are some examples you could use:

- Do you know what your credit score is?
- Have you ever thought about checking your credit score? How would you go about finding it?
- How do you know if your credit score is excellent, very good, good, or poor?
- Which is better a low credit score or no credit history at all? Why do you think that way?
- Name some ways that you have—or could—improve your credit score.

### The Basics

- In addition to your credit history, almost all lenders look at your credit score.
- This is a number that indicates how reliable you are at paying back your debts.
- A computer program analyzes your entire credit history and generates a single number or score, usually ranging from 300 to 850.
- This score helps lenders decide if you're a good credit risk or not. The higher the score, the lower the risk.
- The higher your credit score, the better the interest rate lenders are likely to offer you—which could mean more money in your pocket!
- The three largest credit bureaus in the United States are Equifax, Experian, and TransUnion.
- Here's how credit scores might be grouped.
  720—850 = Excellent
  680—719 = Good
  640—679 = Fair
  350—639 = Poor
  < 349 = No Credit

# Topic 5 — All About Credit

## Your Credit Score and How It's Determined (Instructor Copy)

### *Instructor note:*

*Divide the class into two groups. Explain that you will be conducting a Quiz Show. Each group will be asked one question at a time with three possible answers. The group spokesperson must answer the question within 10 seconds. If one team cannot answer in time, the other team has the opportunity to answer. Remember to mention the key points listed below some answers. Each correct answer is worth one point. The team with the most points at the end of the game wins!*

1. Lenders always want to know the _______of people who ask them for credit cards and loans.
   **a. Credit history**
   b. Employer's address
   c. Social security number

   *Key point: Your credit history includes things like how many credit cards you have, how much you owe; whether you pay bills on time; where you work and how long you've worked there.*

2. How do lenders find your credit history?
   a. From bank records
   b. From employer records
   **c. From credit bureaus**
   d. From the IRS

3. Name at least one of the largest credit bureaus in the United States?
   a. Equifax
   b. Experian
   c. TransUnion

   *Key point: Offer extra points for naming the other two credit bureaus.*

4. In addition to your credit history, almost all lenders look at your:
   a. Credit line
   b. Credit cards
   c. Credit intentions
   **d. Credit score**

   *Key point: This is a number that indicates how reliable you are at paying back your debts. A computer program analyzes your entire credit history and generates a single number or score.*

5. A credit score helps lenders decide if you're a:
   **a. Good credit risk**
   b. Good credit card holder
   c. Person with a good employment history

6. A credit score indicates:
   a. How many credit cards you have
   **b. How reliable you are at paying back your debts**
   c. How often you are late per month
   d. How many times you've changed jobs

   *Key point: If your credit score is between 720 to 850, it is excellent. If it is 680 to 719, it is good. If it is 640 to 679 it is fair. If it is 350 to 639 it is poor, and below 349 means no credit.*

## How Your Credit Score Can Impact You (Instructor Copy)

***Instructor note:***
*Please note, this activity and the one on the following page should be done together.*

*Divide the class into two groups. Explain that you will alternate asking each group to state how their credit score can impact them. For example: the amount of insurance premiums. Each team will have ten seconds to name a factor. If one team doesn't answer, the other team can "steal." Every correct factor earns one point.*

*Write each correct factor on a whiteboard/chalkboard or large piece of paper, and then use this list to add to the ones your participants provided.*

### Your credit score can impact:

- Your ability to get a credit card
- Your ability to purchase a home
- Whether a landlord will rent you an apartment
- The interest rate lenders are likely to offer you
- The amount of your insurance premiums
- Your ability to borrow money
- Whether you can get service from utility companies

Keep the same groups and keep the same rules, but transition into "How You Can Impact Your Credit Score" game.

# Topic 5 — All About Credit

## How You Can Impact Your Score (Instructor Copy)

### *Instructor note:*

*Divide the class into two groups. Explain that you will alternate asking each group to state how they can impact their credit scorer. Each team will have ten seconds to name a factor. If one team doesn't answer, the other team can "steal." Every correct factor earns one point.*

*Write each correct action on a whiteboard/chalkboard or large piece of paper, and then use this list to add to the ones your participants provided.*

These actions will improve your credit score:

- Consistently pay your bills on time.
- Keep credit card balances 70% or less of your spending limit.
- Only apply for new credit accounts when you need them.
- Have high income relative to how much you owe.
- Have a good credit history for a long period of time.

These actions may hurt your credit score:

- Pay some bills late
- Have credit cards balances near your maximum spending limit
- Apply for new credit cards frequently, whether needed or not
- Have a very brief credit history
- Exceed your credit card spending limit

| |
|---|
| Another way to help improve your credit score is to have a mix of revolving credit (e.g., credit cards) and installment credit (e.g., a car loan). |

In the next section, participants will learn about their credit report.

## Topic 5 — All About Credit

# Lesson Summary

### *Instructor note:*

*Summarize this lesson by reviewing these key points with your participants.*

Key points from the Your Credit Score lesson:

- In addition to your credit history, almost all lenders look at your credit score.
- This is a number that indicates how reliable you are at paying back your debts.
- A computer program analyzes your entire credit history and generates a single number or score, usually ranging from 300 to 850.
- This score helps lenders decide if you're a good credit risk or not. The higher the score, the lower the risk.
- The higher your credit score, the better the interest rate lenders are likely to offer you—which could mean more money in your pocket!

## Additional Activities

These activities are designed to extend the new concepts presented in the Your Credit Score lesson. Use these or similar activities to give participants an opportunity to apply what they have just learned to real-life scenarios.

- Visit **www.annualcreditreport.com** to request your credit report and which includes your credit score.

## Topic 5 — All About Credit

# Lesson 4: Your Credit Report

In this lesson, participants learn about credit reports—what it is and what it describes. They learn how to obtain a credit report, how to read it, and how to correct it if there is a mistake.

### Learning Objectives

After completing this lesson, participants will be able to:

- Obtain their credit reports.
- Read their credit reports.
- Correct their credit reports if there is a mistake.
- Describe who else might have access to their credit reports and why.

### Start the Discussion

To start a discussion with your participants, ask some open-ended questions. Here are some examples you could use:

- Have you ever looked at your credit report? Describe how you obtained it. Any surprises?
- Why should you check your credit report?
- Why would an employer or a landlord check your credit report?
- How many times a year should you check your credit report?

### The Basics

- Your credit report is the complete written version of your credit history.
- You should review your credit report at least once a year to check for errors or fraud and definitely before making a big purchase like a house or a car.
- You give others permission to look at your credit report when you do things like fill out a credit card application or apply to rent an apartment.
- Many landlords do a credit check to decide if they can count on you to pay your rent. And some lenders study your credit report to decide whether or not to offer you credit.
- An employer might check your credit rating when you apply for a job. If you have a good credit score it shows them that you're responsible—and more likely to be responsible on the job.

Before you start the lesson, use the following scenario to get participants thinking.

## Scenario: Finding an Error Activity (Instructor Copy)

### *Instructor note:*

*Photocopy the activity handout on the next page. Ask participants to choose the best possible option, and then, for each option, instruct them to write a few sentences about why it was right or wrong for the situation. After participants finish, lead a group discussion about their choices, using the consequences and feedback provided below.*

### Instructions:

Have participants read Rachael's story and select the best possible option. Then for each option, have them write a few sentences about why the option was right or wrong for Rachael's situation.

### Rachael's Story

Two months from now, Rachael plans to move out of her sister's house and rent an apartment of her own. She realizes that any potential landlord will probably review a copy of her credit report. So Rachael requests a free copy to review herself. As she studies the report, she sees that it contains a major error. It says that she's 120 days late in paying $1,275 to a national chain clothing store… where she's never shopped! Given Rachael's situation, which decision do you think is best for her?

1. Don't worry about the error. The credit bureau will fix it. Meanwhile, she can explain it.
   *Consequences: Rachael thought the credit bureau would fix this on their own, but they didn't. She should have taken more responsibility because now the landlord thinks she can't pay her bills.*

   *Feedback: It was a good idea for Rachael to request the credit report, and it was smart to review it carefully. But when she found an error, she needed to take personal responsibility for getting the mistake corrected by contacting the credit bureau and the creditor right away.*

2. Contact the manager of the local clothing store. Ask her for a letter to show potential landlords.
   *Consequences: It took Rachael two weeks to track down the local store manager in-person. Although she agreed she'd never seen Rachael shop there, a letter from her won't solve anything. Rachael could have saved time by just calling the credit bureau first.*

   *Feedback: Sorry, this wasn't the best advice. It was great for Rachael to take personal responsibility for correcting the error, but the best choice when you discover a mistake is to contact the credit bureau and the creditor in question.*

3. Contact the credit bureau immediately! Also contact the billing department of the clothing company.
   *Consequences: Rachael called the credit bureau and filled out the dispute form on their site. She called the national customer service number for the store and it turned out they had her account confused with someone else by the same name. Everything is straightened out now.*

   *Feedback: Great advice! Rachael took personal responsibility for correcting the error and took action right away. Your suggestion helped her solve her problem and protect her good credit history.*

**Tip!**

If you're having difficulties getting an error on your credit report corrected, consider contacting a credit counselor—an experienced credit professional—to assist you.

## Topic 5 — All About Credit

### Scenario: Finding an Error Activity

### Instructions:

Read Rachael's story and select the best possible option. Then for each option, write a few sentences about why the option was right or wrong for Rachael's situation.

### Rachael's Story

Two months from now, Rachael plans to move out of her sister's house and rent an apartment of her own. She realizes that any potential landlord will probably review a copy of her credit report. So Rachael requests a free copy to review herself. As she studies the report, she sees that it contains a major error. It says that she's 120 days late in paying $1,275 to a national chain clothing store … where she's never shopped! Given Rachael's situation, which decision do you think is best for her?

1. Don't worry about the error. The credit bureau will fix it. Meanwhile, she can explain it.
   *Should she choose this option? Why or why not?*

2. Contact the manager of the local clothing store. Ask her for a letter to show potential landlords.
   *Should she choose this option? Why or why not?*

3. Contact the credit bureau immediately! Also contact the billing department of the clothing company.
   *Should she choose this option? Why or why not?*

**Tip!**

> If you're having difficulties getting an error on your credit report corrected, consider contacting a credit counselor—an experienced credit professional—to assist you.

## What is a Credit Report? (Instructor Copy)

### *Instructor note:*

*Consider inviting a banker or financial professional in to talk with the class about credit reports and how they use them in their profession. Ask them to detail what they look for when reviewing a credit applicant's credit report.*

*Begin a discussion with your participants by asking questions such as:*

- *How would you describe a credit report?*
- *How often should you review your credit report?*
- *Who looks at your credit report and why?*
- *What does your credit report show lenders or other people giving you credit?*

*Then focus on these key points.*

### Key points:

- Your credit report is the complete written version of your credit history.
- You should review your credit report at least once a year to check for errors or fraud and definitely before making a big purchase like a house or a car.
- You give others permission to look at your credit report when you do things like fill out a credit card application or apply to rent an apartment.
- Many landlords do a credit check to decide if they can count on you to pay your rent. And some lenders study your credit report to decide whether or not to offer you credit.
- An employer might check your credit rating when you apply for a job. If you have a good credit score it shows them that you're responsible—and more likely to be responsible on the job.

Next, your participants will learn how to get a free copy of your own credit report.

# Topic 5 — All About Credit

## How to Obtain Your Credit Report Discussion (Instructor Copy)

### *Instructor note:*

*Use the questions below to facilitate a group discussion about obtaining the credit reports. Use the information below each question to guide the discussion.*

**Where can I get my credit report?**
The three largest credit bureaus in the United States are Equifax, Experian, and TransUnion.

**How often can I receive a copy of my credit report?**
A federal law called the Fair Credit Reporting Act allows you to receive one free copy of your credit report from each of these three companies once a year.

**Can I request my credit report online?**
To get a free report online, go to **www.annualcreditreport.com** and follow the directions. This is the Web site that provides your free annual report. It is run jointly by Equifax, Experian, and TransUnion.

**What about all these Web sites advertising free credit reports?**
Be wary of the many Web sites that advertise free credit reports! Many consumers get tricked into paying for reports and services they don't really need. Be careful—you will need to pay a fee.

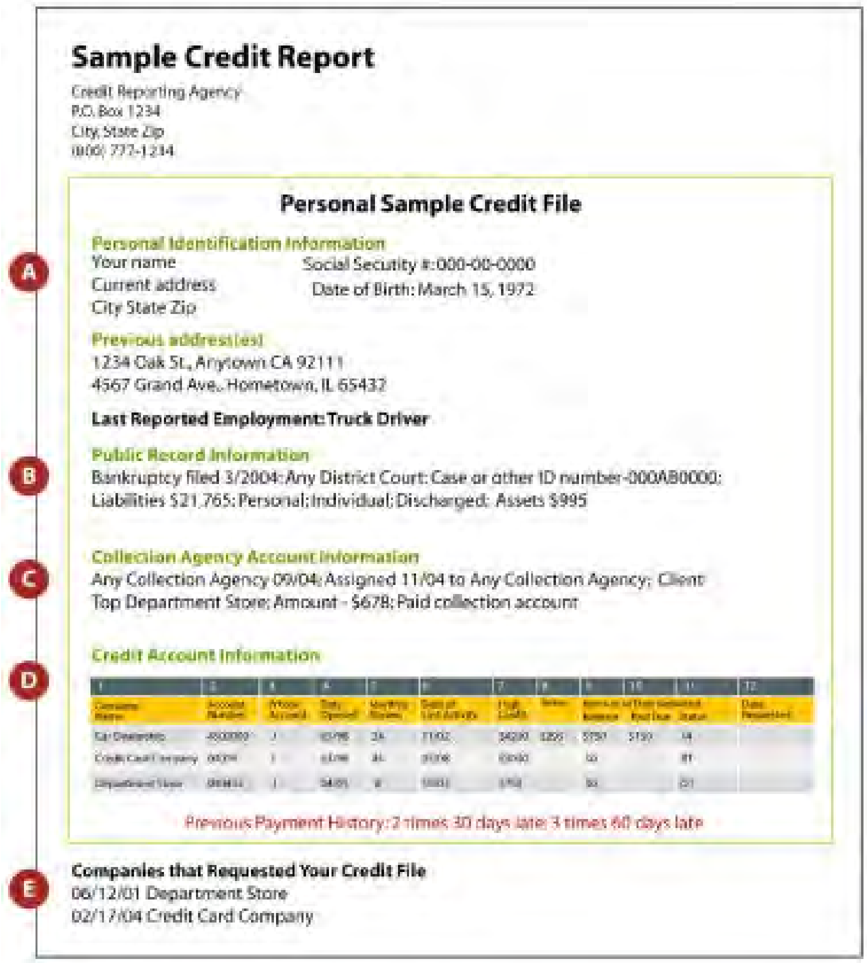
**What should I look for when I receive my credit report?**
When you receive your report, check for mistakes in your name, social security number, former addresses, accounts you didn't open, and errors in your history. If you see any errors, contact your lender and the credit bureau immediately.

## How to Read Your Credit Report (Instructor Copy)

### *Instructor note:*

*Photocopy the activity handout on the next page. Discuss each section of the credit report.*

This is a sample credit report.




**Section A** shows information about you—your name, current and previous address, Social Security number, date of birth, and other information to identify you.

**Section B** is called Public Record Information. In this area, you'll see any information that is listed about you in the records of local, state, or federal courts. In this example you see a bankruptcy.

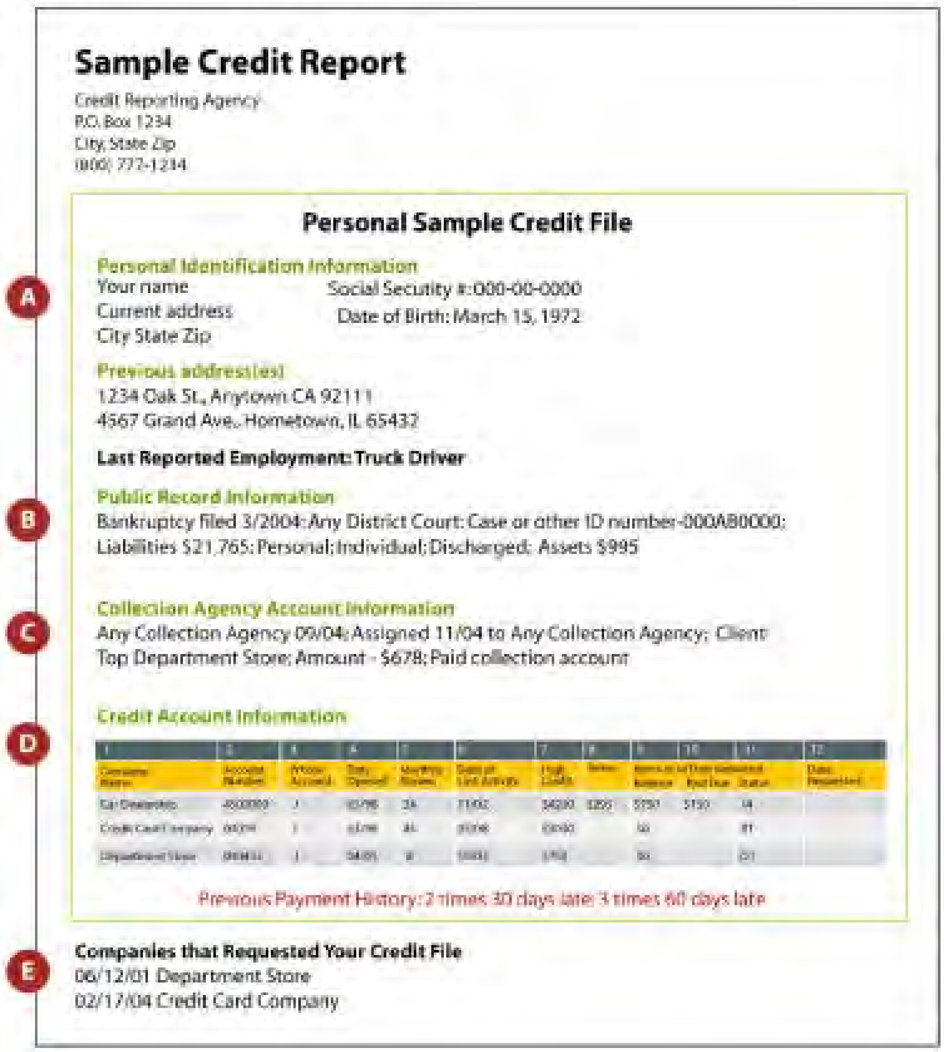
**Section C** shows collection agency account information. If you fail to pay back one of your creditors, they may hire a collection agency to contact you. This is a company that specializes in collecting money to pay off debts.

**Section D** shows your credit history. This is a list of all the places where you have credit—or used to have credit. These are called your accounts. The credit history section is divided into twelve columns.

**Section E**, the last section of the credit report, is called Inquiries. This is a list of the companies that have requested a copy of your credit report for their review.

## How to Read Your Credit Report

This is a sample credit report.

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**Section E**, the last section of the credit report, is called Inquiries. This is a list of the companies that have requested a copy of your credit report for their review.

## Topic 5 — All About Credit

# Lesson Summary

### *Instructor note:*

*Summarize this lesson by reviewing these key points with your participants.*

Key points from the Your Credit Report lesson:

- Your credit report is the complete written version of your credit history.
- You can review your own credit report and you give others permission to look at it when you apply for a loan or fill out a credit card application.
- Employers can also check your credit report.
- Review your credit report at least once a year to check for errors or fraud.
- If you need assistance, consider contacting a credit counselor—an experienced credit professional.

### Additional Activities

These activities are designed to extend the new concepts presented in the Your Credit Report lesson. Use these or similar activities to give participants an opportunity to apply what they have just learned to real-life scenarios.

- Order your free credit report from **www.annualcreditreport.com**. Take a close look at it. Check for errors and potential fraud. Then, see if you can find places to improve your credit.
- If your credit report reveals you have a lot of debt, or if you feel you need help, make an appointment with a credit counselor.

## Topic 5 — All About Credit

# Lesson 5: Credit Cards

In this lesson, participants learn valuable tips for using credit cards the smart, safe and responsible way. They can see how to avoid too much credit card debt and learn steps to take if debt is already a problem.

### Learning Objectives

After completing this lesson, participants will be able to:

- Explain valuable tips for using credit cards the smart, safe and responsible way.
- Understand that using a credit card is actually borrowing money, in essence taking out a loan.
- Comparison shop for the credit card that is best for them.
- Take steps to improve their credit if debt is already a concern.

### Start the Discussion

To start a discussion with your participants, ask some open-ended questions. Here are some examples you could use:

- Do you have a credit card(s)? What kinds of things do you buy with it?
- Why did you get a credit card?
- When you applied for your credit card, did you understand the concept of interest?
- What things have you learned since you've had your card for awhile?
- What are some tips that you can share about using a credit card wisely?
- Do you read the fine print of your credit card statement? If so, what types of things surprised you?

### The Basics

- Lots of financial institutions offer credit cards and some will charge you an annual fee to have one.
- When you apply for a card, they'll check your credit history and decide whether or not to give you a card.
- They'll also decide how much you're allowed to borrow, or "charge." This is called your credit limit.
- If the credit card company issues you a card, they'll let you know what your credit limit will be.
- Credit cards are called revolving credit because as you pay the money back, your credit becomes available for you to use again and again.
- Be sure to shop around for the best credit card offer that fits your need and with the lowest APR.

Before you introduce the basics of credit cards, use the following scenario to get participants thinking.

## Scenario: Pay now or pay later? (Instructor Copy)

### *Instructor note:*

*Photocopy the activity handout on the next page. After participants finish the activity, lead a group discussion about their choices, using the consequences and feedback provided below.*

### Instructions:

Have participants read Ryan's story. Based on his situation, have them select the best possible option. Then, for each option, they will write a few sentences about why the option was right or wrong for Ryan's situation.

### Ryan's Story

Ryan's been working to save money for school next fall. While he's at work, his motorcycle gets clipped by a pickup and crashes over. Result: a bent foot peg, a broken lever, a smashed signal, and scratched paint. It can all be fixed, but it isn't in his budget, unless he pays some bills late. He needs his motorcycle to get to work and school. Given his circumstances and these three choices, how would you advise him to pay? Given Ryan's situation, which decision do you think is best for him?

1. Use his debit card and pay his other bills late. He needs to get to work and not take on debt.
   *Consequences: Ryan got his bike fixed, but ran short on cash. He had to pay a few bills late which hurt his credit rating. He should have used his credit card and paid it back over time. He would have paid interest, but the overall cost would have been less than he paid this way.*

   *Feedback: This advice hurt Ryan more than it helped. He lost cash on late fees. Having a lower credit score could penalize him in many other ways, too. He needed to take his whole spending plan into consideration. Paying by credit card could have helped him pay back this unexpected expense over time.*

2. Use his credit card so he can get it fixed fast, keep working, and earn money to pay it back.
   *Consequences: This was a good time for Ryan to borrow money. He figured out in advance how quickly he could pay off his credit card balance so that he could still pay other bills on time and minimize the interest. He didn't have to use savings that he's been building up. He got his bike back right away and didn't miss work.*

   *Feedback: Good advice! This was an emergency situation because his loss of transportation meant he couldn't get to work and earn money. He was smart to get his bike fixed right away then pay off the charge quickly.*

3. Use the money he's saved so far. Savings are for unexpected emergencies like this.
   *Consequences: Ryan thought it would be better to avoid borrowing money. He got the bike fixed, but then had a real emergency and couldn't work for four weeks. He didn't have time to build his savings before school started, so he used his credit card for stuff like concerts. He should have used the card just for the bike and paid it off quickly.*

   *Feedback: This advice would work if he'd had enough savings to cover the repairs and the month off work. He should have considered using a combination of cash, credit, and savings. But his biggest mistake came later: using his credit card for things he really couldn't afford.*

**Tip!**

Consider your options when it's time to pay. You might want to pay with cash, credit, or savings—or some combination of these. How will your choice affect your overall spending plan?

## Topic 5 — All About Credit

### Scenario: Pay now or pay later?

### Instructions:
Read Ryan's story. Based on his situation, select the best possible option. Then, for each option, write a few sentences about why the option was right or wrong for Ryan's situation.

### Ryan's Story
Ryan's been working to save money for school next fall. While he's at work, his motorcycle gets clipped by a pickup and crashes over. Result: a bent foot peg, a broken lever, a smashed signal, and scratched paint. It can all be fixed, but it isn't in his budget, unless he pays some bills late. He needs his motorcycle to get to work and school. Given his circumstances and these three choices, how would you advise him to pay? Given Ryan's situation, which decision do you think is best for him?

1. Use his debit card and pay his other bills late. He needs to get to work and not take on debt.
   *Is this the best option for Ryan? Why or why not?*

2. Use his credit card so he can get it fixed fast, keep working, and earn money to pay it back.
   *Is this the best option for Ryan? Why or why not?*

3. Use the money he's saved so far. Savings are for unexpected emergencies like this.
   *Is this the best option for Ryan? Why or why not?*

Tip!

Consider your options when it's time to pay. You might want to pay with cash, credit, or savings—or some combination of these. How will your choice affect your overall spending plan?

## The basics of credit cards (Instructor Copy)

### *Instructor note:*

*Photocopy the activity handout on the following page. Begin a discussion with your participants by asking questions, such as:*

- *How do you pay for things when you shop or pay bills—cash, debit card or credit card?*
- *How would using a credit card possibly make your overall cost higher?*
- *How can you avoid these extra costs?*

*Then, distribute the activity handout and lead a discussion with these key points:*

| | |
|---|---|
| **Applying for a card** | When you apply for a credit card, the financial institution will check your credit history and decide whether or not to give you a card. They'll also decide how much you're allowed to borrow, or "charge." This is called your credit limit. |
| **How credit cards work** | Every time you use a credit card, you're actually borrowing money from the financial institution that issued you the card. The financial institution pays the debt to the store for what you bought. You then pay the money back to the financial institution. (Remember: debit cards work differently! When you use a debit card at a store, you may have the option of selecting "debit" and entering your PIN, or "credit" and signing your name. Either way, the money is deducted from your checking account.) |
| **Interest and interest rates** | Interest is the amount of money paid by a borrower to a lender in exchange for the use of the lender's money for certain period of time. (You earn interest from a bank if you have a savings account and you pay interest to a lender if you have a loan.) The interest rate is the amount of interest paid per year divided by the principal amount (the amount loaned). Example: if you paid $500 in interest per year for a loan of $10,000, the interest rate is 500 divided by 10,000, or five percent (5%). |
| **Revolving credit** | Credit cards are called revolving credit because as you pay the money back, your credit becomes available for you to use again and again. (A second type of credit is installment credit. If you have an installment loan, you borrow the money and just once and repay the lender in equal amounts, over a fixed period of time.) |
| **Secured vs. unsecured cards** | A secured credit card is a credit card backed by a savings account. The money in the savings account is collateral, which means it may be claimed by the company issuing the card if the account holder fails to make the necessary payments. Using a secured credit card and paying according to the terms of the agreement can be a good first step for individuals or businesses that want to establish or rebuild their credit. |
| **Annual fee, finance charge, grace period** | Financial institutions may charge an annual fee for their credit cards. This is the amount they charge you to use the card for a year. "Finance charges" are the amount of money you pay to a lender for the privilege of borrowing money, including interest and other service charges. The grace period is the length of time, as defined in the cardmember agreement, between the use of credit for purchases and the start of interest on the amount charged. |
| **Statements and e-mail alerts** | Every month, your credit card company will send you a monthly accounting document that lists all of your charges and payments, finance charges, the total amount you owe, and the minimum amount due. Every time you use your card, save your receipt. Every month, compare your receipts to your statement. Many companies let you check your transactions and make payments online, and offer e-mail alerts so you know when it's close to your credit limit and payment due dates. |

*For more information on Credit Card Regulations, please visit* **www.federalreserve.gov/consumerinfo/consumercredit.htm**

**Tip!**

Consider your options when it's time to pay. You might want to pay with cash, credit, or savings—or some combination of these. How will your choice affect your overall spending plan?

## The basics of credit cards

To use credit cards the smart way, you need to know the basics of what they are and how they work.

| | |
|---|---|
| **Applying for a card** | When you apply for a credit card, the financial institution will check your credit history and decide whether or not to give you a card. They'll also decide how much you're allowed to borrow, or "charge." This is called your credit limit. |
| **How credit cards work** | Every time you use a credit card, you're actually borrowing money from the financial institution that issued you the card. The financial institution pays the debt to the store for what you bought. You then pay the money back to the financial institution. (Remember: debit cards work differently! When you use a debit card at a store, you may have the option of selecting "debit" and entering your PIN, or "credit" and signing your name. Either way, the money is deducted from your checking account.) |
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| **Statements and e-mail alerts** | Every month, your credit card company will send you a monthly accounting document that lists all of your charges and payments, finance charges, the total amount you owe, and the minimum amount due. Every time you use your card, save your receipt. Every month, compare your receipts to your statement. Many companies let you check your transactions and make payments online, and offer e-mail alerts so you know when it's close to your credit limit and payment due dates. |

*For more information on Credit Card Regulations,*
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**Tip!**

Consider your options when it's time to pay. You might want to pay with cash, credit, or savings—or some combination of these. How will your choice affect your overall spending plan?

## Go Low and Repay Fast Activity (Instructor Copy)

### *Instructor note:*

*Please note this content varies slightly from the online Hands on Banking program.*

*Use this example to highlight the importance of interest and repayment time. Photocopy the activity handout on the following page. Walk your participants through the first two points of the example (what Sally and Bob paid for the TV). Then ask your participants who they think paid more in the long run and why.*

*Then, reveal the total interest and total price each person paid and lead a discussion using the key points below the chart.*

This example shows how to save on interest.

1. Sally bought a television for $500 with her credit card. Her credit card has 8% interest. She paid it off within six months.
2. Bob bought the same television for $500 with his credit card. His credit card has 18% interest. He paid it off within 24 months.

Who do you think paid more in the long run? Why?

**Answer:** Bob ended up paying $99 in interest, while Sally only paid $10.

| | **Bob** | **Sally** |
|---|---|---|
| **Price of product** | $500 | $500 |
| **Interest rate for card** | 18% | 8% |
| **Time to pay off** | 24 months | 6 months |
| **Total interest (APR)** | $99.09 | $10.25 |
| **Total price** | $599.09 | $510.25 |

### Key points:

- Credit card companies will send you a monthly bill, or statement, showing how much you've borrowed.
- It is a good idea to get a credit card with a low interest rate and pay off your bill as quickly as you can.
- If you pay off purchases by paying your first credit card statement in full, you'll pay no interest, plus you'll have your full credit limit available to use again.
- If you decide to repay over time, you'll be charged interest on the unpaid balance each month (the amount you still owe).
- With interest, the total amount you end up spending on things may be higher!
- Shop for a card with a low APR and pay your statement balance in full every month.

**Tip!**

Annual Percentage Rate (APR) expresses the total cost of credit as a yearly rate, taking into account a loan's interest rate, term, and fees. The lower the APR, the lower the total cost of borrowing.

## Go Low and Repay Fast Activity

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|---|---|---|
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**Tip!**

Annual Percentage Rate (APR) expresses the total cost of credit as a yearly rate, taking into account a loan's interest rate, term, and fees. The lower the APR, the lower the total cost of borrowing.

## Killer Credit Card Tips! (Instructor Copy)

### *Instructor note:*

*Photocopy the activity handout on the following page. Divide the class up into two groups. Instruct them to list at least seven tips for avoiding credit card nightmares. Have each group present their list. Then distribute the activity handout and reveal that the team who came up with the most tips that match the handout wins! Then lead a discussion that focuses on the key points and tips below.*

### Key points:

- Most people spend more when they use credit cards instead of cash, so it can be easy to drown yourself with credit card debt before you know it.
- Have a budget in mind before you spend and don't spend what you can't pay back.
- When you use your debit card, money is deducted directly from your checking account. With credit cards, you borrow the money. Before charging, think through how you're going to repay.
- To keep your credit card spending under control, start out by selecting just one category to charge at first, like gas or groceries. Don't add a new category until you're sure that every month you can repay what you borrow.
- Keep your credit card debt low enough so that your required payments are no more than 10% of your monthly income.

| | |
|---|---|
| **Look for low-fee, low-interest** | Get a credit card with a low annual fee and interest rate. Read the cardholder agreement—it spells out fees and finance charges. Call the card company's customer service with questions. |
| **Pay off as much as you can** | Always make at least the minimum payment each month, but pay as much as you can each month. Pay off the entire balance whenever you can. This will reduce the finance charges you pay. |
| **Be sure you can afford it** | Don't use your credit cards to buy things you really can't afford. Follow your spending plan. |
| **Keep within your limit** | Track your credit card charges throughout the month. Stay within your credit limit to avoid damaging your credit rating. Try to keep your credit card balance below 70% of your limit at all times. That will help you build credit by showing lenders that you can control how much credit you use, and it leaves enough credit available in case of an emergency. |
| **Pay on time** | Pay your credit card bills on time. This is one of the best ways to build good credit because it shows lenders that you're reliable. It also helps you avoid late fees. Check your statement each month for the payment due date. It's not always the same date. |
| **Avoid cash advances** | Some credit card companies may offer you a cash advance. Avoid this option except in emergencies. You'll be charged a fee and the interest rate is usually much higher! |
| **Get debt help early** | If you're in trouble with debt, get help early. Contact your lender. Try to work out a repayment plan that works for both of you. Consider talking with a credit counselor, an experienced professional, who can help you get out of debt. |

Tip!

Consider starting out with just one credit card with a low spending limit. This will help you get comfortable with using credit and repaying, and help you avoid big trouble with debt.

Next, your participants will learn how to read their credit card statement.

## Killer Credit Card Tips!

Follow these tips to avoid credit card nightmares!

| | |
|---|---|
| **Look for low-fee, low-interest** | Get a credit card with a low annual fee and interest rate. Read the cardholder agreement—it spells out fees and finance charges. Call the card company's customer service with questions. |
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**Tip!**

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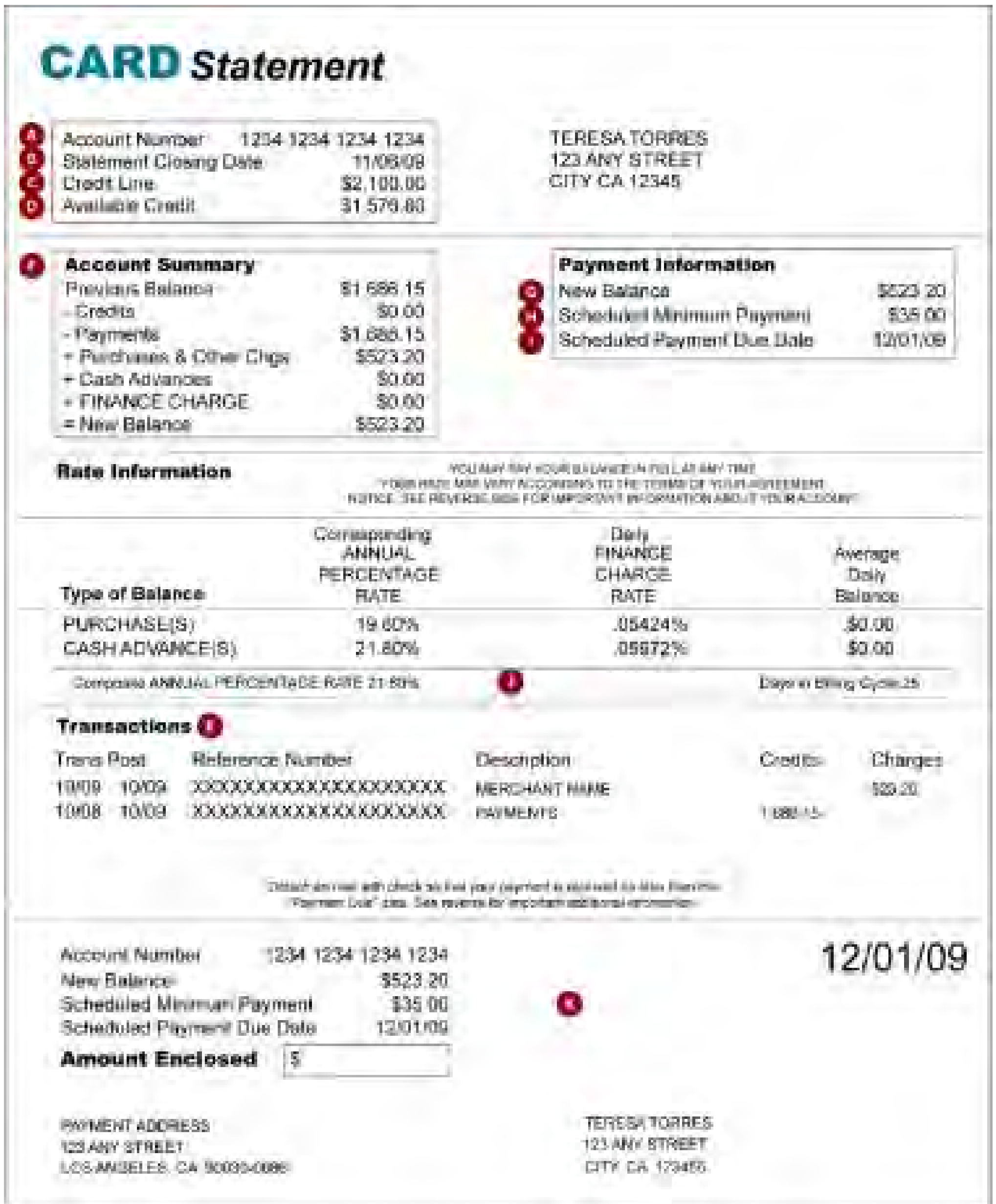
## How to Read Your Credit Card Statement (Instructor Copy)

***Instructor note:***
*Photocopy the activity handout on the following page. Lead a discussion about how to read a credit card statement.*

Credit card statement formats vary, but take a look at this sample.



**CARD Statement**

| | | |
|---|---|---|
| A | Account Number | 1234 1234 1234 1234 |
| B | Statement Closing Date | 11/06/09 |
| C | Credit Line | $2,100.00 |
| D | Available Credit | $1,576.80 |

TERESA TORRES
123 ANY STREET
CITY CA 12345

E **Account Summary**

| | |
|---|---|
| Previous Balance | $1,686.15 |
| - Credits | $0.00 |
| - Payments | $1,686.15 |
| + Purchases & Other Chgs | $523.20 |
| + Cash Advances | $0.00 |
| + FINANCE CHARGE | $0.00 |
| = New Balance | $523.20 |

**Payment Information**

| | | |
|---|---|---|
| G | New Balance | $523.20 |
| H | Scheduled Minimum Payment | $35.00 |
| I | Scheduled Payment Due Date | 12/01/09 |

**Rate Information**

| Type of Balance | Corresponding ANNUAL PERCENTAGE RATE | Daily FINANCE CHARGE RATE | Average Daily Balance |
|---|---|---|---|
| PURCHASE(S) | 19.80% | .05424% | $0.00 |
| CASH ADVANCE(S) | 21.80% | .05972% | $0.00 |

J

Days in Billing Cycle 25

**Transactions** K

| Trans | Post | Reference Number | Description | Credits | Charges |
|---|---|---|---|---|---|
| 10/09 | 10/09 | XXXXXXXXXXXXXXXXXXXXXX | MERCHANT NAME | | 523.20 |
| 10/08 | 10/09 | XXXXXXXXXXXXXXXXXXXXXX | PAYMENTS | 1,686.15- | |

| | |
|---|---|
| Account Number | 1234 1234 1234 1234 |
| New Balance | $523.20 |
| Scheduled Minimum Payment | $35.00 |
| Scheduled Payment Due Date | 12/01/09 |
| **Amount Enclosed** | $ |

12/01/09

L

PAYMENT ADDRESS
123 ANY STREET
LOS ANGELES, CA 90033-0086

TERESA TORRES
123 ANY STREET
CITY CA 123456

## How to Read Your Credit Card Statement (Instructor Copy) (continued)

A. Here is your credit card account number. Remember to keep it a secret, or others can use your account.

B. This is the closing date of the statement. It's the date the credit card company created this statement.

C. This is the amount of your credit line, in other words your spending limit.

D. This is your available credit. That means the amount of your credit that you haven't borrowed yet, so it's still available to you.

E. In the Transactions section, you'll see a list of each charge and payment you made in date order.

F. Your transactions are summarized here, in the Account Summary section. You'll also see totals for fees and interest charged for this month.

G. Here's the Payment Information. This shows the total amount you now owe, called your New Balance.

H. This is the Minimum Payment. Each month, you must pay at least this portion of what you owe. You may pay more than the minimum, up to the total amount, if you can. If you want to have good credit, and reduce the amount of interest you'll pay, it's a good idea to pay more than the minimum payment each month.

   Your statement shows how long it will take to pay off your balance if you make only the minimum payment due each month.

   Contact information for credit counseling services is provided.

I. Here's the Due Date of the statement. Unless your credit card company receives your payment by this date, they will begin charging you interest on the amount you owe. Most companies will also charge you a late fee. They may also increase your interest rate.

   Your statement will also include a Late Payment Warning, explaining what may happen if you don't pay on time.

J. In this section, Rate Information, you'll see how the interest and fees are being calculated year-to-date.

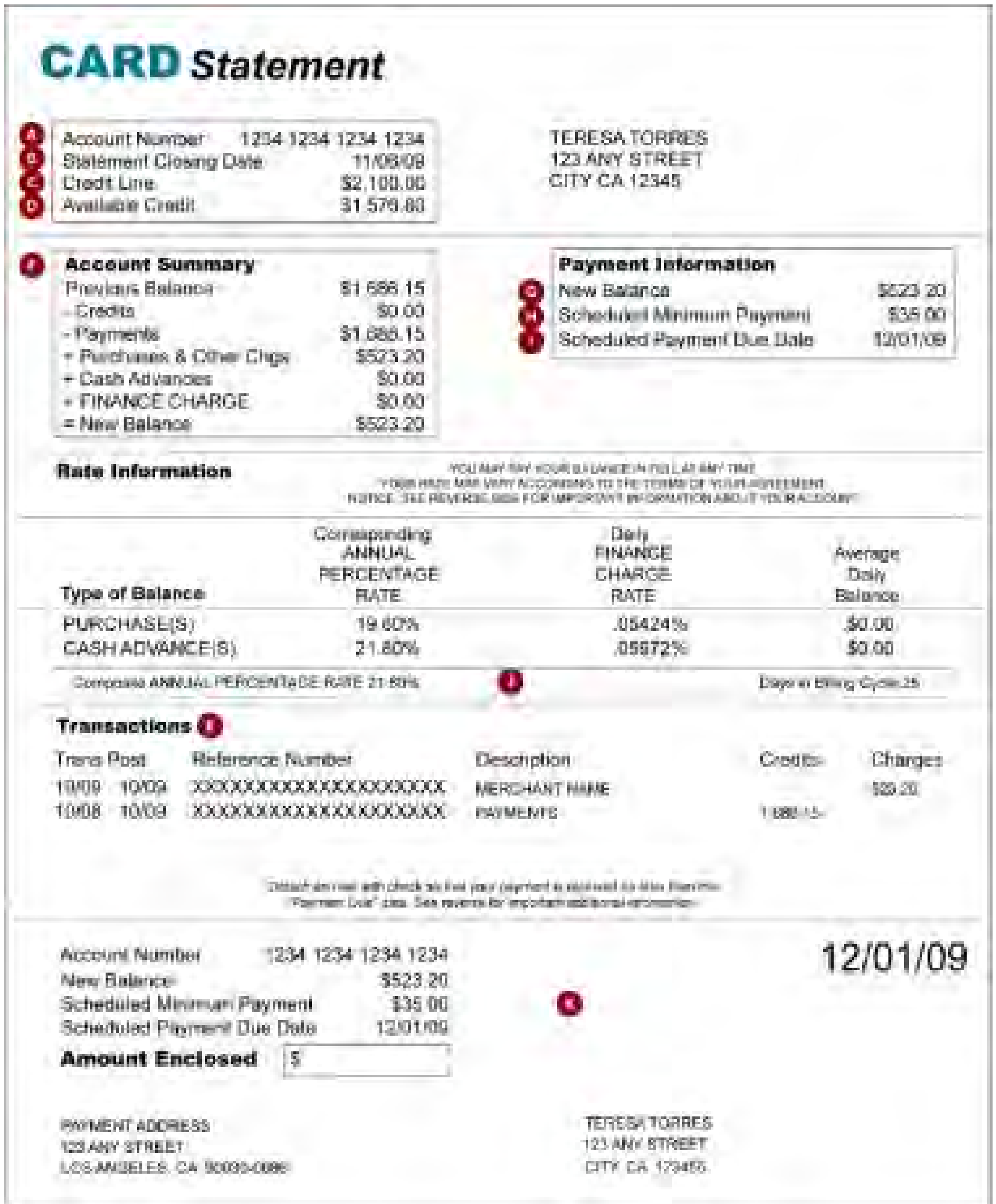
K. Here's the Payment Coupon. It repeats your current payment information. Include this coupon with your check if you pay by mail, and be sure to write in your new address if you've moved.

Tip!

**Remember:** With a savings account you earn interest; when you borrow you pay interest. The interest rate a lender charges you depends on how good they believe your credit is—your creditworthiness.

## How to Read Your Credit Card Statement

Credit card statement formats vary, but take a look at this sample.



# CARD *Statement*

A Account Number 1234 1234 1234 1234
B Statement Closing Date 11/06/09
C Credit Line $2,100.00
D Available Credit $1,576.80

TERESA TORRES
123 ANY STREET
CITY CA 12345

F **Account Summary**

| | |
|---|---|
| Previous Balance | $1,686.15 |
| - Credits | $0.00 |
| - Payments | $1,686.15 |
| + Purchases & Other Chgs | $523.20 |
| + Cash Advances | $0.00 |
| + FINANCE CHARGE | $0.00 |
| = New Balance | $523.20 |

**Payment Information**

| | | |
|---|---|---|
| G | New Balance | $523.20 |
| H | Scheduled Minimum Payment | $35.00 |
| I | Scheduled Payment Due Date | 12/01/09 |

**Rate Information**

YOU MAY PAY YOUR BALANCE IN FULL AT ANY TIME
YOUR RATE MAY VARY ACCORDING TO THE TERMS OF YOUR AGREEMENT
NOTICE: SEE REVERSE SIDE FOR IMPORTANT INFORMATION ABOUT YOUR ACCOUNT

| Type of Balance | Corresponding ANNUAL PERCENTAGE RATE | Daily FINANCE CHARGE RATE | Average Daily Balance |
|---|---|---|---|
| PURCHASE(S) | 19.80% | .05424% | $0.00 |
| CASH ADVANCE(S) | 21.80% | .05972% | $0.00 |

Composite ANNUAL PERCENTAGE RATE 21.80% J Days in Billing Cycle 25

**Transactions** E

| Trans | Post | Reference Number | Description | Credits | Charges |
|---|---|---|---|---|---|
| 10/09 | 10/09 | XXXXXXXXXXXXXXXXXXXXX | MERCHANT NAME | | 523.20 |
| 10/08 | 10/09 | XXXXXXXXXXXXXXXXXXXXX | PAYMENTS | 1,686.15- | |

Detach and mail with check so that your payment is received no later than the "Payment Due" date. See reverse for important additional information.

Account Number 1234 1234 1234 1234
New Balance $523.20
Scheduled Minimum Payment $35.00
Scheduled Payment Due Date 12/01/09
**Amount Enclosed** $

12/01/09

K

PAYMENT ADDRESS
123 ANY STREET
LOS ANGELES, CA 90000-0000

TERESA TORRES
123 ANY STREET
CITY CA 12345

## How to Read Your Credit Card Statement (continued)

A. Here is your credit card account number. Remember to keep it a secret, or others can use your account.

B. This is the closing date of the statement. It's the date the credit card company created this statement.

C. This is the amount of your credit line, in other words your spending limit.

D. This is your available credit. That means the amount of your credit that you haven't borrowed yet, so it's still available to you.

E. In the Transactions section, you'll see a list of each charge and payment you made in date order.

F. Your transactions are summarized here, in the Account Summary section. You'll also see totals for fees and interest charged for this month.

G. Here's the Payment Information. This shows the total amount you now owe, called your New Balance.

H. This is the Minimum Payment. Each month, you must pay at least this portion of what you owe. You may pay more than the minimum, up to the total amount, if you can. If you want to have good credit, and reduce the amount of interest you'll pay, it's a good idea to pay more than the minimum payment each month.

   Your statement shows how long it will take to pay off your balance if you make only the minimum payment due each month.

   Contact information for credit counseling services is provided.

I. Here's the Due Date of the statement. Unless your credit card company receives your payment by this date, they will begin charging you interest on the amount you owe. Most companies will also charge you a late fee. They may also increase your interest rate.

   Your statement will also include a Late Payment Warning, explaining what may happen if you don't pay on time.

J. In this section, Rate Information, you'll see how the interest and fees are being calculated year-to-date.

K. Here's the Payment Coupon. It repeats your current payment information. Include this coupon with your check if you pay by mail, and be sure to write in your new address if you've moved.

Tip!

**Remember:** With a savings account you earn interest; when you borrow you pay interest. The interest rate a lender charges you depends on how good they believe your credit is—your creditworthiness.

## Credit Card Safety (Instructor Copy)

### *Instructor note:*

*Divide the class into two teams. Read a question to a team. They will have 10 seconds to respond. Each correct answer earns one point. If a team answers incorrectly, the other team can steal. Then, distribute the activity handout and discuss each tip.*

1. To help you respond quickly if your credit cards are stolen, you should create a chart that includes four things—the name of the credit card, the financial institution, the customer service phone number and:
   a. The balance on the card
   b. The total amount owed
   **c. The account number**

2. When you receive your credit card, what is the first thing you should do?
   a. Go shopping!
   **b. Sign the card on the signature panel**
   c. Write down the number and expiration date and file it away

3. A high percentage of credit card thefts are from:
   **a. Car glove compartments**
   b. Mailboxes that don't have a lock
   c. Subways

4. When you shop with your credit card, what should you avoid doing?
   a. Buying too many things in one day
   **b. Offering personal information**
   c. Keeping the sales receipt

5. How can you avoid fraud?
   **a. Always monitor your credit card accounts online**
   b. Don't use your credit card when you're out of the country
   c. Get your credit report twice a year

6. Which of the following can erase information stored on your credit card/
   a. Ultraviolet light
   b. Airport x-ray machines
   **c. Magnets**

**Tip!**

Watch out! Criminals can easily steal your account information by running a debit, credit, or ATM card through a small hand-held device called a "skimmer."

### *Instructor note:*

*If any of your participants indicate they may have too much credit card debt, advise them to see the Dealing with Debt lesson for helpful tips.*

## Credit Card Safety

Follow these tips to stay safe when using your credit cards.

<table>
<tr><td>Report loss or theft!</td><td>Report lost or stolen credit cards immediately to the company that issued you the card. To help you respond quickly in case your cards or ID are lost or stolen, make a chart like this one. Be sure to store the list in a safe place. Never carry it with you.<br><table><tr><th>Credit card name</th><th>Financial institution</th><th>Account number</th><th>24-hour customer service #</th></tr><tr><td></td><td></td><td></td><td></td></tr></table></td></tr>
<tr><td>Sign your card</td><td>Sign your card on the signature panel as soon as you receive it.</td></tr>
<tr><td>Treat cards like cash</td><td>Protect your cards as if they were cash—never let them out of your possession or control. Don’t leave your credit cards in your car’s glove compartment. A high percentage of credit card thefts are from car glove compartments. Don’t lend your cards or card numbers—credit, debit, or ATM—to anyone. You are responsible for their use. Don’t let your credit cards be used by others, even family or friends. Cut up and toss out old and canceled cards.</td></tr>
<tr><td>When shopping</td><td>When shopping, make sure that you get your card back after every purchase. Check that sales vouchers are for the correct purchase amount before you sign them. Always keep copies of your sales vouchers and credit card receipts. Don’t volunteer any personal information when you use your credit card, other than by displaying personal identification as requested by a merchant.</td></tr>
<tr><td>Monitor your accounts</td><td>To avoid fraud, monitor your accounts online—including when you’re away traveling. Some financial institutions offer tools and services to help you monitor and manage your accounts, such as email alerts, automatic payments, and online reports that track your spending into budget categories.</td></tr>
<tr><td>Avoid magnets</td><td>Keep your cards away from things with magnets, which can erase the information stored on the card.</td></tr>
</table>

**Tip!**

Watch out! Criminals can easily steal your account information by running a debit, credit, or ATM card through a small hand-held device called a “skimmer.”

**Note:** Too much credit card debt? See the *Dealing with Debt* lesson for helpful tips.

# Topic 5 — All About Credit

***Instructor note:***
*At this point in the class, consider using this recommended library article listed below as a discussion resource or a takeaway for your participants. You can find this and other library articles at the end of this topic.*

## Recommended Articles: About Credit Cards and Managing Your Credit

Remember, the online *Hands on Banking*® program has dozens of additional library articles that you can use and distribute for this and other topics. Visit **www.handsonbanking.org** to browse all the available articles.

## Scenario: How Should Ryan Respond? (Instructor Copy)

### *Instructor note:*
*Photocopy the activity handout on the next page. After participants finish the activity, lead a group discussion about their choices, using the consequences and feedback provided below.*

### Instructions:
Have participants read Ryan's story. Based on his situation, have them select the best possible option. Then, for each option, they will write a few sentences about why the option was right or wrong for Ryan's situation.

### Ryan's Story
A few days ago, Ryan was browsing online for discount airfares. He followed a pop-ad to a Web site and entered his email address to receive special sale updates. Today he received an email telling him he would win some cool luggage plus qualify for a for a free 3-night trip to Cancun just by emailing back his customer profile information including credit card number. Given Ryan's situation, which decision do you think is best for him?

1. Provide the information. He's already won, and they can't charge to his card without his permission.
   *Consequences: He shouldn't have replied to that email. It seemed so easy to win those prizes, but then he found out the email was a "phishing" scam and he gave his credit card number to criminals, not a travel company!*

   *Feedback: This isn't good advice. It's never safe to put your financial information in an email. Also, Ryan didn't know for sure whether the company was legitimate. If you're not sure whether you're actually communicating with a company that you know and trust, don't respond.*

2. Don't email back. This looks like a scam.
   *Consequences: Not responding was the right way to go. One of the ways criminals commit fraud is by directing people to phony Web sites that look real and "phishing" for credit card numbers. Ryan should only buy from businesses he knows are legitimate. Unless he initiated the communication, he shouldn't respond.*

   *Feedback: You're right! It's never a good idea to provide financial info in an email. If Ryan had, he would likely have been the victim of fraud. This wasn't a company Ryan knew and trusted, so he was smart not to respond.*

3. It's not safe to reply by email. Call the company and provide the information by phone.
   *Consequences: Ryan made a mistake. The site and 800# seemed legitimate, but he had a bad feeling about it after he gave his information. He called his credit card company. The Web site was phony and the email was an example of "phishing." His identity and some money may have been stolen.*

   *Feedback: You were smart to advise Ryan not to email his info. But he should never give his credit card number over the phone either, unless he initiated the call. If you're not sure whether you're actually communicating with a company that you know and trust, don't respond.*

**Tip!**

Never provide your credit card number in an email! Never give out your credit card number over the phone unless you initiated the call.

## Scenario: How Should Ryan Respond?

### Instructions:

Read Ryan's story. Based on his situation, select the best possible option. Then, for each option, write a few sentences about why the option was right or wrong for Ryan's situation.

### Ryan's Story

A few days ago, Ryan was browsing online for discount airfares. He followed a pop-ad to a Web site and entered his email address to receive special sale updates. Today he received an email telling him he would win some cool luggage plus qualify for a for a free 3-night trip to Cancun just by emailing back his customer profile information including credit card number. Given Ryan's situation, which decision do you think is best for him?

1. Provide the information. He's already won, and they can't charge to his card without his permission.
   *Should Ryan choose this option? Why or why not?*

2. Don't email back. This looks like a scam.
   *Should Ryan choose this option? Why or why not?*

3. It's not safe to reply by email. Call the company and provide the information by phone.
   *Should Ryan choose this option? Why or why not?*

**Tip!**

Never provide your credit card number in an email! Never give out your credit card number over the phone unless you initiated the call.

## Topic 5 — All About Credit

# Lesson Summary

### *Instructor note:*

*Summarize this lesson by reviewing these key points with your participants.*

Key points from the Credit Cards lesson:

- Lots of financial institutions offer credit cards and some will charge you an annual fee to have one.
- When you apply for a card, they'll check your credit history and decide whether or not to give you a card.
- They'll also decide how much you're allowed to borrow, or "charge." This is called your credit limit.
- If the credit card company issues you a card, they'll let you know what your credit limit will be.
- Credit cards are called revolving credit because as you pay the money back, your credit becomes available for you to use again and again.
- Be sure to shop around for the best credit card offer that fits your need and with the lowest APR.

### Additional Activities

These activities are designed to extend the new concepts presented in the Credit Card lesson. Use these or similar activities to give participants an opportunity to apply what they have just learned to real-life scenarios.

- If you have too much credit card debt, make a list of ways you can stop using the card until you have paid it off or lower your balance significantly.
- If you are paying a high interest rate on your credit card(s), shop around and see if you can transfer the balance to another company with lower interest rates. Start with your current credit card company to see if they can lower the interest rate.
- Review your last three months of credit card statements. What are you buying? Are these impulse items? Large ticket items? Everyday expenses? Try to identify the expenses that you can pay for with cash instead of credit.
- Read the fine print of your credit card statement. Be sure and read about the cost for late payments and cash advances.

# Lesson 6: Loans

This lesson teaches participants the essentials of loans and the lending process. It provides helpful information for finding a responsible lender and what they can do if their loan is not approved and how to manage it if it is. Finally they'll learn what information they need before they sign a loan agreement.

## Learning Objectives

After completing this lesson, participants will be able to:

- Explain the essentials of loans and the lending process.
- Explain how to shop for a responsible lender.
- Determine their next course of action if their loan isn't approved.
- Explain how to manage a loan when it is approved.
- List information they'll need before they sign a loan agreement.

## Start the Discussion

To start a discussion with your participants, ask some open-ended questions. Here are some examples you could use:

- Does anyone have a loan? Explain the process you went through to get your loan. Was it difficult? What things did you learn?
- If you have a loan, did you shop around first, or go to your bank and talk with a loan professional? Did you research interest rates beforehand?
- What types of purchases do you think you'll need a loan for?
- What reasons would a bank have for turning down a loan application?
- What types of loans do you think you'll need in the future? Do you think you'll be approved right away, or are there things you need to work on?

## The Basics

- Loans are a very common way to borrow money.
- Millions of people apply for loans to pay for something big like a car or education.
- With a loan, you receive all the money the lender has approved for you in one lump sum—the principal.
- To pay the lender back, you make equal monthly payments called installments, for a fixed period of time, until it is paid off.
- The lender will charge you extra money over the amount you borrow. This is called interest. Some lenders may charge you a fee for the loan.
- How much interest you'll pay for your loan depends on three things—how much you're borrowing (principal), the interest rate, and the term of the loan (how long it will take you to pay it back).

Before you start the lesson, use the following scenario to get participants thinking.

## Jordan's Motor Scooter (Instructor Copy)

### *Instructor note:*

*Photocopy the activity handout on the following page and distribute it to participants. Then, introduce the scenario and instruct your participants to choose the best loan for Jordan based on his requirements. Then discuss the key points below the chart.*

### Jordan's story:

Jordan wants to borrow $10,000 to buy a motor scooter.

His goal?

- To achieve the lowest total cost of credit.
- Keep his monthly payments under $400.
- Pay off the loan as soon as possible.

### Instructions:

Have your participants look at the chart below and choose the best loan option for Jordan.

| Term | Rate | Payments | Total Costs |
|---|---|---|---|
| **24 month** | 12.25% | $472.00 | $11,326 |
| **36 months** | 14.50% | $344.00 | $12,392 |
| **48 months** | 16.75% | $287.00 | $13,788 |

### Key points:

- Between these three alternatives, Jordan's best choice is to get the loan with the 36-month term.
- With the 24-month term his monthly payments will be too high, and the 36-month term will cost less in interest than the 48-month.
- Remember: the longer the term, the lower the monthly payments, but the higher the amount of interest over the life of the loan.
- Also, notice that lenders will usually offer you a lower interest rate for a shorter term loan.

Tip!

**Remember:** Annual Percentage Rate (APR) is a measurement you can use to compare the cost of different loans. The lower the APR, the lower the total cost of the loan.

## Jordan's Motor Scooter

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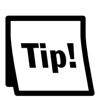



**Remember:** Annual Percentage Rate (APR) is a measurement you can use to compare the cost of different loans. The lower the APR, the lower the total cost of the loan.

## How Loans Work (Instructor Copy)

### *Instructor note:*

*Consider inviting a banker or financial professional to the class to discuss the basics of loans.*

*Begin a discussion with your participants by asking questions such as:*

- *What are some common terms that apply to loans (example: principal)?*
- *Other than the monthly payment, what other fees are involved with getting a loan?*
- *What does interest depend on?*
- *Then lead a discussion by mentioning these key points:*

### Key points:

- With a loan, you receive all the money the lender has approved for you in one lump sum. This is called the principal.
- Then, to pay the lender back, you need to make equal monthly payments, called installments, for a fixed period of time, until the loan is paid off.
- The lender may also charge you fees for giving you the loan.
- On top of repaying the principal, you'll also have to pay the lender interest.
- How much interest you'll pay for your loan depends on three main factors: how much you're borrowing, the interest rate, and how long it will take you to pay the money back. This is called the term of the loan.

Tip!

Before you apply for a loan, consider your overall spending plan. How much of a monthly payment can you comfortably manage to repay every month?

The next lesson will teach participants more about how the term and interest rate affect the cost of credit.

## Term and Rate Affect Loan Costs (Instructor Copy)

### *Instructor note:*

*Please note: this activity combines two screens from the online program—Term Affects Loan Costs and Interest rate affects loan costs.*

*Photocopy the activity handout on the following page and distribute to participants. Walk through each example.*

Check out this example: with the longer-term loan, the total cost is more than $1,100 *higher* because you're paying more in interest.

| | 25-month term | 49-month term |
|---|---|---|
| **Loan amount** | $10,000 | $10,000 |
| **Term** | 25 months | 49 months |
| **Monthly payment** | $450<br>(final payment may vary) | $250<br>(final payment may vary) |
| **Total cost of loan** | $11,106 | $12,215 |
| **Total interest paid** | $1,106 | $2,215 |

Now look at out this example: By getting a 5% interest rate vs. 15%, this borrower would save over $3,000 in interest over five years!

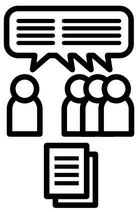
| | 5% Interest Rate | 15% Interest Rate |
|---|---|---|
| **Loan amount** | $10,000 | $10,000 |
| **Term** | 5 years | 5 years |
| **Interest rate** | 5% | 15% |
| **Monthly payment** | $188.77<br>(final payment may vary) | $237.90<br>(final payment may vary) |
| **Total interest over 5 years** | $1,236.92 | $4,271.08 |

Tip!

Lenders will often offer you options for the term. You might consider a longer term loan to get a lower monthly payment that you can comfortably manage to pay.

Tip!

Always try to get a loan with the lowest interest rate you can. **Remember:** A strong credit score may help you qualify for a lower interest rate.



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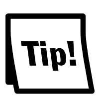


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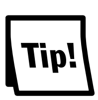


Always try to get a loan with the lowest interest rate you can. **Remember:** A strong credit score may help you qualify for a lower interest rate.

## Loans Step-by-Step (Instructor Copy)

### *Instructor note:*

*Begin a discussion about applying for a loan by asking questions such as:*

- *If you have a loan, did you "shop" for one? What did that entail?*
- *Was there anything that you didn't quite understand that you wish you'd asked about before signing the loan documents?*
- *How will you decide which lender, or bank, or financial institution to go to find a loan?*
- *What things do you need to consider before you decide to take out a loan?*

*Then, distribute the handout and discuss these steps.*

### Applying for a loan? Here are the steps in the process.

| | |
|---|---|
| **Comparison shop** | • Take some time to comparison shop for your loan. When you compare loans, it can be hard to see which one will cost you the least.<br>• To make it easier, lenders are required to tell you a loan's annual percentage rate, or APR.<br>• The APR is a number that combines the interest rate, the term, and the fees to show you the total cost of the loan.<br>• The lower the APR, the lower the total cost.<br>• Remember, the loan with the smallest monthly payment may not have the lowest cost overall. |
| **Choose a responsible lender** | • Always be careful when selecting a lender.<br>• A responsible lender can help you gain financial flexibility and achieve your goals.<br>• To find a responsible lender, look for an established company with a good reputation.<br>• Ask a money-savvy friend, family member, your employer or bank for a referral.<br>• Only work with lenders who answer all your questions, put everything in writing, and give you time to shop and compare before you sign a loan agreement. |
| **Discuss the costs and the options** | • Discuss the costs and the options with your lender.<br>• Carefully study the monthly payment and the APR. Then decide if you can really afford the loan.<br>• You want to be sure the monthly loan payment is an amount you can afford, but minimize the total cost of your loan if you can. |
| **Understand before you sign** | • Before you sign any loan agreement, be sure to read it, including the fine print. Make sure you understand the terms and the costs.<br>• Signing a loan agreement is a serious financial responsibility. You'll have to live up to the terms that you agree to, so it's critical that you understand exactly what you're signing. |
| **Unsure? Don't sign!** | • It's very important to be comfortable with your lender and make sure you fully understand everything about your loan before you sign.<br>• If you're unsure, don't sign. Seek advice. |
| **How long before they decide?** | • It often takes a few days for a decision to be made about your loan application.<br>• However, a bank legally has up to 30 days to respond. |

**Tip!**

The federal Equal Credit Opportunity Act gives you legal rights as a borrower without regard to race, color, religion, national origin, gender, marital status, or age. Click on *Library* to learn more.

## Loans Step-by-Step

### Applying for a loan? Here are the steps in the process.

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| **Choose a responsible lender** | • Always be careful when selecting a lender.<br>• A responsible lender can help you gain financial flexibility and achieve your goals.<br>• To find a responsible lender, look for an established company with a good reputation.<br>• Ask a money-savvy friend, family member, your employer or bank for a referral.<br>• Only work with lenders who answer all your questions, put everything in writing, and give you time to shop and compare before you sign a loan agreement. |
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## Warning Signs to Watch For (Instructor Copy)

### *Instructor note:*

*Consider inviting a reputable lender to come in and talk with the class about predatory lending.*

*Photocopy the activity handout on the following page. Ask the class to come up with signs that should warn them about predatory lending practices. Write each sign on the chalkboard/whiteboard or large piece of paper. Then, distribute the activity handout and walk through each warning sign.*

### Watch out! Predatory lenders try to cheat borrowers through fraud or deception.

| | |
|---|---|
| **1. Encouragement to include false information** | If a lender has changed any of your income or expense information or leaves your income blank, do not sign the loan application. |
| **2. Blank loan documents** | Never sign a blank loan document or work with a lender who asks you to. |
| **3. "Bait and switch" sales tactics** | When a lender makes promises in order to make the sale, but then backs out on the promises after the sale. To avoid this, it's critical to carefully read and understand the agreement *before* you sign. Question anything in the document that is not consistent with what you were told. Don't sign the agreement if anything in it is unclear or not as promised. |
| **4. Equity stripping** | Let's say you don't have much monthly income but you have built up equity in your home. If a lender encourages you to inflate your income on your application form to help get the loan approved, watch out! A predatory lender doesn't care if you can't keep up with the monthly payments, because as soon as you can't, the lender will foreclose—taking your home and stripping you of the equity you have spent years building. |
| **5. Loan flipping** | This is when a lender persuades a borrower to repeatedly refinance a loan, often within a short time frame, charging high points and fees each time. This is not in your best interest because it costs you money and postpones the loan principal from being reduced. |
| **6. A high fee for bi-weekly payments** | Some lenders will offer you the option to pay your loan bi-weekly. Although this type of payment plan can reduce the finance charge and length of a loan, predatory lenders may charge you $1,000 for the "privilege" of paying biweekly. In reality, such accounts can often be set up for free or a few hundred dollars at most. |
| **7. Required deed signing** | If you are behind on your mortgage payments, a predatory lender may offer to help find new financing. But first you are asked to deed your property over to the lender as a temporary measure to prevent foreclosure. But then the promised loan never comes, and you no longer own your home. |
| **8. Advertisements promising "No Credit? No Problem!"** | These are often warning signs of scams. Consumers responding to such ads are guided through a phony application process and may even receive fake loan approval documents. To receive the approved loan, they are told to pay money up-front for fees or services—and instead end up losing their money. |
| **9. Promises to refinance the loan to a better rate in the future** | No one can make you that promise. Instead, ask what you can do now to get a better rate. If you're working with a local bank, for example, there may be a rate discount for making automatic monthly payments from your checking account. |

**Tip!**

Balloon payments are large, lump-sum payments due at the end of the term. Before you sign a loan agreement that requires one, make sure you fully understand and are prepared to pay it.

## Warning Signs to Watch For

**Watch out! Predatory lenders try to cheat borrowers through fraud or deception.**

| | |
|---|---|
| **1. Encouragement to include false information** | If a lender has changed any of your income or expense information or leaves your income blank, do not sign the loan application. |
| **2. Blank loan documents** | Never sign a blank loan document or work with a lender who asks you to. |
| **3. "Bait and switch" sales tactics** | When a lender makes promises in order to make the sale, but then backs out on the promises after the sale. To avoid this, it's critical to carefully read and understand the agreement *before* you sign. Question anything in the document that is not consistent with what you were told. Don't sign the agreement if anything in it is unclear or not as promised. |
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Tip!

Balloon payments are large, lump-sum payments due at the end of the term. Before you sign a loan agreement that requires one, make sure you fully understand and are prepared to pay it.

## Topic 5 — All About Credit

# Lesson Summary

***Instructor note:***
*Summarize this lesson by reviewing these key points with your participants.*

Key points from the Loans lesson:

- Loans are a very common way to borrow money.
- Millions of people apply for loans to pay for something big like a car or education.
- With a loan, you receive all the money the lender has approved for you in one lump sum—the principal.
- To pay the lender back, you make equal monthly payments called installments, for a fixed period of time, until it is paid off.
- The lender will charge you extra money over the amount you borrow. This is called interest. Some lenders may charge you a fee for the loan.
- How much interest you'll pay for your loan depends on three things—how much you're borrowing (principal), the interest rate, and the term of the long (how long it will take you to pay it back).

## Additional Activities

These activities are designed to extend the new concepts presented in the Loans lesson. Use these or similar activities to give participants an opportunity to apply what they have just learned to real-life scenarios.

- Visit a few local banks (or go to their website) and find out what their current rate is for auto loans or small personal loans. You will see how rates and terms vary—it is important to shop around before you take on a loan.
- If you currently have a loan, consider ways you can pay it off faster to avoid paying more in interest.

# Lesson 7: Dealing With Debt

In this lesson, your participants learn to recognize the signs of having too much debt and learn how to deal with debt problems.

## Learning Objectives

After completing this lesson, participants will be able to:

- Explain how to use credit responsibly.
- Recognize the warning signs of too much debt.
- Explain how to deal with debt problems.

## Start the Discussion

To start a discussion with your participants, ask some open-ended questions. Here are some examples you could use:

- Have you ever felt like you had too much debt?
- What are some resources you can use to help pay down your debt?
- What are some signs of having too much debt?
- What are some steps people can take to pay down their debt?

## The Basics

- Borrowing money gives you financial flexibility but if you're not careful you may buy more things and spend more than you would otherwise.
- Owing people more than you can repay is painful. And it can negatively affect your money situation for years.
- The best defense is to avoid too much debt to begin with.

Before you start the lesson, use the following scenario to get participants thinking.

## Scenario: One more loan? (Instructor Copy)

### *Instructor note:*

*Photocopy the activity handout on the next page. After participants finish the activity, lead a group discussion about their choices, using the consequences and feedback provided below.*

### Instructions:

Have participants read Elena's story. Based on her situation, have them select the best possible option. Then, for each option, they will write a few sentences about why the option was right or wrong for Elena's situation. Then use this activity to lead a discussion on what to consider before you take out a loan.

### Elena's Story

Elena just completed a 2-year technical training program. She's off to a successful start working as an independent contractor, paying off her student loan and a second loan to buy a van. She just landed a project that requires specialized equipment. She planned to rent the equipment, but the vendor has offered her a good deal to buy it instead. She'd need a 3-year loan to buy it, but she could use the equipment on future jobs, too. Given Elena's situation, which decision do you think is best for her?

1. Rent. Before taking on any more debt, make sure she can handle all her new expenses.
   Consequences: Elena is so glad she didn't borrow more money. She's getting a lot of work, but her expenses are higher than she thought. If she borrowed more money, it may have been tough to repay her other loans. She has to pay her bills on time to keep a good credit history and avoid late fees and bad credit rating.

   Feedback: Great decision! Elena was smart to make sure she could handle her new monthly expenses before taking on more debt. By renting the equipment for now, she can handle the project and earn money without taking on more risk.

2. Apply for the new loan and see if she gets approved. This equipment will help her make more money.
   Consequences: Between my new loan payments and other expenses, borrowing more money was probably the last thing she should've done! If she doesn't pay the bills on time, she'll have to pay late fees too! Her credit rating might go down. She could sell the equipment to repay the loan, but that might take some time.

   Feedback: This wasn't a good time for Elena to take on more debt. Even if she can sell the equipment, it won't be worth as much as she paid for it. If she can't make her loan payments, she should call her lender immediately to discuss what to do.

3. Determine the new loan payment amount. Only proceed if it fits her budget.
   Consequences: She thought she could handle this equipment loan, but she was wrong. She didn't figure in all the extra costs of running the equipment, including an hourly helper. Now she's struggling to pay bills on *time and cutting back on things. The loan is for three years, but the technology will probably be outdated by next year. Elena should have waited before borrowing more to buy now.*

   *Feedback: Elena was smart to analyze her current budget, but forgot to consider the additional expenses of the new equipment. Avoiding more debt would have been a smarter choice for now.*

Tip!

**Remember:** If you're having trouble making loan payments, contact your lender immediately to discuss your situation and how you can work with them to repay.

## Scenario: One more loan?

### Instructions:
Read Elena's story. Based on her situation, select the best possible option. Then, for each option, write a few sentences about why the option was right or wrong for Elena situation.

### Elena's Story
Elena just completed a 2-year technical training program. She's off to a successful start working as an independent contractor, paying off her student loan and a second loan to buy a van. She just landed a project that requires specialized equipment. She planned to rent the equipment, but the vendor has offered her a good deal to buy it instead. She'd need a 3-year loan to buy it, but she could use the equipment on future jobs, too. Given Elena's situation, which decision do you think is best for her?

1. Rent. Before taking on any more debt, make sure she can handle all her new expenses.
   *Should Elena choose this option? Why or why not?*

2. Apply for the new loan and see if she gets approved. This equipment will help her make more money.
   *Should Elena choose this option? Why or why not?*

3. Determine the new loan payment amount. Only proceed if it fits her budget.
   *Should Elena choose this option? Why or why not?*

Tip!

**Remember:** If you're having trouble making loan payments, contact your lender immediately to discuss your situation and how you can work with them to repay.

## Using Credit Wisely (Instructor Copy)

### *Instructor note:*

*Consider inviting a credit counselor to talk with your class about using credit wisely and avoiding debt.*

*Photocopy the activity handout on the following page. Divide the class into three groups. Instruct them to create a list of ways to avoid debt or deal with too much debt. When they're finished, distribute the activity handout and lead a discussion using the key points and the chart.*

### Key Points

- Being able to borrow money when you need it can give you financial flexibility.
- You may end up buying more things, and spending more for them, than you would if you paid in cash.
- Having too much debt can damage your money situation for years.
- The best defense is to avoid too much debt to begin with.

| | |
|---|---|
| **Shop for credit** | Shop around for credit cards with low interest rates and low or no annual fee. Look closely at credit card offers that use the word "free." Usually, everything has a price. Avoid loans and credit cards with high interest rates. Don't take on monthly loan payments you can't afford. |
| **Plan your shopping** | Don't use your credit cards to buy things you really can't afford. Let your budget be your guide. Resist impulse buying! |
| **Set limits** | Don't go wild! Don't exceed your credit card spending limit and try to keep your balance 70% or less of your limit. Avoid having monthly credit card payments that exceed 10% of your monthly net income. Don't let the total amount you charge to your credit cards exceed 20% of your yearly net income. Maintaining a number of credit accounts over a long period of time can actually improve your credit score—*but only if* you limit your credit use. |
| **Keep track** | Track your credit card charges throughout the month. Save your receipts and check them against your statement. If you have Internet access to your credit card balance, track the charges made on your credit card online, before you even receive the bill in the mail. |
| **Pay on time** | Pay on time and pay off credit card balances monthly if you can. If you can't pay off your credit card balance in full, pay more to your high-interest accounts every month while paying at least the minimum to lower-interest accounts. At the very least, pay the minimum payment to every account, every month, on time. |
| **Contact your creditors** | If you can't pay the minimum due on your credit card, call your creditor and ask for an extension or to set up a payment plan. Try to have your APR lowered, too, which may reduce your payment. If nothing can be done, look for money in your overall spending plan that you can put toward your payment. |
| **Get help early** | If you're getting into trouble with debt, get help early. Contact your lender. Try to work out a repayment plan that works for both of you. You may also want to consider talking with a credit counselor, an experienced professional, who can help you get out of debt. |

**Tip!**

The key to financial freedom is living within your income. That means not borrowing more than you can comfortably afford to repay.

## Using Credit Wisely

| | |
|---|---|
| **Shop for credit** | Shop around for credit cards with low interest rates and low or no annual fee. Look closely at credit card offers that use the word "free." Usually, everything has a price. Avoid loans and credit cards with high interest rates. Don't take on monthly loan payments you can't afford. |
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| **Keep track** | Track your credit card charges throughout the month. Save your receipts and check them against your statement. If you have Internet access to your credit card balance, track the charges made on your credit card online, before you even receive the bill in the mail. |
| **Pay on time** | Pay on time and pay off credit card balances monthly if you can. If you can't pay off your credit card balance in full, pay more to your high-interest accounts every month while paying at least the minimum to lower-interest accounts. At the very least, pay the minimum payment to every account, every month, on time. |
| **Contact your creditors** | If you can't pay the minimum due on your credit card, call your creditor and ask for an extension or to set up a payment plan. Try to have your APR lowered, too, which may reduce your payment. If nothing can be done, look for money in your overall spending plan that you can put toward your payment. |
| **Get help early** | If you're getting into trouble with debt, get help early. Contact your lender. Try to work out a repayment plan that works for both of you. You may also want to consider talking with a credit counselor, an experienced professional, who can help you get out of debt. |

**Tip!**

The key to financial freedom is living within your income. That means not borrowing more than you can comfortably afford to repay.

## Warning Signs of Too Much Debt (Instructor Copy)

### *Instructor note:*

*Divide the class into two teams. Write these ten words or phrases on a whiteboard/chalkboard or large piece of paper:*

Bills (3)
Checkbook (2)
Paycheck (2)
Credit cards (4)
Calendar (2)

Savings (1)
Family (2)
Shopping (2)
Everyday expenses (1)
Telephone (1)

The numbers in parentheses tell the teams how many warning signs are available in each category. Teams will choose a category and then give one warning sign of too much debt. Each correct answer earns one point. If a team passes, the other team can steal. The team with the most points wins.

**Bills**
1. You're always late in paying your bills.
2. It takes you 60 or even 90 days to cover bills you once could pay monthly.
3. You juggle payments to keep creditors satisfied.

**Check book**
1. Checking account is frequently overdrawn.
2. You can make only minimum payments on your revolving charge accounts.

**Paycheck**
1. You race to deposit your paycheck because you've written checks that require money in your paycheck.
2. A small reduction in your income or an unusual expense makes you unable to pay all of your monthly bills.

**Credit cards**
1. Your credit accounts are usually at their maximum limits.
2. You apply for more credit cards because you have reached the limit on the ones you have.
3. You spend more than 20% of your take-home pay on credit payments (excluding rent or mortgage).
4. Your loan or credit card balances stay the same or go up each month.

**Calendar**
1. You're still paying off purchases you made a year ago.
2. You put off medical and dental visits because you cannot pay the bill.

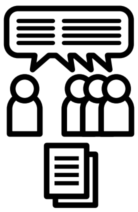
**Savings**
1. You don't have a savings account, or have stopped making deposits to it.

**Family**
1. You are always worried about your debts.
2. You argue with your family members, spouse, or partner over bills.

**Shopping**
1. You sometimes wonder why you made certain purchases.
2. You feel free to spend more after clearing up a debt.

**Everyday expenses**
1. You use savings or credit cards to cover everyday living expenses, such as groceries.

**Telephone**
1. You ignore the telephone or mail to avoid dealing with creditors.



## Tips for Dealing with Debt (Instructor Copy)

### *Instructor note:*

*Consider inviting a credit counselor into the class to discuss tips for dealing with debt.*

*Divide the class into groups. Give each group three minutes to create a list of at least seven things they should do if their debt is at an uncomfortable level. Then, have each group present their list. When they're finished distribute the activity handout to see who has the most correct answers. Lead a discussion using the key points.*

If the amount you owe others is at an uncomfortable level, here are some powerful tips for lowering your debt.

| | |
|---|---|
| **Ask for help** | Many nonprofit debt counseling centers across the country will advise you for a low fee or at no charge. Some lenders will recommend debt counselors to you. Contact a customer service representative at your lender for referrals. Or, contact the Consumer Credit Counseling Service in your area. (Check the White Pages in your phone book.) They can often help you work out a repayment plan with your creditors. |
| **Make a written plan** | Make a list of all your bills and their amounts. Figure out when each bill can be paid. |
| **Contact your creditors** | Contact your credit card company or other creditors to try to get your rate lowered or a different payment plan worked out. |
| **Pay more than the minimum** | Make more than the minimum monthly payment on credit cards. You will save lots of money on interest and reduce or eliminate your debt much sooner. |
| **Don't take on any new debt** | Stop using your credit cards. Say no to offers for credit cards, debt consolidation, and second mortgages. Only get a cash advance when it's absolutely necessary! The interest rates are usually higher (than for card purchases), and the rates are put into effect immediately, without a thirty-day grace period. Most banks also charge a service fee based on how much cash you're withdrawing. The same applies to personalized "checks" some credit card companies may send you. |
| **Minimize rates and fees** | Educate yourself about the annual fees, current interest rates, finance charges, cash-advance fees, and any other fees tied to your card. This can help you make better decisions about which card to use and how to manage your credit. Transfer balances to cards with lower interest rates or to cards offering the same (or lower) interest rates that also offer the benefit of a low introductory rate (usually for six months). |
| **Don't give up** | Reducing your debt is challenging, but don't stop trying. It's one of the most important things you can do for a better financial future. |

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If the amount you owe others is at an uncomfortable level, here are some powerful tips for lowering your debt.

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| **Make a written plan** | Make a list of all your bills and their amounts. Figure out when each bill can be paid. |
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| **Pay more than the minimum** | Make more than the minimum monthly payment on credit cards. You will save lots of money on interest and reduce or eliminate your debt much sooner. |
| **Don't take on any new debt** | Stop using your credit cards. Say no to offers for credit cards, debt consolidation, and second mortgages. Only get a cash advance when it's absolutely necessary! The interest rates are usually higher (than for card purchases), and the rates are put into effect immediately, without a thirty-day grace period. Most banks also charge a service fee based on how much cash you're withdrawing. The same applies to personalized "checks" some credit card companies may send you. |
| **Minimize rates and fees** | Educate yourself about the annual fees, current interest rates, finance charges, cash-advance fees, and any other fees tied to your card. This can help you make better decisions about which card to use and how to manage your credit. Transfer balances to cards with lower interest rates or to cards offering the same (or lower) interest rates that also offer the benefit of a low introductory rate (usually for six months). |
| **Don't give up** | Reducing your debt is challenging, but don't stop trying. It's one of the most important things you can do for a better financial future. |

## Topic 5 — All About Credit

***Instructor note:***
*At this point in the class, consider using this recommended library article listed below as a discussion resource or a takeaway for your participants. You can find this and other library articles at the end of this topic.*

### Recommended Article: Debt Warning Signs and Tips

Remember, the online *Hands on Banking*® program has dozens of additional library articles that you can use and distribute for this and other topics. Visit **www.handsonbanking.org** to browse all the available articles.

## Topic 5 — All About Credit

# Lesson Summary

### *Instructor note:*
*Summarize this lesson by reviewing these key points with your participants.*

Key points from the Dealing with Debt lesson:

- Borrowing money gives you financial flexibility but if you're not careful you may buy more things and spend more than you would otherwise.
- Owing people more than you can repay is painful. And it can negatively affect your money situation for years.
- The best defense is to avoid too much debt to begin with.

### Additional Activities
These activities are designed to extend the new concepts presented in the Dealing with Debt lesson. Use these or similar activities to give participants an opportunity to apply what they have just learned to real-life scenarios.

- Make a list of all your debts. Create an action plan to reduce it as much as you can. Try to pay off debts with high interest rates first.
- If you have too much debt and feel stressed about it, make an appointment to talk to a credit counselor.
- Analyze your debt—see if you can transfer balances to cards with a lower interest rate or call your current credit card company to see if they can offer any help.

# Topic Summary

### *Instructor note:*

*Summarize this topic by reviewing these key points with your participants.*

Key points from the All About Credit Topic:

- Credit is the ability to borrow money. Good credit can give you financial flexibility and options.
- Shop for a credit card with a low annual fee and a low interest rate. Every month, pay at least the minimum payment due and more whenever you can. Pay off your balance as quickly as you can.
- If you apply for a loan, shop around. Look for a lender with a good reputation. Understand the terms of the loan agreement before you sign.
- Order a free credit report and find out your credit score. One of the best ways to improve your score is to always pay your bills on time.
- Remember that the key to financial freedom is living within your income. Never borrow more than you can manage to repay.
- If you find yourself in trouble with debt, take action early. Call your lender and work with them to decide your next steps.

Next, test your participants on what they've learned about credit.

## Test Yourself (Instructor Copy)

### *Instructor note:*

*This short quiz can be used as a pre- or post test with your participants to gauge their current knowledge on credit.*

*Photocopy the quiz on the next page. Distribute it to participants to test what they've learned about credit.*

### Instructions:

Have your participants answer these questions to test their knowledge.

1. The cost of borrowing money depends on the ________________________.
   a. credit union
   b. rate of return
   **c. interest rate**
   d. way the wind is blowing

2. All of the following are good ways to establish a good credit record except:
   a. don't write a check for more money than you have in your account.
   b. pay your bills in full and on time.
   **c. use your credit card to buy something you can't really afford.**
   d. always keep your promises to repay the money you borrow.

3. The first thing you should do if your credit or debit card is lost or stolen is ________________.
   a. chalk it up to a "bad hair day."
   b. open your mouth and scream.
   c. run like crazy after whoever took it.
   **d. call the card issuer's #800 immediately to report it.**

4. Companies that keep track of everyone's credit history are called _______________________.
   a. collection agencies
   **b. credit bureaus**
   c. credit unions
   d. Big Brother

**Remember:** To get a free copy of your credit report once a year, visit **www.annualcreditreport.com**

## Topic 5 — All About Credit

### Test Yourself

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Answer these questions and test your knowledge.

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# Appendix

## Library Articles & Additional Topic Resources

Use these library articles as a discussion resource or a takeaway for your participants. Remember, the online *Hands on Banking®* program has dozens of additional library articles that you can use and distribute for this and other topics. Visit **www.handsonbanking.org** to browse all the available articles.

# About Credit Cards

## Types of cards

**There are basically three types of credit cards:**

- **Bank cards** are issued by banks. Examples include Visa®, MasterCard® and Discover® Card.
- **Travel and entertainment (T&E) cards**, for example, American Express® and Diners® Club
- **House/Private Label cards** are good only in one chain of stores. Examples include national and local department stores, oil and phone companies.

No one card is right for everyone. As a general rule, the right card for you is one that's accepted where you shop and charges you the least amount of money (for example, in interest and fees) for the services you use. The terms and conditions for credit cards vary, so it's important to educate yourself about the costs for any credit card offer you're considering. Be sure to carefully read the read the terms and conditions, legal disclosures, and credit card agreement.

**How bank credit card processing works**
When you make a purchase using a bank credit card, the cashier usually swipes your credit card through a reader that automatically phones in the information stored on the black magnetic stripe on the back of your card. This process allows the credit card company to verify information such as:

- Merchant identification
- Valid card number
- Expiration date
- Available credit limit
- Card usage

Once the sale is approved, the bank credits the account of the merchant and records the charges to be billed to you, the cardholder, at the end of the billing period, which is typically monthly. You then pay the bank either the entire balance or in monthly installments, with interest.

# About credit cards (continued)

### Shopping for credit cards

To be a smart money manager, compare credit card offers just as you would car loans or home mortgages. There can be a lot of features and fees to compare.

**Here are some tips to help you get started:**

**Do some research.** There are plenty of places, both online and offline, where you can read about credit card offers and how they compare. Since rates and plans change often, call the companies with the offers you're interested in. Confirm what they offer and ask about plans that might work for you.

**Make a list.** Make a list of credit card features that fit your financial needs. Rank the features according to how you plan to use the card and pay your monthly bill.

**Review the plans.** Review all of the information you've gathered on different plans. Pay special attention to the annual percentage rate (APR). You want a low rate, but not necessarily the lowest. This is because, depending on your lifestyle and payment habits, you might benefit more from a card that offers cash rebates, discounts, or frequent flier miles—even though it may have a slightly higher rate than another card option.

**Compare plans.** If you already have a credit card, be sure that you're making a good move before you swap cards. If you are a current cardholder and have a good credit rating, see if the institution that issued your card will lower your current rate.

### Canceling credit cards

If you want to cancel a credit card, contact the issuer of the card directly and request their instructions for notifying them of your intent to cancel. Simply not using the card will not cause it to cancel.

### Truth in Lending Act

Enacted in 1968, this federal law says that creditors have to give consumers complete and accurate information about credit costs and terms. The Truth in Lending Act requires credit card companies to provide consumers with the following information:

- Finance charges in dollars and as an annual percentage rate (APR).
- Credit issuer or company providing the credit line.
- Size of the credit line.
- Length of the grace period, if any, before payment must be made.
- Minimum payment required.
- Annual fees, if applicable.
- Fees for credit insurance (if any), which pays off your loan if you die before the debt is fully repaid.

# About credit cards (continued)

### Variable vs. fixed-rate credit cards

Whether the credit card plan uses a variable- or fixed-rate in charging interest can have a significant effect on what you pay to use your card.

> **Variable-rate plans** may offer a lower interest rate than fixed, but keep in mind that the interest rate can go up or down. Credit card companies offering variable-rate plans adjust the interest rate you pay based on changing economic statistics issued by the federal government.
>
> With a **fixed-rate plan**, you have the advantage of knowing what your rate will be. The Truth in Lending Act requires lenders to provide at least 15 days notice before raising the rate, and in some states, even more notice is required.

Some financial experts argue that because a fixed-rate can be increased with only a 15-day notice, this plan is not that different from a variable-rate plan, which can change at any time. They advise looking closely at both plans. If you do choose a variable-rate card, check to see if there are limits on how high or how low your interest rate can go.

### About "pre-approved" credit card offers

Be cautious about any "pre-approved" card offers you get in the mail. Sometimes the fine print will show an extremely high interest rate. Some offers may state that, by accepting the offer, you agree to transfer the entire balance of your other credit-card account to the new, high-interest account. Some offers may suggest this balance transfer, although they don't require it.
Shred any offers you don't want before you toss them into the garbage. This will help prevent someone from stealing it and trying to obtain credit in your name, which is a crime called identity theft.

For more information on Credit Card Regulations, please visit www.federalreserve.gov/consumerinfo/consumercredit.htm

We invite you to contact Wells Fargo for further information and assistance. Visit our Web site at **wellsfargo.com** or any Wells Fargo store.

# Managing Your Credit

## Tips for using credit wisely

- Avoid loans and credit cards with high interest rates.
- Don't take on monthly loan payments you can't afford.
- Stay within your credit limit. Track your credit card charges throughout the month.
- If you have Internet access to your credit card account, track your account activity online, even before you receive the bill in the mail.
- Don't use your credit card to buy things you really can't afford. Let your budget be your guide.
- If you're getting in trouble with debt, get help early. Consider talking with a credit counselor—an experienced professional who can help you get out of debt.
- Shop around for credit cards with low interest rates and low or no annual fee.
- Look closely at credit card offers that use the word "free." Usually, everything has a price.
- Resist impulse buying!
- Pay on time and pay off credit card balances monthly if you can. If you can't pay off your credit card balance in full, try to pay more than the minimum payment. At the very least, pay the minimum payment every month, on time.
- Avoid having monthly credit card payments that exceed 10% of your monthly net income.
- Do not let the total amount you charge to your credit cards exceed 20% of your yearly net income.
- Keep track of what you buy with your credit card. Save your receipts and check them against your statement.
- Don't go wild! Limit your credit card use and don't have too many credit cards.

# Managing Your Credit (continued)

### Be careful when selecting a lender

Predatory lenders try to cheat borrowers through fraud or deception. Watch out for these nine predatory lending practices:

1. **Encouragement to include false information.** If a lender has changed any of your income or expense information or leaves your income blank, do not sign the loan application.
2. **Blank loan documents.** Never sign a blank loan document or work with a lender who asks you to.
3. **"Bait and switch" sales tactics**, when a lender makes promises in order to make the sale, but then backs out on the promises after the sale. To avoid this, it's critical to carefully read and understand the agreement before you sign. Question anything in the document that is not consistent with what you were told. Don't sign the agreement if anything in it is unclear or not as promised.
4. **Equity stripping.** Let's say you don't have much monthly income but you have built up equity in your home. If a lender encourages you to inflate your income on your application form to help get the loan approved, watch out! A predatory lender doesn't care if you can't keep up with the monthly payments, because as soon as you can't, the lender will foreclose—taking your home and stripping you of the equity you have spent years building.
5. **Loan flipping.** This is when a lender persuades a borrower to repeatedly refinance a loan, often within a short time frame, charging high points and fees each time. This is not in your best interest because it costs you money and postpones the loan principal from being reduced.
6. **A high fee for bi-weekly payments.** Some lenders will offer you the option to pay your loan bi-weekly. Although this type of payment plan can reduce the finance charge and length of a loan, predatory lenders may charge you $1,000 for the "privilege" of paying biweekly. In reality, such accounts can often be set up for free or a few hundred dollars at most.
7. **Required deed signing.** If you are behind on your mortgage payments, a predatory lender may offer to help find new financing. But first you are asked to deed your property over to the lender as a temporary measure to prevent foreclosure. But then the promised loan never comes, and you no longer own your home.
8. **Advertisements promising "No Credit? No Problem!"** These are often warning signs of scams. Consumers responding to such ads are guided through a phony application process and may even receive fake loan approval documents. To receive the approved loan, they are told to pay money up-front for fees or services—and instead end up losing their money.
9. **Promises to refinance the loan to a better rate in the future.** No one can make you that promise. Instead, ask what you can do now to get a better rate. If you're working with a local bank, for example, there may be a rate discount for making automatic monthly payments from your checking account.

# Managing your credit (continued)

### Be careful when selecting a lender (continued)

- Don't take the first loan you are offered; shop and compare.
- Don't give in to sales pressure. Don't be rushed. Remember, you can always say you have to check with someone else before you can make a decision.
- Don't sign a blank document or anything the lender promises to "fill in later."
- Don't sign anything you don't like or understand, even if they cancel the loan offer.
- Ask a lot of questions.
- Always check the numbers!
- Remember, a low monthly payment isn't always a good deal. Look at the total cost of the loan.

### If the bank says no to your loan

It often takes a few days for a decision to be made about your loan application. However, a bank legally has up to 30 days to respond. If a lender turns you down, do not take it personally; lenders cannot grant or deny credit based on personality.

Here are few possible reasons a loan may not be granted:

- Irregular employment.
- Not enough income to repay the loan.
- Poor credit history (slow repayment of other loans).
- Lack of credit history.
- Too short a time at residence.
- Insufficient down payment.

Here are steps you can take to have the bank reconsider your loan request:

- Find out if all sources of income were considered in evaluating your application.
- Pay off some of your existing debt.
- Find a reliable co-signer who is acceptable to the bank.
- Offer to make a larger down payment if possible.
- Establish credit by applying for a credit card with a low credit limit.
- If you have no credit history, find out if alternative payment history could be considered, for example, rent, or utility bills.
- Contact the credit bureau used by the bank to find out if there are any errors in the information they provided the bank.

# Managing your credit (continued)

### How to repair your credit history

1. Order a copy of your credit report. To obtain a free credit report you can order online www.annual-creditreport.com. When you receive your report review it and make sure it is accurate.
2. Challenge incorrect or outdated information on your credit report. Ask the credit bureau (Equifax, Experian or TransUnion) in writing to remove the incorrect information. The bureau must then contact the creditor that reported the incorrect information. If the creditor does not verify the negative item within 30 days, the bureau must remove the item and send you a corrected report. If the creditor states that the information is correct, you have the legal right to insert a 100-word statement in your credit report explaining why you dispute this information.
3. Pay your current loans on time and as agreed.
4. Contact your creditors and ask if they're willing to arrange a new payment schedule. Stress your desire to make full payment over time.
5. If you have had past credit problems, share this information with the bank when you apply. Have a letter prepared that you can include with your application explaining any extraordinary circumstances or reasons for past credit problems.
6. Contact a credit counseling service in your area. (Check the White Pages in your phone book.) They can often help you work out a repayment plan with your creditors.

For more information on Credit Card Regulations, please visit www.federalreserve.gov/consumerinfo/consumercredit.htm

We invite you to contact Wells Fargo for further information and assistance. Visit our Web site at **wellsfargo.com** or any Wells Fargo store.

# Debt Warning Signs & Tips

## Twenty warning signs of financial trouble

1. You're always late in paying your bills.
2. Your checking account is frequently overdrawn.
3. You race to deposit your paycheck because you've already written checks that require the money in your paycheck.
4. A small reduction in your income or an unusual expense would make you unable to pay all of your monthly bills.
5. Your credit accounts are usually at their maximum limits.
6. You apply for more credit cards because you have reached the limit on the ones you have.
7. You are spending more than 20% of your take-home pay on credit payments (not counting your rent or mortgage).
8. Your loan or credit card balances stay the same or go up each month.
9. You can make only minimum payments on your revolving charge accounts.
10. It takes you 60 or even 90 days to cover bills you once could pay monthly.
11. You don't have a savings account, or have stopped making deposits to it.
12. You are always worried about your debts.
13. You argue with your spouse or partner over bills.
14. You're still paying off purchases you made a year ago.
15. You use savings or credit cards to cover everyday living expenses, such as groceries.
16. You sometimes wonder why you made certain purchases.
17. You juggle payments to keep creditors satisfied.
18. You ignore the mail or telephone to avoid dealing with creditors.
19. You put off medical and dental visits because you cannot pay the bill.
20. You feel free to spend more after clearing up a debt.

# Debt warning signs & tips (continued)

### Reducing your debt

If the amount you owe others is at an uncomfortable level, you're not alone. Millions of Americans have spent too much on credit and then learned—the hard way—how difficult it can be to pay it off. If you find you're having difficulty making payments, here are some tips for lowering your debt and getting your finances under control:

- **Contact your creditors.** Contact your creditors and discuss payment schedules that you can afford. Try to get your rate lowered or a different payment plan worked out. Creditors will want to work with you to find a payment solution. Follow-through on your commitment by making your payments on time, as agreed.
- **Don't take on any new debt.** Stop using your credit cards. Say no to offers for credit cards, debt consolidation, and second mortgages.
- **Make a written plan.** Make a list of all your bills and their amounts. Review your budget and determine the total amount you can afford to repay each month. Set a date when each bill can be paid. Remember, even though it pays to get out debt quickly, keep sufficient savings to cover several months of living expenses in case of an emergency.
- **Pay off your highest interest rate debts first.** To get out of debt more rapidly, first pay down the balances of loans or credit cards that charge the highest interest, while paying at least the minimum due on your other debts. Once the highest interest debt is paid off, start on the next highest, and so on.
- **Make more than the minimum monthly payment on credit cards.** You will save lots of money on interest and reduce or eliminate your debt much sooner.
- **Be aware of credit card rates and fees.** Educate yourself about the annual fees, current interest rates, finance charges, cash-advance fees, late fees, penalty pricing and any other fees tied to your card. This knowledge can help you make better decisions about which card to use and how to manage your card.
- **Cash advances can be trouble!** Only get a cash advance when it is absolutely necessary. Higher interest rates (than you're paying for card purchases) are usually charged, and the rates are put into effect immediately, without a 30-day grace period. Most banks also charge a service fee based on how much cash you're withdrawing. The same applies to personalized "checks" some credit card companies may send you.
- **Transfer balances to cards with lower interest rates.** Find credit cards that offer a low introductory rate (usually for six months), and transfer the balance from your previous credit card to that credit card. Before you take this step, however, make sure that, after the introductory rate has expired, the new card offers the same (or lower) interest rate as your current card.
- **Ask for help.** Many nonprofit debt counseling centers across the country will advise you for a low fee or at no charge. Contact the Consumer Credit Counseling Service in your area. (Check the White Pages in your phone book.) They can often help you work out a repayment plan with your creditors.
- **Don't give up.** Reducing your debt is challenging, but don't stop trying. It's one of the most important things you can do for a better financial future.

# Debt warning signs and tips (continued)

### How different debt-reduction strategies compare

Where will you find the money to pay down your debts, especially high interest credit cards? There are advantages and disadvantages to tapping different sources of funds. Here's a comparison of four possible strategies:

**Stop spending**

*Advantages:* This is the surest strategy for climbing out of debt as quickly as possible. You'll have more money available for paying off your debts and learn to live within your means.

*Disadvantages:* Making debt repayment your priority will probably mean postponing or doing without some other purchases.

**Home equity loans**

*Advantages:* The interest rate is usually lower than credits cards and the interest is tax-deductible. Monthly payments are much lower because the term of the loan is spread out over a long term.

*Disadvantages:* Remember, home equity loans are secured by your home. If you fail to make your payments, you could lose your home! Additionally, home equity loan balances reduce the amount of money you'll receive when you sell your home. Because payments are spread out over a long term, you'll be in debt for a long time, too.

**Debt consolidation loans**

*Advantages:* Debts from several credit cards are consolidated into a single payment, often at a lower interest rate. This can make it easier to keep track of monthly bills.

*Disadvantages:* Watch out for predatory lenders who may try to take advantage of you. Some companies that promise to negotiate with credit card companies on your behalf charge enormous fees and can't get a better interest rate than you could by simply calling the company yourself!

**Transfer balance to another card**

*Advantages:* Many credit card companies will let you transfer balances and charge no interest for six months or even a year, allowing you to save on interest charges.

*Disadvantages:* Before you transfer a balance, be sure to read the fine print in the disclosure statements: there could be hidden finance charges. Remember that the introductory rate your being offered is only temporary: if you can't pay off the balance before the permanent interest rate kicks in, you may end up with higher payments than you had before. Also, be sure to close your old credit card account. Otherwise, the balance transfer may tempt you to pile on even more debt in the old account.

We invite you to contact Wells Fargo for further information and assistance. Visit our Web site at **wellsfargo.com** or any Wells Fargo store.

## Topic 6 — School & $

# Topic Overview

The School & $ topic teaches participants how continuing their education after high school can reward them in several ways. Participants will learn how education affects earning power and receive specific information about financial aid for college, management money while in school and how to repay student loans.

This topic includes five lessons:

1. Investing in yourself
2. Education & earning power
3. The money you'll need & where to find it
4. Making it happen: your action plan
5. Managing $ in school & after

These lessons include a number of hands-on participant activities. Use these activities to help simulate real-world scenarios and activities with your participants.

This instructor guide is based on and follows the structure of the online *Hands on Banking*® program. We invite you to use and experience the online program as it is an excellent resource that will support your instructional efforts and enhance your participants' experience. It includes a variety of interactive lessons and many helpful resource library articles to augment this guide. Visit **www.handsonbanking.org** to access the program. Should you require a CD ROM to access the program you may request a free copy at **HOBCD@wellsfargo.com**.

## Topic 6 — School & $

# Instructor's Guide — Young Adults
# Table of Contents

# Glossary

***Instructor note:***
*The Glossary contains definitions and descriptions of valuable terms and phrases related to this topic. Encourage your participants to use the Glossary during and after the class to become more familiar and comfortable with the terminology.*

*Photocopy the glossary on the next page and hand it out to your participants.*

# Glossary

| | |
|---|---|
| **529 Plan** | A program set up to allow an adult to either prepay, or contribute to an account established for paying a student's qualified education expenses at an eligible educational institution. |
| **Alternative student loan, private loan** | A student loan from a bank or private lender for students enrolled less than half-time or not completing the FAFSA form. See FAFSA. |
| **Cost of Attendance (COA)** | The total amount it will cost to go to school, usually expressed as a yearly figure. For full-time and half-time students, it includes the average cost of instruction, known as tuition; registration fees, books, and supplies; and housing and meals, also called room and board. |
| **Default** | Failure to repay a credit agreement according to its terms. |
| **Deferment** | A limited period of time during which you may postpone your federally guaranteed loan. The interest on unsubsidized loans continues to accrue during deferment and is capitalized (added to the principal balance) when the deferment ends. |
| **Earning power** | The amount of money a person is able to make from his or her work. |
| **Education Savings Account** | An investment account designed to assist with paying for education-related expenses. Contributions grow tax-deferred and distributions are not taxed if used for qualified expenses. Withdrawals for non-qualified educational expenses are subject to income tax and a 10% IRS penalty. Distributions may be taxable. |
| **Federal work-study program** | A U.S. government program that provides funding for jobs for undergraduate and graduate students with financial need. |
| **Financial aid package** | The total amount of financial aid (federal and nonfederal) a student receives, as determined by the student's educational institution. |
| **Forbearance** | A period of time at the lender's discretion when you're allowed to postpone or temporarily reduce the amount of your student loan payment due to temporary financial hardship. Interest continues to accrue on the loan during the forbearance period and is capitalized (added to the principal balance) when the forbearance ends. |
| **Free Application for Federal Student Aid (FAFSA)** | The FAFSA is the form you must fill out to determine which federal loans and other federal financial aid you are eligible for. The application takes about two hours to complete and asks for detailed personal and financial information about the student and the parents of dependent students. Find out more and complete it online at **www.fafsa.ed.gov**. |
| **Garnishment** | A court order requiring a portion of the debtor's wages to be paid to the lender. |
| **Gross income** | For an individual, the full amount of money earned during a specific time period. For a business, the pre-tax net sales minus the cost of goods sold. |
| **Institutional Student Information Record (ISIR)** | A document that the Department of Education, after they have reviewed a student's Free Application for Federal Student Aid (FAFSA), sends to educational institutions for evaluation by financial aid officers. |

## Glossary

| | |
|---|---|
| **Net income** | For a business, the amount of money earned after all expenses and taxes. For an individual, total take-home pay after all deductions (taxes, social security, etc.). Also called after tax income or net salary. |
| **Principal Expected Family Contribution (EFC)** | The amount hat your family can afford to pay for your education determined by the Department of Education by using your FAFSA application. |
| **Promissory note** | A general term for any kind of paper or document signed by a borrower that is an acknowledgement of the debt, and is, by inference, a promise to pay. |
| **Student Aid Report (SAR)** | A document that the Department of Education sends to a student's family after they have evaluated the student's Free Application for Federal Student Aid (FAFSA). |

## Topic 6 — School & $

# Lesson 1: Investing in Yourself

This lesson shows participants how continuing their education after high school can reward them in many ways.

### Learning Objectives

After completing this lesson, participants will be able to:

- Explain why education beyond high school is a great investment in themselves.

### Start the Discussion

To start a discussion with your participants, ask some open-ended questions about small businesses. Here are some examples you could use:

- If you are thinking of attending college, why do you think it's a good fit for you?
- What other options are available to you other than college?
- Have you discussed attending college with your family? How did that affect your perspective?

### The Basics

- Education beyond high school can give you skills that you'll use for the rest of your life, no matter where you live or what job you do.
- More education may also help you earn a lot more money.
- Think of education beyond high school as an investment in you.
- A college education can broaden your understanding of the world around you, but a four-year college degree may not be right for everyone.
- A community or junior college, trade school, or technical training are other valuable options to consider.
- If you're serious about getting more education, discuss it with your family. Their support, financial and otherwise, can be a major help to reaching your goal.

## Reaching Higher (Instructor Copy)

### *Instructor note:*

*Please note: the introductory quiz for this lesson from the online Hands on Banking® program is not included in this Instructor Guide.*

*Lead a discussion with your participants about education beyond high school and its benefits. Begin a discussion by asking questions such as:*

- *Are you planning on going to college, trade school, community college?*
- *What benefits do you think these places may offer you?*
- *How do you think getting this additional education will affect you in 10 years? In 20 years?*
- *What kind of financial support do you think is available for pursuing your career, advanced education, etc?*

*Then mention these key points.*

### Key Points:

- Education beyond high school can give you skills that you'll use for the rest of your life, no matter where you live or what job you do.
- More education may also help you earn a lot more money.
- Think of education beyond high school as an investment in you.
- A college education can broaden your understanding of the world around you, but a four-year college degree may not be right for everyone.
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- If you're serious about getting more education, discuss it with your family. Their support, financial and otherwise, can be a major help to reaching your goal.

## Topic 6 — School & $

# Lesson Summary

***Instructor note:***
*Summarize this lesson by reviewing these key points with your participants.*

### Key Points from the Are You Ready? lesson:

- Education beyond high school can give you skills that you'll use for the rest of your life, no matter where you live or what job you do.
- More education may also help you earn a lot more money.
- Think of education beyond high school as an investment in you.
- A college education can broaden your understanding of the world around you, but a four-year college degree may not be right for everyone.
- A community or junior college, trade school, or technical training are other options to consider.
- If you're serious about getting more education, discuss it with your family. Their support, financial and otherwise, can be a major help to reaching your goal.

### Additional Activities

These activities are designed to extend the new concepts presented in the Investing in Yourself Lesson. Use these or similar activities to give participants an opportunity to apply what they have just learned to real-life scenarios.

- Interview or talk to friends or family who attend college or trade school. Ask them the top three benefits of this.

**For high school students:**

- Set-up a meeting with your school counselor to begin a discussion and to develop a plan for your next steps after high school (depending on your career or education path)
- Go online and research options for financial aid.

**For college students:**

- Make an appointment with a financial aid officer on your campus (or the campus that you hope to attend). Discuss your career goals and what it will cost, in terms of education.

## Topic 6 — School & $

# Lesson 2: Education and Earning Power

In this lesson, participants learn how more education can increase their job options and earning power.

### Learning Objectives

After completing this lesson, participants will be able to:

- Explain why more education may provide more choices of jobs and careers
- Describe how the level of education they achieve can make a huge difference in how much money they can earn

### Start the Discussion

To start a discussion with your participants, ask some open-ended questions about small businesses. Here are some examples you could use:

- Why might a four year college not be right for everyone?
- What kind of careers interest you and how do you think those salaries match up with your financial goals?
- What do you see as an advantage of additional training or education beyond high school?

### The Basics

- For some jobs, you don't need specialized education or training beyond what you learned in high school. But lots of jobs do require it. And there are lots of options for getting it: trade school, technical school, or college.
- Education beyond high school can give you the kind of knowledge and skills that lead to more options of jobs and careers.
- After you've identified some careers that interest you, see what kind of education and training is required and how the salaries in those jobs match up with your financial goals.
- The level of education you achieve can make a significant difference in how much money you're able to earn.
- Everyone's situation and goals in life are a little different. A four-year college degree may not be right for everyone.

## Scenario Activity: Antonio at a Turning Point (Instructor Copy)

### *Instructor note:*

*Photocopy the activity handout on the following page. Instruct your participants to read Antonio's story and choose the best option for his next step and write a few sentences about why they selected their answer. Then, ask particpants to share their answers and opinions and lead a discussion using the key points below.*

### Instructions:

Have your participants read Antonio's story, choose the best option for his next step, and write a few sentences explaining why they selected their answer.

### Antonio's story:

Antonio is about to graduate from high school. His friends want him to join them at college; his goals are to be an electrician and to borrow as little as possible.

What's his next best step?

A. I'm going to move to the town where my friends are at state college, pick up a job, and try to save enough to join them in school.

B. I'm going to stay at home with my family and work at the local auto parts shop. It's steady work and I can keep my expenses low.

C. I'm going to work part-time as an electrician's assistant and go to trade school to get licensed as an electrical contractor. That's my dream.

### Key Points:

- Given his interests and personal and financial goals, Antonio's best next step is to go to trade school and work part-time to earn money.
- Trade school will help Antonio reach his goal. And if he ever decides to go to college later on, he'll be in a better position to afford it.

**Tip!**

If one school costs more than another, it doesn't guarantee that the quality of education will be better. Consider other factors, such as the school's academic strength in your areas of interest.

## Scenario Activity: Antonio at a Turning Point (Instructor Copy)

### Instructions:
Read Antonio's story. Then, choose the best option for his next step, and write a few sentences explaining why you selected that answer.

### Antonio's story:
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Tip!

> If one school costs more than another, it doesn't guarantee that the quality of education will be better. Consider other factors, such as the school's academic strength in your areas of interest.

## Topic 6 — School & $

### More Education = More Job Options and More Earning Power (Instructor Copy)

***Instructor note:***

*This discussion will combine two topics of the online program—More Education = More Job Options and More Education = More earning Power.*

*Begin a discussion with your participants by asking questions such as:*

- *What type of work are you good at? What do you enjoy doing?*
- *Look five years ahead—what skills do you think a person will need in the workforce?*
- *How can college trade school or technical school prepare you for this?*
- *Why do you think that higher education influences how much you're able to earn?*

*Then focus on these key points:*

### Key Points:

More education = more job options

- For some jobs, you don't need specialized education or training beyond what you learned in high school. But lots of jobs do require it. And there are lots of options for getting it: trade school, technical school, or college.
- Many subjects offered at college aren't geared to specific jobs or careers. But college can give you skills that will help you in almost any area: how to research, solve problems, and express yourself. And some classes could help you get ready for jobs in healthcare, high tech, or the business world.
- Education beyond high school can give you the kind of knowledge and skills that lead to more options of jobs and careers.
- Think about the kinds of work that you think are worthwhile. What interests you? What are you naturally good at? And what's your idea of an amazing challenge?
- After you've identified some careers that interest you, see what kind of education and training is required and how the salaries in those jobs match up with your financial goals.

More education = more earning power

- The level of education you achieve can make a huge difference in how much money you're able to earn.
- Everyone's situation and goals in life are a little different. A four-year college degree may not be right for everyone.
- You may be interested in community college, junior college, trade school, or technical training instead.
- On average, a college graduate earns $1.2 million more in their lifetime than a high school graduate. [Source: National Association of Student Financial Aid Administrators Journal of Student Financial Aid, 2007]

Tip!

| |
|---|
| Free information about jobs and careers is available at the public library and on the Web: what the job involves, the training and education you'll need, typical pay, and current employment outlook. |

Show participants the difference that educational degrees can make to their annual earnings.

## How Much More Does Education Pay? (Instructor Copy)

### *Instructor note:*

*Photocopy the activity handout on the following page. Ask your participants to try and guess the median, pretax annual earnings of full time workers who are 25 years and older who have these different levels of education. After they complete the activity handout, reveal the earnings and lead a discussion by asking questions, such as:*

- *Which of the earnings was the most surprising to you and why?*
- *Why do you think a person with an Associate's degree might make more than someone who has attended college but never graduated?*

*Then, focus on the key points below.*

### Instructions:

Have your participants fill in the pretax yearly earnings of full-time workers ages 25 and older who have these different levels of education.

| Amount of Education | Pretax Earnings |
|---|---|
| Professional degree | $100,000 |
| Doctoral degree | $79,400 |
| Master's degree | $61,300 |
| Bachelor's degree | $50,900 |
| Associate degree | $40,600 |
| Some college, no degree | $37,100 |
| High school graduate | $31,500 |
| Not a high school graduate | $23,400 |

### Key Points:

- Someone with a high school diploma earns almost 35% more money than a person without one.
- Someone with an associate degree earns almost 30% more money than a high school graduate.
- Someone with a master's degree earns almost double the money of a high school graduate.
- Someone with a professional degree earns almost double the money of someone with a bachelor's degree.

*Source: The College Board, "Education Pays," 2007.*

Tip!

For tips on choosing a career and getting hired, see the topic Earning $.

## How Much More Does Education Pay?

### Instructions:

Fill in the pretax yearly earnings of full-time workers ages 25 and older who have these different levels of education.

| Amount of Education | Pretax Earnings |
|---|---|
| Professional degree | |
| Doctoral degree | |
| Master's degree | |
| Bachelor's degree | |
| Associate degree | |
| Some college, no degree | |
| High school graduate | |
| Not a high school graduate | |

Questions/notes:

Tip!

For tips on choosing a career and getting hired, see the topic Earning $.

## Topic 6 — School & $

# Lesson Summary

***Instructor note:***
*Summarize this lesson by reviewing these key points with your participants.*

Key points from the Education & Earning Power lesson:

- For some jobs, you don't need specialized education or training beyond what you learned in high school. But lots of jobs do require it. And there are lots of options for getting it: trade school, technical school, or college.
- Education beyond high school can give you the kind of knowledge and skills that lead to more options of jobs and careers.
- After you've identified some careers that interest you, see what kind of education and training is required and how the salaries in those jobs match up with your financial goals.
- The level of education you achieve can make a significant difference in how much money you're able to earn.
- Everyone's situation and goals in life are a little different. A four-year college degree may not be right for everyone.

## Additional Activities

These activities are designed to extend the new concepts presented in the Education and Earning Power lesson. Use these or similar activities to give participants an opportunity to apply what they have just learned to real-life scenarios.

- For high school students or recent high school graduates—if trade school interests you, go online and research trade schools in your area to see what they offer and their costs.
- Go online or to the local library and research the estimated starting salary for your proposed careers. See if there is a difference based upon education level.

## Topic 6 — School & $

***Instructor note:***
*At this point in the class, consider using this recommended library article listed below as a discussion resource or a takeaway for your participants. You can find this and other library articles at the end of this topic.*

### Recommended Article: Getting Your Job Start

Remember, the online *Hands on Banking*® program has dozens of additional library articles that you can use and distribute for this and other topics. Visit **www.handsonbanking.org** to browse all the available articles.

## Topic 6 — School & $

# Lesson 3: The Money You'll Need & Where to Find It

This lesson introduces participants to the sources of money they can use to help pay for their education—savings, grants, scholarships, the Federal Work-Study Program and student loans. Participants will also learn how to consider how much debt they'll be able to repay.

### Learning Objectives

After completing this lesson, participants will be able to:

- List and explain the sources of money they can use to pay for education
- Explain how to determine how much debt they'll be able to take on

### Start the Discussion

To start a discussion with your participants, ask some open-ended questions about small businesses. Here are some examples you could use:

- What financial sources do you think you'll use to help pay for the cost of education?
- What is the difference between grants, scholarships and loans?
- Why will different schools offer you different financial aid packages?

### The Basics

- Education beyond high school has a price tag, and the cost can be high.
- There are four common sources to help you pay for your education. The first one is savings. The other three are a combination called financial aid.
- Financial aid includes money you're given, money you earn, and money you borrow. For some of this money, you need to apply to the U.S. Department of Education in order to qualify.
- If you apply for financial aid, each school that accepts you for admission will send you a letter that lists how much of each type of financial aid you're eligible to receive.
- The list may include grants, scholarships, a work-study program, and loans.

| Sources of funds | Examples |
|---|---|
| $ you SAVE | Savings account |
| $ you RECEIVE | Grants & scholarships* |
| $ you EARN | Federal Work-Study Program* |
| $ you BORROW | Student loans* |

** Financial aid = the combination of a student's grants, scholarships, work-study, and student loans*

## How Much You'll Need Activity (Instructor Copy)

### *Instructor note:*

*Photocopy the activity handout on the following page. Divide the class into small groups. Instruct them to list examples for each question in the chart. Please define Cost of Attendance (COA) for your participants before you begin the activity (COA is the total cost of full time education for one year and it includes many variables, such as tuition) When they are finished, lead the discussion using the key points below and with questions such as:*

- *Was your guess for the average yearly cost of a 4-year college higher or lower than the actual average cost?*
- *What is the difference between public and private colleges?*
- *What factors included in COA surprised you and why?*
- *Which factor is most important to you when considering different schools?*

### Instructions:

For each question in the chart, try to list several answers or examples.

| | |
|---|---|
| **What is the average yearly cost at a 4-year college?** | • A 2007 College Board study showed that the average yearly cost (tuition, room/board, fees) of a year at a private college/ or university is over $32,000.<br>• At public universities, the average costs are nearly $14,000/year for in-state and $24,000/year for out-of-state students. Start saving as much as you can as soon as you can. |
| **Why do costs for school vary?** | The amount of $ you'll need for school depends on many factors:<br>• The school you choose.<br>• Whether it's public or private.<br>• Whether you'll be completing a 2-year or 4-year program.<br>• Whether you're going to be living at home or at school. The total price tag can vary significantly. |
| **What factors go into determining the Cost of Attendance (COA) figure?**<br>*(COA is the total cost of full time education for one year and it includes many variables.)* | • Each year, all schools above the high school level (postsecondary educational institutions) develop a Cost of Attendance figure, or COA.<br>• The COA is the total cost of full time education for one year.<br>• It includes the average cost of instruction, known as tuition; fees, books, and supplies; and housing and meals, also called room and board. Contact any school that interests you and ask about their COA. |
| **What are other factors, besides money, that you should consider when looking at schools?** | • When comparing schools consider more than money.<br>• If one school costs more than another it doesn't guarantee the quality of education will be better.<br>• Consider other factors, such as which school has the stronger program in your favorite subjects, which one has a better reputation, and which has the kind of environment you think you'd enjoy. |

Tip!

If you're lucky, your family may be able to help you pay for school. But whatever your situation, open communication can help.

Next, your participants will learn about ways families can set aside money to pay for education.

## Topic 6 — School & $

### How Much You'll Need Activity

**Instructions:**

For each question in the chart, try to list several answers or examples.

| | |
|---|---|
| **What is the average yearly cost at a 4-year college?** | *Cost of a 4-year private college/university:*<br><br>*Cost of a 4-year public university (try to list in-state and out-of-state costs):* |
| **Why do costs for school vary?** | *Example: Whether you'll live at home or at school (room and board costs) .* |
| **What factors go into determining the Cost of Attendance (COA) figure?**<br>*(COA is the total cost of full time education for one year and it includes many variables.)* | *Example: Tuition.* |
| **What are other factors, besides money, that you should consider when looking at schools?** | *Example: The school's reputation.* |

**Tip!**

If you're lucky, your family may be able to help you pay for school. But whatever your situation, open communication can help.

## Savings Plans Activity (Instructor Copy)

### *Instructor note:*

*Consider inviting a banker or financial professional to talk to your class about these different education savings plans.*

*Photocopy the activity handout on the following page. Begin a discussion with your participants by asking questions such as:*

- *Have you or anyone in your family set up a saving plan for your education? If so, do you contribute to it?*
- *What different types of education savings plans do you know about?*

*Then, distribute the activity handout and walk through each savings plan and the key points below.*

### Key points:

- There are three ways families can set aside savings for education.
- Most financial institutions across the country offer two U.S. government programs that allow adults to set aside savings for their children or grandchildren's education. The first is an Education Savings Account and the other is a 529 Plan, and there are two basic types.

| Education Savings Account | 529 Plans | |
|---|---|---|
| | **State-sponsored college savings plan** | **Pre-paid tuition plan** |
| • Save $2,000 per year until age 18<br>• Savings are placed in investments such as stocks and bonds<br>• Account holder generally does not pay income tax on money they earn | • Can contribute large dollar amounts<br>• Savings placed in investments selected by the state<br>• Offers tax advantages<br>• May involve fees and risk | • Pay tomorrow's tuition at today's rates<br>• May be offered by states or private colleges and universities |

- Both Education Savings Accounts and State-Sponsored College Savings Plans are different than regular savings accounts.
- The account holder is actually placing money into investments. Instead of earning interest on their deposits, they make a profit if their investments go up in value.

Tip!

A pre-paid tuition plan allows a person to pay for tuition in advance at today's rates. That can save money since the cost of tuition can frequently go up.

Next, you'll explore another source of education money: grants and scholarships.

## Savings Plans Activity

### Key points:

- There are three ways families can set aside savings for education.
- Most financial institutions across the country offer two U.S. government programs that allow adults to set aside savings for their children or grandchildren's education. The first is an Education Savings Account and the other is a 529 Plan, and there are two basic types.

| Education Savings Account | 529 Plans | |
|---|---|---|
| | State-sponsored college savings plan | Pre-paid tuition plan |
| • Save $2,000 per year until age 18<br>• Savings are placed in investments such as stocks and bonds<br>• Account holder generally does not pay income tax on money they earn | • Can contribute large dollar amounts<br>• Savings placed in investments selected by the state<br>• Offers tax advantages<br>• May involve fees and risk | • Pay tomorrow's tuition at today's rates<br>• May be offered by states or private colleges and universities |

- Both Education Savings Accounts and State-Sponsored College Savings Plans are different than regular savings accounts.
- The account holder is actually placing money into investments. Instead of earning interest on their deposits, they make a profit if their investments go up in value.

Tip!

A pre-paid tuition plan allows a person to pay for tuition in advance at today's rates. That can save money since the cost of tuition can frequently go up.

## Grants & Scholarships (Instructor Copy)

### *Instructor note:*

*Photocopy the activity handout on the following page. Instruct participants to read each characteristic and decide whether it describes a grant, a scholarship or both. When they're finished, mention the key points below and share how they can learn more about grants and scholarships.*

### Instructions:

Have your participants read each description and decide if it describes a grant, a scholarship or both.

| Description | Scholarship or Grant? |
|---|---|
| Federal or state government money awarded to a student based on financial need or academic achievement. | **Grant** |
| Money awarded to a student from sources such as universities, non-profit organizations, corporations, and private individuals. | **Scholarship** |
| Categorized into local, national and school. | **Scholarship** |
| States usually give these to students with financial need and a strong grade point average. | **Grant** |
| Vary in application process, how much money they're worth and who they're awarded to. | **Scholarship** |
| Generally, to qualify for these, you may have to be both a long-time resident and attend college in the state. | **Grant** |
| Does not have to be repaid. | **Both** |
| The Pell and Supplemental Education Opportunity are examples. | **Grant** |

### Key points:

- The more money you can get in grants and scholarships, the less you'll need to borrow. And it's money that you don't have to repay.
- For information about federal grants, visit the Web site **www.ed.gov/programs**. State programs can vary from state to state. To see what's offered in a particular state, visit the Web site for the State Department of Education.
- For local scholarships, ask your high school guidance office; check with your local newspaper, community organizations, and your parents'/guardians' employer.
- For school scholarships, ask your college admissions counselor.
- For national scholarships, do Web research.

**Tip!**

You can apply for some school scholarships as an incoming student. These scholarships are often renewed each year you attend the school. Ask your college admissions counselor.

Next up? The Federal Work-Study program.

# Topic 6 — School & $

## Grants & Scholarships

### Instructions:

Read each description and decide if it describes a grant, a scholarship or both.

| Description | Scholarship or Grant? |
|---|---|
| Federal or state government money awarded to a student based on financial need or academic achievement. | |
| Money awarded to a student from sources such as universities, non-profit organizations, corporations, and private individuals. | |
| Categorized into local, national and school. | |
| States usually give these to students with financial need and a strong grade point average. | |
| Vary in application process, how much money they're worth and who they're awarded to. | |
| Generally, to qualify for these, you may have to be both a long-time resident and attend college in the state. | |
| Does not have to be repaid. | |
| The Pell and Supplemental Education Opportunity are examples. | |

Tip!

You can apply for some school scholarships as an incoming student. These scholarships are often renewed each year you attend the school. Ask your college admissions counselor.

## Work-study (Instructor Copy)

### *Instructor note:*

*Divide the class into two groups. Explain that you will be conducting a Quiz Show. Each group will be asked one question at a time with three possible answers. The group spokesperson must answer the question within 10 seconds. If they don't the other team has the opportunity to answer. Remember to mention the key points listed below some answers. Each correct answer is worth one point. The team with the most points at the end of the game wins!*

1. Which of the following provides jobs for undergraduate and graduate students with financial need?
   a. Pell Grant
   b. Stafford Loan
   **c. The Federal Work-Study Program**
   *Key point: All the remaining questions are about the Federal Work Study program.*

2. The amount of money you can earn in the Federal Work Study program depends on:
   **a. Your level of need.**
   b. The state you live in.
   c. Where you apply
   *Key point: The school's funding level and when you apply also impact what you can earn.*

3. The jobs offered encourage:
   a. Time to study while working
   **b. Community service**
   c. Relationship building with fellow students
   *Key point: The jobs offered also encourage work related to your course of study.*

4. If you work off campus, your employer will typically be a:
   **a. Private non-profit or public agency**
   b. Large employer in the region
   c. Company associated with the school in some way
   *Key point: If you work off campus, your employer will typically be a private nonprofit organization or public agency.*

5. When assigning work hours, your employer or financial aid administrator will consider:
   a. When and how much you want to work.
   b. How much you're paid.
   **c. Your class schedule and academic progress.**

6. Depending on the type of work you do and the skills required you'll earn at least:
   a. Ten dollars per hour.
   **b. The current federal minimum wage.**
   c. Enough to pay for your room and board.

Tip!

Work-study jobs usually pay by the hour. At least once a month, you'll get a paycheck from your school. The amount you earn cannot exceed your total federal work-study award.

## Do you Need to Borrow? Activity (Instructor Copy)

### *Instructor note:*

*Photocopy the activity handout on the following page. Then begin a discussion with your participants by asking questions such as:*

- *What are some of your current plans/or ideas to help finance your education?*
- *Have you estimated what it will cost you per year to attend school?*
- *Other than student loans, what other options should you consider?*

*Distribute the activity handout and instruct participants to take it with them and research a school of their choice and try to enter estimated data to see if they need to borrow or not. Then, focus on these key points:*

### Key points:

- If the combination of your savings, grants, scholarships, and work-study isn't enough to pay for school, you may need to borrow money, too.
- You'll have to repay your student loans, with interest. Explore all options and focus on getting grants and scholarships that don't have to be repaid.
- To keep your financial future healthy, borrow only the amount you'll need.
- A student loan is a long-term commitment. Before you accept a loan, research its rates and fees, the length of the repayment period, and your rights and responsibilities as a borrower.
- If your expenses exceed your income, you may need to borrow enough to cover the difference. But if the difference is a positive number or close to zero, you may not need to borrow at all.

| **Income** | |
|---|---|
| Job or work-study | |
| Financial help from relatives | |
| Scholarships | |
| Grants | |
| Loans | |
| Savings | |
| Other income | |
| **Total Monthly Income** | **$** |
| **Expenses** | |
| Tuition | |
| Room and board (if you live on campus) | |
| Rent and utilities (if you live off campus) | |
| Food and Snacks | |
| Books and supplies | |
| Transportation | |
| Medical/dental/vision insurance /expenses | |
| Phone/Internet | |
| Entertainment | |
| Personal (clothing, laundry, toiletries) | |
| Miscellaneous | |
| **Total Monthly Expenses** | **$** |
| **Income Less Expenses** | **$** |

**Tip!**

A student loan is a long-term commitment. Before you accept a loan, research its rates and fees, the length of the repayment period, and your rights and responsibilities as a borrower.

## Do you Need to Borrow? Activity

Use this worksheet to list your monthly income and expenses while attending post-secondary school. You may need to borrow less than you think!

| **Income** | |
|---|---|
| Job or work-study | |
| Financial help from relatives | |
| Scholarships | |
| Grants | |
| Loans | |
| Savings | |
| Other income | |
| **Total Monthly Income** | **$** |
| **Expenses** | |
| Tuition | |
| Room and board (if you live on campus) | |
| Rent and utilities (if you live off campus) | |
| Food and Snacks | |
| Books and supplies | |
| Transportation | |
| Medical/dental/vision insurance /expenses | |
| Phone/Internet | |
| Entertainment | |
| Personal (clothing, laundry, toiletries) | |
| Miscellaneous | |
| **Total Monthly Expenses** | **$** |
| **Income Less Expenses** | **$** |

**Tip!**

A student loan is a long-term commitment. Before you accept a loan, research its rates and fees, the length of the repayment period, and your rights and responsibilities as a borrower.

## How Much Debt Can You Repay? (Instructor Copy)

***Instructor note:***

*Write the formula below on a whiteboard/chalkboard or large piece of paper. Explain to your participants that this formula will show the maximum monthly loan amount they can comfortably handle based on a realistic salary they might have after graduation. Be sure to mention that the formula assumes their loan payment is 10% of their net income or take-home pay and that their net income is 20% less than their gross income (due to taxes, etc.).*

*Use different incomes, such as 35,000, 45,000 and 60,000 to see the difference. Then focus on the key points below.*

$$\left[\frac{\text{annual gross income} \times 80\%}{12}\right] \times 10\% = \begin{array}{c}\text{maximum affordable}\\ \text{monthly loan payment}\end{array}$$

| Answer for 35,000: | Answer for 45,000: | Answer for 60,000: |
|---|---|---|
| 35,000 x .8 = 28,000 | 45,000 x .8 = 36,000 | 60,000 x .8 = 48,000 |
| 28,000 / 12 = 2333.33 | 36,000 / 12 = 3000 | 48, 000 / 12 = 4000 |
| 233.33 x .1 = $233.33 | 3,000 x .1 = $300.00 | 4000 x .1 = $400.00 |

### Key points:

- To repay your student loans, try to keep your monthly student loan payment at 10% or less of the net monthly income you plan to earn after you finish school.
- Be realistic about what your salary will be after graduation.
- Before you borrow, estimate the amount of debt you'll be able to handle without a lot of financial stress.

Tip!

Your *net income*, or *take-home pay*, is the amount you earn after taxes, insurance or other costs have been subtracted from your *gross income*, the total amount you earn.

Next, explore the basics of student loans.

# Topic 6 — School & $

## Student loans (Instructor Copy)

### *Instructor note:*

*Consider inviting a high school counselor or financial aid officer to talk to the class.*

*Photocopy the activity handout on the following page. Begin a discussion with your participants by asking questions such as:*

- *Do you know any federal loans that are available?*
- *How do you apply for these?*
- *Do student loans have different interest rates than regular loans, like car loans or home loans?*
- *What happens if you graduate from college and can't repay your student loans right away?*

*Then, distribute the handout and focus on the key points below.*

Save this information about student loans to learn where to find them, how to apply, and how to repay.

| | |
|---|---|
| **U.S. government loans** | Federal Perkins Loans are low-interest loans offered through schools. Federal Stafford Loans are offered directly from the federal government through schools. Federal PLUS Loans for parents allow them to borrow up to the entire cost of their child's education, minus any other aid, directly from the federal government. |
| **The two types of Federal Stafford Loans** | Subsidized Stafford loans are awarded based on the student's financial need. A key benefit of a subsidized loan is that the government pays the interest as long as you're in school at least half-time. Unsubsidized Stafford loans are not awarded based on financial need. You are responsible for paying all of the loan interest. To reduce the long-term, overall cost of the loan, start paying this interest while you're still in school. |
| **What's the interest rate on federal loans?** | Interest rates for federal student loans are set by the U.S. government. To help make higher education possible for more people, the rates are "below-market,"—they're usually have lower rates than on non-federal loans. |
| **How do I apply for a federal loan?** | Visit the Web site **www.studentaid.ed.gov** for information on federal student aid and a link to the Free Application for Federal Student Aid (FAFSA). Complete your FAFSA online and electronically sign it. It is a quick, easy alternative to paper documents and you'll find out your eligibility for student aid faster. The federal government makes changes to its student loan programs sometimes, so check the Web site for the latest information. |
| **State loans and private loans** | Many state governments offer student loans. Check with your state to see what's offered. If you've already applied for federal and state student loans and need to borrow more, consider a private student loan, or an alternative student loan. These are made by financial institutions and are based on the applicants' credit. |
| **When do I need to repay?** | When you sign a loan agreement, or promissory note, you commit to repay the loan on a schedule. Some lenders offer more than one option for the repayment schedule or a grace period before the first payment is due. With a Federal Perkins Loan, you must begin repaying nine months after you graduate, leave school, or drop below half-time status. With Stafford loans, you must begin repaying six months after you graduate, leave school, or drop below half-time status. |
| **Can repayment be postponed?** | If you have a temporary financial hardship, some lenders may give you the option of postponing repayment of the loan for a period of time (known as a deferment) or temporarily reducing the amount of the student loan payment (known as a forbearance).Discuss these options with your lender. |

## Student loans

Save this information about student loans to learn where to find them, how to apply, and how to repay.

| | |
|---|---|
| **U.S. government loans** | Federal Perkins Loans are low-interest loans offered through schools. Federal Stafford Loans are offered directly from the federal government through schools. Federal PLUS Loans for parents allow them to borrow up to the entire cost of their child's education, minus any other aid, directly from the federal government. |
| **The two types of Federal Stafford Loans** | Subsidized Stafford loans are awarded based on the student's financial need. A key benefit of a subsidized loan is that the government pays the interest as long as you're in school at least half-time. Unsubsidized Stafford loans are not awarded based on financial need. You are responsible for paying all of the loan interest. To reduce the long-term, overall cost of the loan, start paying this interest while you're still in school. |
| **What's the interest rate on federal loans?** | Interest rates for federal student loans are set by the U.S. government. To help make higher education possible for more people, the rates are "below-market,"—they're usually have lower rates than on non-federal loans. |
| **How do I apply for a federal loan?** | Visit the Web site www.studentaid.ed.gov for information on federal student aid and a link to the Free Application for Federal Student Aid (FAFSA). Complete your FAFSA online and electronically sign it. It is a quick, easy alternative to paper documents and you'll find out your eligibility for student aid faster. The federal government makes changes to its student loan programs sometimes, so check the Web site for the latest information. |
| **State loans and private loans** | Many state governments offer student loans. Check with your state to see what's offered. If you've already applied for federal and state student loans and need to borrow more, consider a private student loan, or an alternative student loan. These are made by financial institutions and are based on the applicants' credit. |
| **When do I need to repay?** | When you sign a loan agreement, or promissory note, you commit to repay the loan on a schedule. Some lenders offer more than one option for the repayment schedule or a grace period before the first payment is due. With a Federal Perkins Loan, you must begin repaying nine months after you graduate, leave school, or drop below half-time status. With Stafford loans, you must begin repaying six months after you graduate, leave school, or drop below half-time status. |
| **Can repayment be postponed?** | If you have a temporary financial hardship, some lenders may give you the option of postponing repayment of the loan for a period of time (known as a deferment) or temporarily reducing the amount of the student loan payment (known as a forbearance).Discuss these options with your lender. |

## Topic 6 — School & $

### *Instructor note:*

*At this point in the class, consider using this recommended library article listed below as a discussion resource or a takeaway for your participants. You can find this and other library articles at the end of this topic.*

### Recommended Article: How Much Do I Need to Borrow?

Remember, the online *Hands on Banking*® program has dozens of additional library articles that you can use and distribute for this and other topics. Visit **www.handsonbanking.org** to browse all the available articles.

## Topic 6 — School & $

# Lesson Summary

***Instructor note:***
*Summarize this lesson by reviewing these key points with your participants.*

Key points from the Money You'll Need and Where to Find it lesson:

- Education beyond high school has a price tag, and the cost can be high.
- There are four common sources to help you pay for your education. The first one is savings. The other three are a combination called financial aid.
- Financial aid includes money you're given, money you earn, and money you borrow. For some of this money, you need to apply to the U.S. Department of Education in order to qualify.
- If you apply for financial aid, each school that accepts you for admission will send you a letter that lists how much of each type of financial aid you're eligible to receive.
- The list may include grants, scholarships, a work-study program, and loans.

## Additional Activities

These activities are designed to extend the new concepts presented in the Money You'll Need and Where to Find It lesson. Use these or similar activities to give participants an opportunity to apply what they have just learned to real-life scenarios.

- Make a list of your top three or four schools. Find the Cost of Attendance for each.
- Based on the Cost of Attendance numbers you have for your schools of choice, complete the worksheet (page 22) to determine if you will need to borrow money to attend school.
- Make a list of ALL the factors that are important to you when choosing a school.
- Research grants and scholarships. Make a list of at least 10 of the grants and scholarships that you can apply for.
- Figure out how much debt you can repay using the formula and a realistic salary for the field you're interested in.
- Visit the Web site **www.studentaid.ed.gov** for information on federal student aid and a link to the Free Application for Federal Student Aid (FAFSA). Look over the application and create a list of questions or issues that come up during your review.
- Find out what student loans your state offers.

# Lesson 4: Making It Happen—Your Action Plan

In this lesson, participants learn how to prepare for higher education with a month-by-month action plan. They also learn why financial aid requires a team effort, how to apply for financial aid and how to analyze the financial aid packages they're offered.

## Learning Objectives

After completing this lesson, participants will be able to:

- Create a month-by-month action plan in preparation for their higher education.
- Explain why financial aid requires a team effort.
- Explain how to apply for financial aid.
- Explain how to analyze financial aid packages.

## Start the Discussion

To start a discussion with your participants, ask some open-ended questions about small businesses. Here are some examples you could use:

- What are some action steps you are taking right now to help financially prepare for college, trade school, etc.?
- What are some resources you can use to help understand and apply for financial aid?

## The Basics

- If you're thinking about education beyond high school, there are things you can do to get ready.
- Education beyond high school can give you knowledge and skills that might make a huge difference in your job options and earning power.
- If you want to go after higher education/trade school, it's up to you to make a plan and follow through.

Before you introduce the action plan, use the following scenario to get participants thinking.

## Katie Needs the Cash Activity (Instructor Copy)

### *Instructor note:*

*Photocopy the activity handout on the following page. Instruct your participants to read Katie's story and choose the best sequence of steps for her and write a few sentences about why they selected an answer. Then, ask students to share their answers and opinions and lead a discussion using the key points below and by asking questions such as:*

- *Why should Katie apply as early possible for scholarships and federal grants?*
- *Do scholarships and grants need to be repaid?*
- *When can Katie first apply for federal student aid?*

### Instructions:

Have your participants read Katie's situation and then choose the best sequence of steps for her. Then, in the space provided, have them explain why they think this is the best choice.

Katie is in her junior year of high school. She wants to take the right steps, in the right order, to have enough money to go to college. Which of the following is this the best sequence of steps for Katie and why?

A. First I'll find out about bank loans. As soon as possible in my junior year I'll start applying for scholarships and grants.

B. I'll start looking for scholarships now; As soon as possible in my junior year my family will complete an application for federal student aid.

C. Junior year I'll calculate how much I can earn in college and after. As soon as possible in my junior year of high school I'll find out about getting a federal loan.

### Key points:

- Katie's best choice is to start looking for scholarships and apply for federal student aid as soon as possible in her junior year (the earliest she can apply)
- There is competition for both scholarships and federal grants. It helps to apply as early as possible for both.

**Tip!**

If one school costs more than another, it doesn't guarantee that the quality of education will be better. Consider other factors, such as the school's academic strength in your areas of interest.

## Katie Needs the Cash Activity

### Instructions:

Read Katie's situation and then choose the best sequence of steps for her. Then, in the space provided, explain why you think this is the best choice.

Katie is in her junior year of high school. She wants to take the right steps, in the right order, to have enough money to go to college. Which of the following is this the best sequence of steps for Katie and why?

A. First I'll find out about bank loans. As soon as possible in my junior year I'll start applying for scholarships and grants.
*Why?*

B. I'll start looking for scholarships now; As soon as possible in my junior year my family will complete an application for federal student aid.
*Why?*

C. Junior year I'll calculate how much I can earn in college and after. As soon as possible in my junior year of high school I'll find out about getting a federal loan.
*Why?*

Tip!

If one school costs more than another, it doesn't guarantee that the quality of education will be better. Consider other factors, such as the school's academic strength in your areas of interest.

## Prepare Yourself Discussion (Instructor Copy)

### *Instructor note:*

*Photocopy the activity handout on the following page. Introduce the activity by mentioning the key points below. Divide the class into small groups. Instruct the groups to create a list of five or six steps they must do to put a plan in place for education after high school. Ask each group to share their list. Then, distribute the activity handout. Instruct participants to add their own ideas as you cover the why's of these points.*

### Key points:

If you want a higher education, it's up to you to make a plan and follow through.

| | |
|---|---|
| **Challenge yourself in high school** | • Take challenging courses in high school. Work hard and get good grades.<br>• Begin thinking about future career possibilities.<br>• Participate in a variety of extracurricular and volunteer activities. In addition to benefiting you, your high school, and community, these can improve your chances of admittance to post-secondary schools and earning scholarships. |
| **Talk to your family** | • Your parents or guardians can help you by evaluating schools, studying for placement tests, and visiting schools with you. |
| **Meet with high school counselors** | • Your high school counselor can advise you about school admissions applications, give you details about registering for placement tests, write recommendations for you, and provide encouragement. |
| **Get ready for tests** | • Prepare for any required tests. Note the registration deadlines carefully.<br>• Generally, you should register at least six weeks ahead of the test so you have time to study and avoid late registration fees. |
| **Consider what you want** | • By your junior year, consider what you want in post-secondary school.<br>• Consider what schools are strong in the subjects, skills, extracurricular activities, and possible careers that interest you. Is it a trade or technical school, junior or community college, or university? Where do you want to live while going to school: at home or on campus? In a city or small town? What size school you want to attend in terms of class and campus size? |
| **Narrow your list** | • Review school Web sites and brochures that may have what you need.<br>• Narrow your list to three to six prospective schools. Visit these schools during the school year when classes are in session.<br>• Contact admissions counselors at the schools. Like high school counselors, they can provide you with information about admissions, scholarships, and school-specific details, such as the tests they require to apply. |
| **Keep track of your search** | • Stay organized in your school search process.<br>• Create a file folder of information on each prospective school and keep track of all important dates on a single calendar |

Tip!

**Remember:** Everyone's situation and goals in life are a little different. A four-year college degree may not be right for everyone. Consider all of your higher education options.

Next, introduce a suggested action plan and timeline

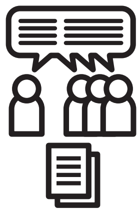
## Topic 6 — School & $

### Prepare Yourself Discussion

| | |
|---|---|
| **Challenge yourself in high school** | • Take challenging courses in high school. Work hard and get good grades.<br>• Begin thinking about future career possibilities.<br>• Participate in a variety of extracurricular and volunteer activities. In addition to benefiting you, your high school, and community, these can improve your chances of admittance to post-secondary schools and earning scholarships. |
| **Talk to your family** | • Your parents or guardians can help you by evaluating schools, studying for placement tests, and visiting schools with you. |
| **Meet with high school counselors** | • Your high school counselor can advise you about school admissions applications, give you details about registering for placement tests, write recommendations for you, and provide encouragement. |
| **Get ready for tests** | • Prepare for any required tests. Note the registration deadlines carefully.<br>• Generally, you should register at least six weeks ahead of the test so you have time to study and avoid late registration fees. |
| **Consider what you want** | • By your junior year, consider what you want in post-secondary school.<br>• Consider what schools are strong in the subjects, skills, extracurricular activities, and possible careers that interest you. Is it a trade or technical school, junior or community college, or university? Where do you want to live while going to school: at home or on campus? In a city or small town? What size school you want to attend in terms of class and campus size? |
| **Narrow your list** | • Review school Web sites and brochures that may have what you need.<br>• Narrow your list to three to six prospective schools. Visit these schools during the school year when classes are in session.<br>• Contact admissions counselors at the schools. Like high school counselors, they can provide you with information about admissions, scholarships, and school-specific details, such as the tests they require to apply. |
| **Keep track of your search** | • Stay organized in your school search process.<br>• Create a file folder of information on each prospective school and keep track of all important dates on a single calendar |

Tip!

**Remember:** Everyone's situation and goals in life are a little different. A four-year college degree may not be right for everyone. Consider all of your higher education options.



## Your Action Plan and Timeline (Instructor Copy)

***Instructor note:.***

*Consider inviting a high school counselor to come in and talk to your class.*

*Photocopy the activity handout on the following page. Walk through each month and mention the most important points.*

<table>
<tr><td colspan="3">Junior Year<br>Attend post-secondary school information nights and career fairs. Take applicable entrance exams (ask your guidance counselors for test schedules and registration materials). Explore different schools online and schedule school visits. Start a scholarship search online.<br>As soon as possible in your junior year of high school, complete the Free Application for Federal Student Aid (FAFSA). Attend financial aid nights to learn more about education financing.</td></tr>
<tr><td>Senior Year—September<br>Meet with your guidance counselor to evaluate your choice of schools, based on your placement test scores, your grade point average, and extracurricular activities. Contact schools for admission and financial aid applications. Continue your scholarship search.</td><td>Senior Year—October<br>Apply to several schools. Include at least one "safety" school, several where you'll probably be accepted, and one or two "reach" schools. Ask teachers, employers, or other adults for written recommendations; give them at least a month to complete them. If your schools require application essays, think about topics and start drafting outlines.</td><td>Senior Year—November<br>Find out your schools' application deadlines, and be sure your information is submitted on time. Schedule campus visits and admission interviews.</td></tr>
<tr><td>Senior Year—December<br>Decide where you want to live next year and submit your housing application. Keep an eye on scholarship deadlines.</td><td>Senior Year—February<br>Provide your high school guidance counselor with the necessary mid-year grade forms, if your schools require them. Register for advanced placement tests, if applicable. Continue to complete scholarship applications.</td><td>Senior Year—March<br>About 4 weeks after submitting the FAFSA, you will receive a Student Aid Report (SAR). It has your financial information & Expected Family Contribution (EFC). Schools use this to determine your financial aid package--make sure it's accurate. Admission decisions begin arriving around this time.</td></tr>
<tr><td>Senior Year—April<br>Compare financial aid awards from different schools. If the aid package is not enough to cover costs, consider a Federal PLUS Loan and private education loans. Make your final choice. Notify schools of your decision—accept or decline. Many schools have acceptance deadlines in April or early May.</td><td>Senior Year—May<br>Attend post-secondary school information nights and career fairs. Take applicable entrance exams (ask your guidance counselors for test schedules and registration materials). Explore different schools online and schedule school visits. Start a scholarship search online.</td><td>Graduation!!!</td></tr>
<tr><td colspan="3">Summer<br>Save money from your summer job and buy the things you need for school gradually over the summer. Be aware of freshman orientation dates. If you miss your orientation, you may not be able to register for classes until you attend.</td></tr>
</table>

## Your Action Plan and Timeline

**Junior Year**

Attend post-secondary school information nights and career fairs. Take applicable entrance exams (ask your guidance counselors for test schedules and registration materials). Explore different schools online and schedule school visits. Start a scholarship search online.

As soon as possible in your junior year of high school, complete the Free Application for Federal Student Aid (FAFSA). Attend financial aid nights to learn more about education financing.

| | | |
|---|---|---|
| **Senior Year—September**<br>Meet with your guidance counselor to evaluate your choice of schools, based on your placement test scores, your grade point average, and extracurricular activities. Contact schools for admission and financial aid applications. Continue your scholarship search. | **Senior Year—October**<br>Apply to several schools. Include at least one "safety" school, several where you'll probably be accepted, and one or two "reach" schools. Ask teachers, employers, or other adults for written recommendations; give them at least a month to complete them. If your schools require application essays, think about topics and start drafting outlines. | **Senior Year—November**<br>Find out your schools' application deadlines, and be sure your information is submitted on time. Schedule campus visits and admission interviews. |
| **Senior Year—December**<br>Decide where you want to live next year and submit your housing application. Keep an eye on scholarship deadlines. | **Senior Year—February**<br>Provide your high school guidance counselor with the necessary mid-year grade forms, if your schools require them. Register for advanced placement tests, if applicable. Continue to complete scholarship applications. | **Senior Year—March**<br>About 4 weeks after submitting the FAFSA, you will receive a Student Aid Report (SAR). It has your financial information & Expected Family Contribution (EFC). Schools use this to determine your financial aid package--make sure it's accurate. Admission decisions begin arriving around this time. |
| **Senior Year—April**<br>Compare financial aid awards from different schools. If the aid package is not enough to cover costs, consider a Federal PLUS Loan and private education loans. Make your final choice. Notify schools of your decision—accept or decline. Many schools have acceptance deadlines in April or early May. | **Senior Year—May**<br>Attend post-secondary school information nights and career fairs. Take applicable entrance exams (ask your guidance counselors for test schedules and registration materials). Explore different schools online and schedule school visits. Start a scholarship search online. | **Graduation!!!** |

**Summer**

Save money from your summer job and buy the things you need for school gradually over the summer. Be aware of freshman orientation dates. If you miss your orientation, you may not be able to register for classes until you attend.

**Tip!**

Federal PLUS Loans for parents allow parents to borrow up to the full cost of attendance minus other aid received.

## Steps in the Application Process (Instructor Copy)

### *Instructor note:*

*Consider inviting a high school counselor or financial aid officer to come in to talk to your class.*

*Photocopy the activity handout on the following page and distribute to your participants. Lead a discussion about the steps in the application process. Consider distributing sample FAFSA forms to your participants during this lesson.*

Use this handout to help you complete the steps of the financial aid application process.

| | |
|---|---|
| **1. Get an application.** | The Free Application for Federal Student Aid (FAFSA) is a form that the U.S. Department of Education (ED) uses to evaluate the family financial situation of every student who applies for financial aid. Schools often use information from the FAFSA to award state and institutional financial aid. Most high school counseling offices can provide you with a paper copy of the application, but to speed up the process complete the FAFSA online at **www.fafsa.ed.gov**. |
| **2. Fill out the application.** | You can fill out a paper FAFSA application or apply online at **www.fafsa.ed.gov**. Filling it out usually takes some time and effort. Your parents or guardians need to fill in accurate financial information, similar to when they do their taxes. Divorced parents and blended families may need even more time to complete the application correctly. (For a list of items to have on hand before sitting down to fill out the FAFSA, click on Library.) |
| **3. Your Expected Family Contribution (EFC)** | Using the information on your FAFSA application, ED determines how much your family can afford to pay for your education. This is called the Expected Family Contribution, or EFC. Based on your EFC and the cost of the school you plan to attend, they determine your eligibility for federal aid and loan programs. |
| **4. Your Student Aid Report (SAR)** | After ED determines your EFC, they either email or mail you a Student Aid Report, or SAR. Your parents or guardians should review the SAR carefully to confirm that the information is accurate. If not, they need to carefully make any needed corrections. ED will send your SAR data electronically to the educational institutions you listed on your FAFSA. This document is called your Institutional Student Information Record, or ISIR. |
| **5. Compare financial aid packages.** | Every school has one or more financial aid officers whose job is to determine what aid you qualify for. Each school that accepts you will mail (or email) you a letter that lists how much of each type of financial aid you're eligible to receive. This list is called a financial aid package and may include federal loans, state loans, grants, scholarships, and work-study programs. Review and compare the financial aid packages you receive, and pick the one school you want to attend. |

## Steps in the Application Process (Instructor Copy) (continued)

| | |
|---|---|
| **6. Accept or decline each offer of aid.** | After you pick the one school you want to attend, sign the financial aid package they sent you and indicate whether you're accepting or declining each offer of aid. You don't have to accept everything. If you're offered student loans, remember that after you graduate you'll have to pay the money back! It's a good idea to borrow only the amount you'll need. As a general guideline, your monthly student loan payment should be less than 10% of the net monthly income you plan to earn after college. |

Tip!

Be careful! You may see ads or emails from companies who "guarantee" you financial aid if you pay them a fee. A lot of these are scams. You shouldn't have to pay to qualify for financial aid.

If your participants want financial aid (grants, work-study, loans), completing the FAFSA is a must.

## Topic 6 — School & $

### Steps in the Application Process

Use this handout to help you complete the steps of the financial aid application process.

| | |
|---|---|
| **1. Get an application.** | The Free Application for Federal Student Aid (FAFSA) is a form that the U.S. Department of Education (ED) uses to evaluate the family financial situation of every student who applies for financial aid. Schools often use information from the FAFSA to award state and institutional financial aid. Most high school counseling offices can provide you with a paper copy of the application, but to speed up the process complete the FAFSA online at www.fafsa.ed.gov. |
| **2. Fill out the application.** | You can fill out a paper FAFSA application or apply online at www.fafsa.ed.gov. Filling it out usually takes some time and effort. Your parents or guardians need to fill in accurate financial information, similar to when they do their taxes. Divorced parents and blended families may need even more time to complete the application correctly. (For a list of items to have on hand before sitting down to fill out the FAFSA, click on Library.) |
| **3. Your Expected Family Contribution (EFC)** | Using the information on your FAFSA application, ED determines how much your family can afford to pay for your education. This is called the Expected Family Contribution, or EFC. Based on your EFC and the cost of the school you plan to attend, they determine your eligibility for federal aid and loan programs. |
| **4. Your Student Aid Report (SAR)** | After ED determines your EFC, they either email or mail you a Student Aid Report, or SAR. Your parents or guardians should review the SAR carefully to confirm that the information is accurate. If not, they need to carefully make any needed corrections. ED will send your SAR data electronically to the educational institutions you listed on your FAFSA. This document is called your Institutional Student Information Record, or ISIR. |
| **5. Compare financial aid packages.** | Every school has one or more financial aid officers whose job is to determine what aid you qualify for. Each school that accepts you will mail (or email) you a letter that lists how much of each type of financial aid you're eligible to receive. This list is called a financial aid package and may include federal loans, state loans, grants, scholarships, and work-study programs. Review and compare the financial aid packages you receive, and pick the one school you want to attend. |
| **6. Accept or decline each offer of aid.** | After you pick the one school you want to attend, sign the financial aid package they sent you and indicate whether you're accepting or declining each offer of aid. You don't have to accept everything. If you're offered student loans, remember that after you graduate you'll have to pay the money back! It's a good idea to borrow only the amount you'll need. As a general guideline, your monthly student loan payment should be less than 10% of the net monthly income you plan to earn after college. |

**Tip!**

Be careful! You may see ads or emails from companies who "guarantee" you financial aid if you pay them a fee. A lot of these are scams. You shouldn't have to pay to qualify for financial aid.

## Apply for Financial Aid (Instructor Copy)

### *Instructor note:*

*Begin a discussion with your participants by writing the key points (in bold) on the whiteboard/chalkboard or large piece of paper then ask for their input on why each of these are important. Then add these points as you go. Start by asking questions such as:*

- *Name some reasons why someone wouldn't apply for financial aid.*
- *What is a benefit of applying for financial aid as soon as you can?*
- *How many times should you apply for financial aid?*

*Then focus on these key points:*

Federal financial aid can help you make higher education a reality. Completing a FAFSA is the essential first step.

| | |
|---|---|
| **Apply no matter what** | • A 2004 study showed that in academic year 1999–2000, 850,000 students who were probably eligible for a federal grant missed out because their families didn't apply. Don't let that happen to you! |
| **Apply early** | • Apply as early as you can!<br>• Fill out the FAFSA as soon possible in your junior year of high school.<br>• Millions apply every year, and some funding is on a first-come, first-served basis. |
| **Get a head start** | • The sooner you apply, the sooner you'll see your financial aid packages and can make your school decisions and plans.<br>• You'll also have more time to apply for private loans if you need them. |
| **Reapply each year!** | • Since your finances and costs may change, each year that you're in school you must complete a paper or online application.<br>• Renewal FAFSA in order to qualify for the next academic year.<br>• Also, continue applying for grants and scholarships. |
| **Watch your mailbox** | • The federal government will mail you the Renewal FAFSA information to your home, so watch for its arrival.<br>• If you don't receive this information, contact your school's financial aid office. |

Tip!

If you're a student who works to help support your family, be sure to tell your school's financial aid office. This fact may make you eligible for more financial assistance.

Next, compare two financial aid packages.

## Apply for Financial Aid

Federal financial aid can help you make higher education a reality. Completing a FAFSA is the essential first step.

| | |
|---|---|
| **Apply no matter what** | • A 2004 study showed that in academic year 1999–2000, 850,000 students who were probably eligible for a federal grant missed out because their families didn't apply. Don't let that happen to you! |
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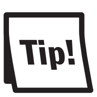
| **Get a head start** | • The sooner you apply, the sooner you'll see your financial aid packages and can make your school decisions and plans.<br>• You'll also have more time to apply for private loans if you need them. |
| **Reapply each year!** | • Since your finances and costs may change, each year that you're in school you must complete a paper or online application.<br>• Renewal FAFSA in order to qualify for the next academic year.<br>• Also, continue applying for grants and scholarships. |
| **Watch your mailbox** | • The federal government will mail you the Renewal FAFSA information to your home, so watch for its arrival.<br>• If you don't receive this information, contact your school's financial aid office. |




If you're a student who works to help support your family, be sure to tell your school's financial aid office. This fact may make you eligible for more financial assistance.

## Compare Two Financial Aid Packages (Instructor Copy)

### *Instructor note:*

*Photocopy the activity handout on the following page. Instruct your participants to answer the first three questions. Once they're finished, read the fourth and fifth question out loud and share with them the monthly payment for each University loan. Then, lead a discussion about the importance of reviewing and understanding total cost of aid and repayment.*

### Instructions:

Have your participants answer these questions based on the information presented in the chart. Then help them calculate the real cost of each financial aid package.

| University A | | University B |
|---|---|---|
| $10,000 | Cost of Attendance | $18,000 |
| $2,200 | Pell Grant | $2,600 |
| $2,200 | State Grant | $2,000 |
| $500 | University Grant | $5,200 |
| $1,000 | Work-study | $2,400 |
| $2,000 | Unsubsidized Stafford Loan | $3,800 |
| $7,900 | Total financial aid | $16,000 |
| $2,100 | Total cost to family | $2,000 |

Cost of Attendance (COA) = the total cost of full time education for one year

*Source: College Board, 2008.*

1. Take a look at these two financial aid offers. Which one looks better to you?
   *Answer: At first glance, University B would probably look better as it costs less for the family.*

2. Which school costs more?
   *Answer: It seems that University B's cost of attendance is higher.*

3. Which school will cost his family less?
   *Answer: It seems that University B will cost his family less.*

4. If Max takes the University A loan each year for four years at a 6.8% fixed interest rate he will pay $92 a month for 10 years.

5. If Max takes the loan from University B each year for four years at 6.8% interest rate, he will pay $174 a month for 10 years. Almost double!

## Compare Two Financial Aid Packages

### Instructions:

Answer the first three questions based on the information presented in the chart. Then calculate the real cost of each financial aid package and answer questions.

| University A | | University B |
|---|---|---|
| $10,000 | Cost of Attendance | $18,000 |
| $2,200 | Pell Grant | $2,600 |
| $2,200 | State Grant | $2,000 |
| $500 | University Grant | $5,200 |
| $1,000 | Work-study | $2,400 |
| $2,000 | Unsubsidized Stafford Loan | $3,800 |
| $7,900 | Total financial aid | $16,000 |
| $2,100 | Total cost to family | $2,000 |

Cost of Attendance (COA) = the total cost of full time education for one year

*Source: College Board, 2008.*

1. Take a look at these two financial aid offers. Which one looks better to you?

2. Which school costs more?

3. Which school will cost his family less?

4. If Max takes the University A loan each year for four years at a 6.8% fixed interest rate for 10 years what will he pay monthly?

5. If Max takes the loan from University B each year for four years at 6.8% interest for ten years, what will he pay monthly?

# Lesson Summary

### *Instructor note:*

*Summarize this lesson by reviewing these key points with your participants.*

Key points from the Making it Happen: Your Action Plan lesson.

- If you're thinking about education beyond high school, there are things you can do to get ready.
- If you want to go after higher education, it's up to you to make a plan and follow-through.

## Additional Activities

These activities are designed to extend the new concepts presented in the School & $ Topic. Use these or similar activities to give participants an opportunity to apply what they have just learned to real-life scenarios.

- Schedule a meeting with your high school guidance counselor. Tell him or her about your top college choices and see if they have any advice for you or experience with the specific schools' admission process or requirements.
- If you are already in college, meet with your financial aid officer to review your financial aid package or how you can apply for aid for next school year.
- If your top school choices are within driving distance (less than 100 miles), you can take to visit all these schools over a long weekend. Then ask your family if they'd like to join you on a road trip!
- Buy a calendar and label it your "school search" calendar. Keep track of all important dates (financial aid application due dates, test registration dates, admission applications due dates, etc.) on this one calendar for easy reference.
- Go to **www.fafsa.ed** and print out an application. Familiarize yourself with the format and information that you'll need to provide.

## Topic 6 — School & $

# Lesson 5: Managing $ in School & After

In this lesson, participants learn tips for making the most of their money while they're in school. They learn how to manage financial aid, maintain good credit and successfully repay their student loans.

### Learning Objectives

After completing this lesson, participants will be able to:

- Explain tips for making the most of their money while in school.
- Explain how to manage financial aid.
- Explain how to maintain good credit.
- Explain how to successfully repay student loans.

### Start the Discussion

To start a discussion with your participants, ask some open-ended questions. Here are some examples you could use:

- What are some ways that you can control your expenses while you're at school?
- What are some ways you think you can (or do currently) manage your financial aid?
- When you have student loans, why do you think it's important to make timely monthly payments?
- What do you think are your options if you cannot make your loan payments on time?

### The Basics

- If you're attending school and are responsible for some or all of your own expenses, there are ways you can manage your money effectively, such as being careful with credit cards, keeping good records and creating a personal spending plan.
- If you receive grants or scholarships, or have student loans, you can easily manage the money you receive by tracking your financial aid to a calendar, knowing what bills to expect and keep applying for aid.
- There are steps you can follow to help make your loan payments on time, maintain good credit and save money on late fees.

Before you begin the lesson, use the following scenario to get participants thinking.

## Scenario: Trouble Repaying Activity (Instructor Copy)

### *Instructor note:*

*Photocopy the activity handout on the next page. Ask participants to choose the best possible option, and then, for each option, instruct them to write a few sentences about why it was right or wrong for the situation. After participants finish, lead a group discussion about their choices, using the consequences and feedback provided below.*

### Instructions:

Have participants read Karrie's story and select the best possible option. Then for each option, have them write a few sentences about why the option was right or wrong for Karrie's situation.

### Karrie's Story:

Karrie celebrated her graduation from college by traveling in Africa for six months. The grace period on her student loans has now ended. She spent most of her savings on the trip, but had a job lined up when she got back. After three months at the job, she got laid off! She quickly landed part-time work at a coffee bar, but she knows she's not going to be able to make this month's student loan payment. Given Karrie's situation, which decision do you think is best for her?

1. **Contact her lender right away. Discuss her situation and possible repayment options.**
   *Consequences: Karrie is so glad she called her lender right away. If she hadn't paid and hadn't called she would have been hit with late fees and damaged her credit rating, too. Instead, she got an unemployment deferment, so she can postpone her payments until she can get a full-time job.*

   *Feedback: Great advice! Karrie was smart to contact her lender right away. Being a college graduate will hopefully help her land a good paying job soon. Once she does, she might ask her lender to automatically deduct her loan payments from her bank account. That way, she'll always pay on time.*

2. **Save the monthly statements for now. Commit to paying the lender eventually, plus interest.**
   *Consequences: Big mistake! She should have called her lender right away. She ignored the statements and hoped the lender would forget. She figured she had other things to worry about…like finding a job and paying all her other bills. Finally her loan payments were so overdue that she defaulted. It will wreck her credit report for seven years and make it tough for her to get a car loan or even have a credit card.*

   *Feedback: Bad advice. When you borrow money, you have to repay on schedule! If you don't, the loan guarantor can take a number of actions to get your money. If you have a federal student loan, the government might take money from your tax refunds or from your paycheck at work (garnish your wages).*

3. **Pay what she can this month; pay more than the monthly amount later to catch up quickly.**
   *Consequences: Not a good idea. She thought if the lender got its money eventually, the timing wasn't too important. Wrong! She got hit with a lot of late fees and was lucky not to default. Now she knows to call the lender right away. She could have worked with them to postpone repaying until her money situation improved.*

   *Feedback: It would have been better to call her lender right away to discuss options that allow her to temporarily stop making payments, or to make smaller monthly payments than her repayment schedule requires.*

**Tip!**

Both federal and private student loan repayment can be delayed in certain situations. Borrowers should talk with their lenders if they think they'll have trouble making their payments.

## Scenario: Trouble Repaying Activity

### Instructions:

Read Karrie's story and select the best possible option. Then for each option, write a few sentences about why the option was right or wrong for Karrie's situation.

### Karrie's Story:

Karrie celebrated her graduation from college by traveling in Africa for six months. The grace period on her student loans has now ended. She spent most of her savings on the trip, but had a job lined up when she got back. After three months at the job, she got laid off! She quickly landed part-time work at a coffee bar, but she knows she's not going to be able to make this month's student loan payment.

Given Karrie's situation, which decision do you think is best for her?

1. **Contact her lender right away. Discuss her situation and possible repayment options.**
   *Should she choose this option? Why or why not?*

2. **Save the monthly statements for now. Commit to paying the lender eventually, plus interest.**
   *Should she choose this option? Why or why not?*

3. **Pay what she can this month; pay more than the monthly amount later to catch up quickly.**
   *Should she choose this option? Why or why not?*

**Tip!**

Both federal and private student loan repayment can be delayed in certain situations. Borrowers should talk with their lenders if they think they'll have trouble making their payments.

## Topic 6 — School & $

### Managing $ in School (Instructor Copy)

***Instructor note:***

*Photocopy the activity handout on the following page. Divide the class into small groups. Have each group define six tips they think will help them manage their money while in school. Have each group share their tips while you write on the whiteboard/chalkboard or large piece of paper. When they're finished, distribute the activity handout and lead a discussion by focusing on the key points in the chart below.*

**Instructions:**

Have your participants list ways they can follow these tips in the right column.

| | |
|---|---|
| **Create a personal spending plan.** | • Once you have your plan, look for ways to cut costs and set aside savings (set a dollar limit on entertainment).<br>• Do the math on small luxuries such as a daily coffee and muffin.<br>• When you're tempted to spend, remember that you need to cover all of your expenses from the money you have. |
| **Be a smart shopper.** | • Even small savings can add up.<br>• Buy used textbooks instead of new; walk, bike, or use public transportation.<br>• Get the most from what you already own before you buy more. Shop for bargains.<br>• Take advantage of student discounts.<br>• Limit the amount you go out to eat.<br>• Try to avoid unnecessary expenses (library book late fees, parking fines). |
| **Be careful with credit cards.** | • You may spend more than you can repay by using credit cards. Interest adds up!<br>• Get just one credit card with a low interest rate and low spending limit and save it for planned purchases and emergencies only.<br>• If you use your credit card more often, pay off the balance in full each month.<br>• Use cash and your debit card instead of your credit card. |
| **Weigh the value of part-time work.** | • There are 168 hours in a week. If you sleep for 56 hours and attend school for 40 hours, that leaves 72 hours for all other activities, including part-time jobs and socializing.<br>• If you need to work, consider how to earn the highest return for the time you invest.<br>• Minimize the impact of work on your school studies. Investigate your eligibility for work-study programs at your school. You may find work that relates to your field of study. |

## Managing $ in School (Instructor Copy) (continued)

| | |
|---|---|
| **Make banking convenient.** | • If you're leaving your hometown, find out if your bank serves your new community.<br>• This could make it convenient for family to deposit money into your accounts.<br>• If not, consider opening new accounts at a local bank where you can maintain a relationship both while you're in school and after.<br>• You might want to use the same bank that handles your student loans. |
| **Time your bill payments.** | • Ask your service providers and creditors if you can change your bill due dates.<br>• By making all due dates the same, you can set aside time every month to pay your bills. You'll save time, avoid late payments, and stick to your spending plan.<br>• Or, evenly space your bills throughout the month, so what you pay is about the same each week. You'll avoid having one week when all of your cash- is needed for bills. |
| **Keep good records.** | • Keep accurate records of what you spend. Save your ATM, debit/credit card receipts.<br>• Set up a filing system; create separate folders for documents such as bank, credit card, loan, insurance, and investment statements; tax returns; and paid bills.<br>• Consolidating several services with one financial services provider can save you money. Reviewing one statement can help you see your financial picture quickly and clearly. |

Tip!

Don't buy something just because it goes on sale. Remember that when you buy—even on sale—you're not really saving money, you're spending it. See the topic Spending Smart for tons more shopping tips.

Next, your participants will learn valuable ways to make the most of the money they receive.

## Topic 6 — School & $

### Managing $ in School

| | |
|---|---|
| **Create a personal spending plan.** | • Once you have your plan, look for ways to cut costs and set aside savings (set a dollar limit on entertainment).<br>• Do the math on small luxuries such as a daily coffee and muffin.<br>• When you're tempted to spend, remember that you need to cover all of your expenses from the money you have. |
| **Be a smart shopper.** | • Even small savings can add up.<br>• Buy used textbooks instead of new; walk, bike, or use public transportation.<br>• Get the most from what you already own before you buy more. Shop for bargains.<br>• Take advantage of student discounts.<br>• Limit the amount you go out to eat.<br>• Try to avoid unnecessary expenses (library book late fees, parking fines). |
| **Be careful with credit cards.** | • You may spend more than you can repay by using credit cards. Interest adds up!<br>• Get just one credit card with a low interest rate and low spending limit and save it for planned purchases and emergencies only.<br>• If you use your credit card more often, pay off the balance in full each month.<br>• Use cash and your debit card instead of your credit card. |
| **Weigh the value of part-time work.** | • There are 168 hours in a week. If you sleep for 56 hours and attend school for 40 hours, that leaves 72 hours for all other activities, including part-time jobs and socializing.<br>• If you need to work, consider how to earn the highest return for the time you invest.<br>• Minimize the impact of work on your school studies. Investigate your eligibility for work-study programs at your school. You may find work that relates to your field of study. |
| **Make banking convenient.** | • If you're leaving your hometown, find out if your bank serves your new community.<br>• This could make it convenient for family to deposit money into your accounts.<br>• If not, consider opening new accounts at a local bank where you can maintain a relationship both while you're in school and after.<br>• You might want to use the same bank that handles your student loans. |

## Managing $ in School (continued)

| | |
|---|---|
| **Time your bill payments.** | • Ask your service providers and creditors if you can change your bill due dates.<br>• By making all due dates the same, you can set aside time every month to pay your bills. You'll save time, avoid late payments, and stick to your spending plan.<br>• Or, evenly space your bills throughout the month, so what you pay is about the same each week. You'll avoid having one week when all of your cash- is needed for bills. |
| **Keep good records.** | • Keep accurate records of what you spend. Save your ATM, debit/credit card receipts.<br>• Set up a filing system; create separate folders for documents such as bank, credit card, loan, insurance, and investment statements; tax returns; and paid bills.<br>• Consolidating several services with one financial services provider can save you money. Reviewing one statement can help you see your financial picture quickly and clearly. |

**Tip!**

Don't buy something just because it goes on sale. Remember that when you buy—even on sale—you're not really saving money, you're spending it. See the topic Spending Smart for tons more shopping tips.

# Topic 6 — School & $

## How to Manage Your Financial Aid  (Instructor Copy)

***Instructor note:***

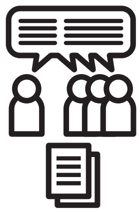
*Photocopy the activity handout on the following page. Write the information in the left hand column on the whiteboard/chalkboard or large piece of paper.  Begin a discussion with your participants by asking questions such as:*

- *If you receive financial aid, what are some ways you can manage the money you receive?*
- *Are there restrictions on how you can spend this money?*
- *What are some things you can do to keep track of all your financial aid money?*

*Then distribute the activity handout and focus on these key points:*

| | |
|---|---|
| **Track your financial aid to the calendar.** | You may receive some financial aid once per semester and other payments once a month. Remember that you have to make the money last! Be aware of when you will be receiving aid and in what amounts. This will help you to set up a spending plan and avoid running short of money. |
| **Know what bills to expect.** | Think ahead about the bills you'll be receiving next month and during the next year. When will you receive these, what will be the likely amounts, and how long will you have to pay? Compare this information with your financial aid calendar. Make sure you're ready with the funds you'll need to pay your bills. Late payments can harm your credit rating for several years. |
| **Keep applying for aid.** | Continue applying for grants and scholarships. By being persistent, you'll increase your chances of receiving this "free money" that you don't need to repay. |

Next up, how to repay student loans.



## How to Manage Your Financial Aid

| | |
|---|---|
| **Track your financial aid to the calendar.** | You may receive some financial aid once per semester and other payments once a month. Remember that you have to make the money last! Be aware of when you will be receiving aid and in what amounts. This will help you to set up a spending plan and avoid running short of money. |
| **Know what bills to expect.** | Think ahead about the bills you'll be receiving next month and during the next year. When will you receive these, what will be the likely amounts, and how long will you have to pay? Compare this information with your financial aid calendar. Make sure you're ready with the funds you'll need to pay your bills. Late payments can harm your credit rating for several years. |
| **Keep applying for aid.** | Continue applying for grants and scholarships. By being persistent, you'll increase your chances of receiving this "free money" that you don't need to repay. |

## Repaying Your Student Loans (Instructor Copy)

### *Instructor note:*

*Begin a discussion with your participants about repaying their student loans. Ask the class to volunteer ways they repay their student loan payments on time, maintain good credit and save hundreds on late fees. Write them on a whiteboard/chalkboard or large piece of paper. Then focus on the key points in the chart below.*

These steps can help you make your loan payments on time, and maintain good credit, and save hundreds or even thousands of dollars on late fees.

| | |
|---|---|
| **Graduate!** | • Get your degree.<br>• Students who complete school are less likely to have trouble making their monthly payments.<br>• A college degree can lead you to a higher paying job and a better quality of life. |
| **Repay the smart way.** | • Ask your lender if they can automatically deduct your payments from your bank account.<br>• Also, ask if they offer an interest rate discount for making automatic payments. |
| **Use the grace period.** | • Try to get other bills paid off during the grace period (usually six months) before your first student loan payment is due.<br>• That will help you to repay your student loans when the time comes. |
| **Make one extra payment.** | • Try saving up over the course of each year to make a one-time extra payment.<br>• Doing this will make a big difference in reducing your loan balance, the amount of the loan that you still owe. |
| **If you can't pay…** | • If you're unable to make a monthly payment, call your lender right away.<br>• Discuss options to postpone payments or adjust your repayment plan |

# Lesson Summary

***Instructor note:***
*Summarize this lesson by reviewing these key points with your participants.*

Key points from the Managing $ in School & After:

- If you're attending school and are responsible for some or all of your own expenses, there are ways you can manage your money effectively, such as being careful with credit cards, keeping good records and creating a personal spending plan.
- If you receive grants or scholarships, or have student loans, you can easily manage the money you receive by tracking your financial aid to a calendar, knowing what bills to expect and keep applying for aid.
- There are steps you can follow to help make your loan payments on time, maintain good credit and save money on late fees.

## Topic 6 — School & $

# Topic Summary

***Instructor note:***
*Summarize this topic by reviewing these key points with your participants.*

### Key points from the School & $ topic:

- **Higher education is a great investment in you.** It can give you skills and knowledge that will help you in life, no matter what job or career you choose.
- **Higher education may also help you expand your job options and earn a good living.** A four-year college may not be right for everyone, but there are other options.
- If you want to make it happen, you and your family need to **start saving as much as you can as soon as you can.**
- You also need to **start thinking about where you'll find the rest of the money you'll need:** grants and scholarships; work-study; and student loans.
- **Be sure to apply for financial aid.** Remember that it takes a team effort. Talk to your family and the schools that interest you.
- **Submit your FAFSA as early as you can**, and renew your application every year you're in school.
- Before you take out student loans, **figure out how much money you actually need.** You may be able to get by without a loan. Remember, a loan is money you'll have to repay.
- **Being a smart money manager will be a huge help while you're in school and after.** So take advantage of all of the topics in the Hands on Banking program.

## Test Yourself (Instructor Copy)

### *Instructor note:*

*This short quiz can be used as a pre- or post test with your participants to gauge their current knowledge on school and money.*

*Photocopy the quiz on the next page. Distribute it to participants to test what they've learned about school and money.*

1. On average, a college graduate earns ________________ more in their lifetime than a high school graduate.
   a. $120,000
   b. $500,000
   c. $975,000
   **d. $1.2 million**

2. As a general guideline, your monthly student loan payment should be less than _____________ of your expected net monthly income after you graduate.
   a. 10%
   **b. 20%**
   c. 30%
   d. 40%

3. Three sources of funds for higher education that definitely do NOT have to be repaid are:
   a. Grants, scholarships, and Federal PLUS Loans.
   **b. Grants, scholarships, and work-study.**
   c. Scholarships, work-study, and Federal Perkins Loans.
   d. Your parents, your grandparents, and your poker buddies.

4. Who can be a lender for student loans?
   a. Colleges and Universities
   b. Banks
   c. The Federal government
   **d. All of the above**

## Topic 6 — School & $

### Test Yourself

**Instructions:**
Answer these questions to test your knowledge.

1. On average, a college graduate earns ________________ more in their lifetime than a high school graduate.
   a. $120,000
   b. $500,000
   c. $975,000
   d. $1.2 million

2. As a general guideline, your monthly student loan payment should be less than _____________ of your expected net monthly income after you graduate.
   a. 10%
   b. 20%
   c. 30%
   d. 40%

3. Three sources of funds for higher education that definitely do NOT have to be repaid are:
   a. Grants, scholarships, and Federal PLUS Loans.
   b. Grants, scholarships, and work-study.
   c. Scholarships, work-study, and Federal Perkins Loans.
   d. Your parents, your grandparents, and your poker buddies.

4. Who can be a lender for student loans?
   a. Colleges and Universities.
   b. Banks.
   c. The Federal government.
   d. All of the above.

# Appendix

## Library Articles & Additional Topic Resources

Use these library articles as a discussion resource or a takeaway for your participants. Remember, the online *Hands on Banking®* program has dozens of additional library articles that you can use and distribute for this and other topics. Visit **www.handsonbanking.org** to browse all the available articles.

# Getting Your Job Start

For most people, landing a paid, full-time job is the key step to becoming financially independent and self-sufficient. Here are some tips for launching a successful search:

- **Don't wait.** Even if your family is supporting you now and your financial needs are being met, be realistic about how soon you'll need to take responsibility for your own expenses. Remember that it's never too early to begin your search. The earlier you start, the more time you'll have to find a job you want. If you're in school now, you can initiate the job search process several years before you graduate: consider what industries and types of jobs interest you, interview people in various occupations, and research specific companies.
- **Adopt a plan.** An effective job search is usually not a once in awhile, hit-or-miss effort; it takes an organized approach. Talk to career counselors at your school and look for job-hunting advice online and in guidebooks. Determine what your job search process will be and follow-through on your plan.
- **Make time to search.** Set aside some time every month or every week to focus on your job search. By starting your search when you're still in school, you can hopefully avoid landing on your own in need of money, feeling pressure to take any paid work that comes along. If you're already in a job but aren't enjoying it, set aside time for an organized search. It will help keep you focused on creating a brighter future.
- **Be proactive.** Explore as many avenues as you can. The more options you have, the better your prospects become. If you're in college, look through your school's job postings; register with employment agencies and attend career fairs; visit companies' Web sites to look for employment opportunities.; post your resume on online job sites and actively search for opportunities on them; scan classified ads in newspapers and trade magazines.
- **Network.** Make contact with others through alumni groups and trade associations. Network with family, friends, teachers, and colleagues. Don't be shy about asking for help to open the door to new opportunities.
- **Discover yourself along the way.** Some people are fortunate to have a clear idea of jobs and careers that interest them, while others don't. Don't let the lack of a clear vision stop you from moving forward. Look at your job search as a process of self-discovery, because it is. As you search, talk with people in different industries and professions and visit their work sites if you can. Ask them questions about how they got into the field and what their experience has been. You'll begin to get a sense of which opportunities you find exciting—and which environments you'd rather avoid. The process of searching will help you bring your personal goals into sharper focus.
- **Apply your skills and talents.** While you're searching for your "ideal" job, you may need part-time or short-term work to cover your expenses. Consider what skills and talents you have that might be marketable, whether it's building Web sites, tutoring students, installing audio equipment, cooking, or carpentry. Meet with one or more temporary job agencies and submit your resume. They can help you find short-term jobs that can both bring in cash and add to your job experience.

We invite you to contact Wells Fargo for further information and assistance. Visit our Web site at [www.wellsfargo.com](http://www.wellsfargo.com) or any Wells Fargo store.

# How Much Do I Need To Borrow?

It's important to borrow only what you need for education beyond high school. Remember: whatever you borrow, you have to pay back—with interest. Extra borrowing can lead to higher payments in the years to come.

A student loan is a long-term commitment. Before you accept a loan, research its rates and fees, the length of the repayment period, and your rights and responsibilities as a borrower.

Be realistic about what your salary will be after graduation and estimate the amount of debt you can afford. Ideally, student loan payments should be ten percent or less of your net monthly income.

Before you borrow, explore all of your financial aid options, focusing first on scholarships and grants that don't have to be repaid.

Use this worksheet to budget your monthly income and expenses at college or other post-secondary school. You may need to borrow less than you think!

## How Much Do I Need To Borrow? (continued)

**Student Budget Worksheet**

| | |
|---|---|
| **Income** | |
| Job or work-study | |
| Financial help from relatives | |
| Scholarships | |
| Grants | |
| Loans | |
| Savings | |
| Other income | |
| **Total Monthly Income** | **$** |
| **Expenses** | |
| Tuition | |
| Room and board (if you live on campus) | |
| Rent and utilities (if you live off campus) | |
| Food and Snacks | |
| Books and supplies | |
| Transportation | |
| Medical/dental/vision insurance /expenses | |
| Phone/Internet | |
| Entertainment | |
| Personal (clothing, laundry, toiletries) | |
| Miscellaneous | |
| **Total Monthly Expenses** | **$** |
| **Income Less Expenses** | **$** |

If your expenses exceed your income, you may need to borrow enough to cover the difference. If the difference is a positive number or is close to zero, you may not need to borrow at all.

We invite you to contact Wells Fargo for further information and assistance. Visit our Web site at www.wellsfargo.com or any Wells Fargo store.

## Glossary

| | |
|---|---|
| **529 Plan** | A program set up to allow an adult to either prepay, or contribute to an account established for paying, a student's qualified education expenses at an eligible educational institution. |
| **Account** | A banking service allowing a customer's money to be handled and tracked. Common bank accounts are savings and checking accounts. |
| **Annual fee** | The fee a credit card company charges a credit card holder to use the card for a year. Or, the fee a lender charges a borrower for the use of a line of credit for a year. |
| **Annual percentage rate (APR)** | A measurement used to compare different loans, the APR takes into account a loan's interest rate, term, and fees to illustrate the total cost of credit expressed as a yearly rate. The lower the APR, the lower the total cost of the loan. |
| **Annual percentage yield (APY)** | The rate of return on an investment, such as a deposit in an interest-bearing savings account, for a one year period. |
| **Appraisal** | A professional estimate of a property's market value. |
| **Appreciation** | The amount of value an item such as a car, home or stock, gains over time from the original purchase price. |
| **Asset** | Anything of value owned by a person or company. For example, a person's assets might include cash, a house, a car, and stocks. A business's assets might include cash, equipment, and inventory. |
| **Automated Teller Machine (ATM)** | A specialized computer used by bank customers to manage their money, for example, to get cash, make deposits, or transfer money between accounts. |
| **Available balance** | The amount of money in your account that you can use or withdraw. Your available balance may not reflect all transactions that you have made; for example, checks you have written that have not yet been paid from your account. |
| **Bad credit** | A situation in which lenders believe that, due to a borrower's poor history of repaying his or her debts, further loans to this person would be especially risky. |
| **Bad or bounced check** | See Non-sufficient funds (NSF). |
| **Bank** | A financial institution that handles money, including keeping it for saving or commercial purposes, and exchanging, investing, and supplying it for loans. |
| **Bankruptcy** | To legally declare yourself unable to repay your debts. A bankruptcy remains on a person's credit history for up to seven years. Depending on the type of bankruptcy, it could stay on a person's credit history for up to ten years. |
| **Benefits** | In addition to wages, some employers reward their employees in extra ways for example: medical insurance, vacation pay, holiday pay, profit sharing plans, stock options and bonuses. |
| **Bond** | An investment offered to the public by a corporation, the U.S. Government, or a city. A bond pays interest annually and is payable in full at a specified date. Bonds are rated, and the rating indicates their probability of default. |
| **Capacity** | A borrower's ability to make monthly loan payments. When reviewing loan applications, lenders look at a borrower's income and debts to determine his or her capacity to repay. |

# Glossary

| | |
|---|---|
| **Capital** | The assets a borrower owns, for example a car, or cash in a savings account minus your liabilities. If a borrower is unable to make his or her loan payments, a lender might use these assets to pay the debt. Capital is also known as collateral or assets. |
| **Capital gain** | The dollar amount by which an asset's selling price exceeds its initial purchase price. For example, if you buy a stock for $4 per share and sell it for $7 per share, your capital gain is $3 per share. |
| **Capital loss** | The decrease in value of an investment or asset. The opposite of capital gain. |
| **Cardmember (Cardholder) agreement** | The Terms and Conditions of your credit card account. It includes information such as the rate, fees, and other cost information associated with the account. |
| **Cash flow** | A measure of the changes in a company's cash during a specific period of time (usually a month, quarter, or year). Specifically, a company's cash income minus the cash payments it makes. |
| **Certificates of Deposit (CDs)** | A bank account in which you agree to keep the money for a specified period of time, usually anywhere from three months to several years. As a result, this account usually offers higher rates of return than a savings account. Money removed before the agreed upon date is subject to an early withdrawal penalty. The account pays interest on the deposit and is FDIC-insured. Banks issue an actual certificate for a CD account. If no certificate is issued, the account is known instead as a "time deposit." |
| **Character** | The financial steadiness and stability of a borrower. For example, when reviewing your loan application, a lender may look at how long you've lived at your current address or worked at your current job. |
| **Check** | A written order instructing the bank to pay a specific amount of money to a specific person or entity. The check must contain a date, payee (person, company, or organization to be paid), amount, and an authorized signature. |
| **Checking account** | A bank account that allows a customer to deposit and withdraw money and write checks. Using a checking account can be safer and more convenient than handling cash. |
| **Clear** | When the banks pays a check you have written and then subtracts the amount from your account, your check has "cleared" the bank. |
| **Collateral** | Any assets of a borrower (for example, a home) that a lender has a right to take ownership of if the borrower doesn't repay the loan as agreed. |
| **Collection agency** | A business that specializes in collecting past due debts. |
| **Commission** | The amount a real estate agent earns for negotiating a home sale. The commission amount is often a percentage of the home sale price. |
| **Compound interest** | When a financial institution pays you interest not only on your initial principal (the amount you originally deposited) but also on the interest your deposit has earned over time. |
| **Conditions** | Eligibility requirements that may be required by a lender to secure a loan or product. |
| **Co-sign** | A second person who signs your credit or loan application. Just like the borrower, the co-signer on a loan is equally responsible for repaying the debt. Also called a co-borrower. |

## Glossary

| | |
|---|---|
| **Cost of Attendance (COA)** | The total amount it will cost to go to school, usually expressed as a yearly figure. For full-time and half-time students, it includes the average cost of instruction, known as tuition; registration fees, books, and supplies; and housing and meals, also called room and board. |
| **Credit** | When a bank or business allows its customers to purchase goods or services on the promise of future payment. Also used to describe any item that increases the balance in a bank account. Deposits and interest payments are both examples of credits. |
| **Credit bureau** | A company that gathers information on consumers who use credit. These companies send this information to lenders and other businesses in the form of a credit report. The three largest bureaus are Equifax, Experian, and TransUnion. |
| **Credit check** | A lender, landlord, employer, or insurer's inquiry at a credit bureau for the purpose of evaluating the credit history of an applicant. |
| **Credit counselor** | A professional advisor who specialist in helping people with debt and credit problems. |
| **Credit history** | A written record of a person's use of credit, including applying for credit, and using credit or loans to make purchases. Also called a credit record. |
| **Credit limit** | The maximum dollar amount the lender is willing to make available to the borrower according to the agreement between them. For example, if you have a credit card, the credit agreement will usually specify the maximum amount of money you're allowed to charge. |
| **Credit rating** | An evaluation of an individual's or business's financial history and the ability to pay debts. Lenders use this information to decide whether to approve a loan. The credit rating is usually in the form of a number or letter. |
| **Credit record** | Also known as your credit history when provided by a credit bureau to a lender or other business. |
| **Credit report** | A report issued by an independent credit agency that contains information concerning a loan applicant's credit history and current credit standing. |
| **Credit score (FICO)** | A numerical rating that indicates an individual's creditworthiness based on a number of criteria. Credit scores are used by lenders in the loan approval decision process. (FICO). |
| **Credit union** | A non-profit financial institution that is owned and operated entirely by its members. Credit unions provide financial services for their members, including savings and lending. Large organizations may organize credit unions for their members, and some companies establish credit unions for their employees. To join a credit union, a person must ordinarily belong to a participating organization, such as a college alumni association or labor union. When a person deposits money in a credit union, he or she becomes a member of the union because the deposit is considered partial ownership in the credit union. |
| **Debit card** | A card linked to a checking account that can be used to withdraw money and make deposits at an ATM and to make purchases at merchants. When you use a debit card, the money will be deducted from the linked checking account. |
| **Debt** | Money, goods, or services you owe to others. |

# Glossary

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| **Debt-to-income ratio** | A percentage that is calculated by dividing a loan applicant's total debt payments to his or her gross income. |
| **Default** | Failure to repay a credit agreement according to its terms. |
| **Deferment** | A limited period of time during which you may postpone your federally guaranteed loan. The interest on unsubsidized loans continues to accrue during deferment and is capitalized (added to the principal balance) when the deferment ends. |
| **Depreciation** | A loss of value in real property brought about by age, physical deterioration, functional or economic obsolescence. |
| **Discretionary expenses** | The purchase of goods or services which are not essential to the buyer, or are more expensive than necessary. Examples include entertainment and restaurant meals. |
| **Dividend** | If a company does well financially, its board of directors may decide to pay a small amount of its profits, called a dividend, directly back to its shareholders. Dividends are usually cash, but may also take the form of stock or other property. |
| **Earning power** | The amount of money a person is able to make from his or her work. |
| **Education Savings Account** | An investment account designed to assist with paying for education-related expenses. Contributions grow tax-deferred and distributions are not taxed if used for qualified expenses. Withdrawals for non-qualified educational expenses are subject to income tax and a 10% IRS penalty. Distributions may be taxable. |
| **Endorse** | To sign the back of a check, authorizing the check to be exchanged for cash or credit. |
| **Equal Credit Opportunity Act (EOCA)** | A federal law to ensure that all consumers are given an equal chance to obtain credit. This doesn't mean all consumers who apply for credit get it; factors such as income, expenses, debt, and credit history are considerations for creditworthiness. |
| **Equity** | The value of your investment about the total of your lien (debt). |
| **Equity stripping, equity skimming** | Also known as foreclosure rescue. Predatory investors or small companies target low-income, homeowners facing foreclosure and trick them into signing away their equity and property. |
| **Establishing credit** | Giving lenders the trust and confidence to make loans to you based on a good history of paying your debts. |
| **Expected Family Contribution (EFC)** | The amount a student's family is expected to pay toward his or her education, as figured by the Department of Education, based on the Free Application for Federal Student Aid (FAFSA). |
| **FAFSA (Free Application for Federal Student Aid)** | The application a student and his or her family completes in order to apply for federal student loans. |

# Glossary

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| **Federal Deposit Insurance Corporation (FDIC)** | An independent agency of the United States government that protects customers from the loss of their deposits if an FDIC insured financial institution fails. The basic insurance amount is specified per depositor per insured financial institution. Certain retirement accounts, such as Individual Retirement Accounts, are insured up to specified amount per depositor per insured financial institution. Customers can increase the amount of money insured at any one financial institution by owning deposit accounts in different ownership categories (e.g., Individual Accounts, Retirement Accounts, Joint Accounts, Revocable Trust Accounts). Please visit www.fdic.gov for the most current deposit insurance amounts. |
| **Federal work-study program** | A U.S. government program that provides funding for jobs for undergraduate and graduate students with financial need. |
| **Fees** | Charges for services by a financial institution or lender. |
| **Finance charge** | The amount of money a borrower pays to a lender for the privilege of borrowing money, including interest and other service charges. |
| **Financial aid** | Financial assistance, such as a loan, grant or works study program, a student receives to enroll in an accredited educational institution. |
| **Financial institution** | Companies such as banks, credit unions, and savings institutions that provide a wide range of money management products and services to consumers. Financial institutions collect funds from the public and place them in financial assets, such as deposits, loans, and bonds. |
| **Fixed expenses** | For an individual, a fixed cost is an expense that stays the same each month, such as rent or a car payment. For a business, a fixed cost is an expense that does not vary depending on production or sales levels, such as an equipment lease or property tax. |
| **Flexible expenses** | An expense that you can control or adjust, for example, how much you spend on groceries, clothes, or long distance phone calls. |
| **Forbearance** | A period of time at the lender's discretion when you're allowed to postpone or temporarily reduce the amount of your student loan payment due to temporary financial hardship. Interest continues to accrue on the loan during the forbearance period and is capitalized (added to the principal balance) when the forbearance ends. |
| **Foreclose, repossess** | The legal process by which an owner's right to a property is terminated, usually because of failure to make loan payments as agreed. Foreclosure typically involves a forced sale of the property at public auction, with the money applied to the remaining debt. |
| **Garnishment** | A court order requiring a portion of the debtor's wages to be paid to the lender. |
| **Good credit** | A situation in which lenders are willing to make loans to an individual, due to his or her good history of repaying debts. |
| **Gross income** | For an individual, the full amount of money earned during a specific time period. For a business, the pre-tax net sales minus the cost of goods sold. |
| **Guarantee** | A lender may require an additional signature on a loan to insure that this person will pay the loan if you do not. |

# Glossary

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| **Home equity** | The financial difference between what your home or other real estate is worth and the amount you still owe as debt on the home or other real estate. For example, your home is worth $100,000 and you owe $75,000 on your mortgage, then you have $25,000 of equity in your home. |
| **Income** | For an individual, income means the amount of money received during a period of time, including money received in exchange for labor or services, from the sale of goods or property, or as profit from financial investments. For a business, income is revenues (all the money brought in) minus cost of sales, operating expenses, and taxes, over a given period of time. |
| **Inflation** | An increase in the general price level of goods and services; a decrease in the purchasing power of the dollar. |
| **Installment credit** | A loan that is repaid to the lender in equal amounts, over a fixed period of time. |
| **Installment loan** | A loan that is repaid to the lender in equal amounts, over a fixed period of time. |
| **Institutional Student Information Record (ISIR)** | A document that the Department of Education, after they have reviewed a student's Free Application for Federal Student Aid (FAFSA), sends to educational institutions for evaluation by financial aid officers. |
| **Interest** | The amount of money paid by a borrower to a lender in exchange for the use of the lender's money for certain period of time. For example, you earn interest from a bank if you have a savings account and you pay interest to a lender if you have a loan. |
| **Interest rate** | The amount of interest paid per year divided by the principal amount (that is, the amount loaned, deposited, or invested). For example, if you paid $500 in interest per year for a loan of $10,000, the interest rate is 500 divided by 10,000, or five percent (5%). |
| **Investing** | Purchasing something of value (for example, stocks or real estate) with the goal of earning money over time if the value increases. |
| **Late fees** | The charge or fee that is added to a loan or credit card payment when the payment is made after the due date. |
| **Lease** | A contract by which one party (lessor) gvies to another (lesses) the use and permission of an item, such as an automobile or apartment, for a specified time and fixed payments. |
| **Lender, creditor** | A business that makes money available for others to borrow. |
| **Liability** | The amount of money an individual or business owes to someone else: a debt. |
| **Loan** | An agreement between a borrower and a lender, where the borrower agrees to repay money with interest over a period of time. |
| **Minimum wage** | An hourly amount voted into law by the U.S. Congress. All employers in the U.S. have to pay their employees at least the minimum wage unless their state law says differently. Some states actually allow some employers to pay a lower minimum wage. Usually these are very small businesses that only do business locally. |
| **Mobile banking** | Allows an individual to access their financial accounts through a web browser on their mobile device such as cellular phone. |

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| **Money Market Deposit Account (MMDA)** | A form of savings account that requires a larger balance than CDs or regular savings accounts, usually $10,000 or more. |
| **Money order** | A document issued by a post office, bank, or convenience store ordering payment of a specific sum of money to an individual or business. There is generally a small charge for purchasing a money order. |
| **Mortgage** | A loan to finance the purchase of a home, usually with defined payments and interest rates. The homeowner gives the bank a lien, called the "mortgage," on the home, which serves as collateral for the loan. |
| **Mutual fund** | A type of investment where an investment company sells shares to the public and then invests the money in a group of investments such as stocks and bonds. |
| **Net income (Take home pay)** | For a business, the amount of money earned after all expenses and taxes. For an individual, total take-home pay after all deductions (taxes, social security, etc.). Also called after tax income or net salary. |
| **Net worth** | The value of a company or individual's assets. Including cash, less total liabilities. |
| **Non-sufficient funds (NSF)** | The lack of enough money in an account to pay a particular check or payment. Also known as insufficient funds. A check with insufficient funds may be returned unpaid to the person cashing it. This has a negative impact on the check writer's history of handling his or her account, and may prevent opening of future accounts. See also Overdraft. |
| **Overdraft** | When there is not enough money in an account to cover a transaction and the bank pays it on your behalf, creating a negative balance in the account that you need to repay. |
| **Overdraft Protection** | Offered by many banks, overdraft protection is a service that automatically transfers money from a linked account that you select, such as a savings or credit account, when you don't have enough money in your checking account to pay your transactions. |
| **Pay period** | A length of time (for example, one week or one month) used to calculate the amount workers are paid on their paychecks. |
| **Pay stub** | The additional form that's attached to the check is called the pay stub. It shows the details of what you have earned and what amounts have been deducted during the pay period. |
| **Paycheck** | Document issued by an employer to pay an employee for services rendered (could be in electronic or paper form). |
| **Payee** | The person, company, or organization to whom a check is written: a person or company who is to receive money. |
| **Personal identification number (PIN)** | A secret combination of letters or numbers you use to gain access to your account through an electronic device such as an ATM. |
| **Phishing** | Is usually a two-part scam involving email and spoof websites. Fraudsters, also known as phishers, send email to a wide audience that appears to come from a reputable company requesting personal information accounts numbers. This is known as a phish email. |
| **Point-of-sale** | When you use a debit card to make a purchase from a merchant at a store, by telephone, or through the internet. |

# Glossary

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| **Portfolio** | A collection of investments all owned by the same person or organization. For example, a portfolio might include a variety of stocks, bonds, and mutual funds. |
| **Preapproval** | A written commitment from a lender, subject to a property appraisal or other stated conditions, that confirms the price of home a potential borrower can afford. |
| **Principal** | The total amount of money borrowed, loaned, invested, etc., not including interest or service charges. |
| **Profit** | The positive gain from an investment or a business operation after subtracting all expenses. |
| **Rate of return** | The annual rate of return is the percentage change in the value of an investment. For example: If you assume you earn a 10% annual rate of return, then you are assuming that the value of your investment. |
| **Real property assets** | Land and anything permanently affixed, including building, fences, trees, and minerals that has monetary value that is owned by a person or a company. |
| **Reconcile** | The process used to determine if the balance in your account register matches the balance reported by the bank on your account statement. Also called balancing your account. |
| **Required payment** | The least amount of money to be repaid on a loan or credit card in order to keep the account in good standing. |
| **Returned item** | This is also known as "non-sufficient funds" or a "bounced check." If you spend more money than you have in your checking account, the bank may return the transaction unpaid and charge a fee. |
| **Revolving credit** | A type of credit allowing an individual to borrow up to a certain amount of money, repay the money borrowed with interest when it is due, and then borrow the money again. The most popular kind of revolving credit account is the credit card. |
| **Rule of 72** | A way to estimate the time or interest rate you would need to double your money on an investment. For example, if you have an investment that's earning 8% per year, 72 divided by 8 equals 9. This means it would take about nine years for your original investment to double. |
| **Salary** | The same set dollar amount every month in exchange for your work. |
| **Savings & loan** | A financial institution that accepts deposits from individuals, makes home mortgage loans, and pays dividends. |
| **Savings account** | A bank account that allows a customer to deposit and withdraw money and earn interest on the balance. |
| **Secured credit card** | A credit card secured by a savings account. The money in the savings account is collateral and may be claimed by the company issuing the card if the account holder fails to make the necessary payments. Using a secured credit card, and paying according to the terms of the agreement, can be a good first step for individuals or businesses that want to establish or rebuild their credit. |

# Glossary

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| **Simple interest** | Interest that is calculated only on the principal sum, that is, the amount of money that was originally deposited. (By contrast, compound interest is when a financial institution pays you interest not only on your initial principal but also on the interest your deposit has earned over time.) |
| **Spending limit** | The maximum dollar amount the lender is willing to make available to the borrower according to the agreement between them. For example, if you have a credit card, the credit agreement will usually specify the maximum amount of money you're allowed to charge. |
| **Spending plan** | Also known as a budget, a method of tracking your monthly income and expenses. |
| **Statement** | A monthly accounting document sent to you by your bank that lists your account balance at the beginning and end of the month, and all of the checks you wrote that your bank has processed during the month. Your statement also lists other deposits, deductions, and fees, such as service charges. |
| **Stock** | Certificate of ownership in a company. |
| **Student Aid Report (SAR)** | A document that the Department of Education sends to a student's family after they have evaluated the student's Free Application for Federal Student Aid (FAFSA). |
| **Term** | A period of time over which a loan is scheduled to be repaid. For example, a home mortgage may have a 30-year term, meaning it must be repaid within 30 years. |
| **Training wage** | The federal minimum wage provisions are contained in the Fair Labor Standards Act (FLSA) for more info visit **www.dol.gov/esa**. |
| **Transaction register** | A register that allows you to keep accurate records of your deposits and withdrawals. Use your check and/or savings register to record every deposit and withdrawal you make. |
| **Unpaid balance** | The amount that is still owed on a loan or credit card debt. |
| **Wage** | The money or compensation you earn in exchange for your work is called a "wage" Some common ways employers pay wages are hourly, salary and commission or some combination of these ways. |

# Appendix
# Common Core State Standards Alignment

| Topic | Lesson | Activity | Standards | Notes |
|---|---|---|---|---|
| 1 | Lesson 2: So What Do You Want? | Eric Needs a Plan | CCSS.ELA-CONTENT. WHST.9-10.1; CCSS. ELA-CONTENT.SL.9-10.4 | This activity meets CCSS.ELA-CONTENT.WHST.9-10 if expanded to student research is incorporated to answer the questions and if the reporting is formalized into a written argument. The standard would need to be further specified by letter (a, b, c, d, e). This activity meets CCSS.ELA-CONTENT.SL.9-10.4 if the presentation of the findings is oral and is presented in a logical manner appropriate to the purpose, audience and task. |
| 1 | Lesson 5: Learn How to… | Additional Activity: 1 | CCSS.ELA-LITERACY. RH.9-10.7;CCSS.ELA-LITERACY.RH.9-10.8; CCSS.ELA-LITERACY. RH.9-10.9 | To meet Standard CCSS.ELA-LITERACY.RH.9-10.7, students should examine various interest rate and fee schedules provided in bank promotional materials. If students use quantity and quality reasoning and identify evidence that supports those claims, Standard CCSS.ELA-LITERACY.RH.9-10.8 will be satisfied. If promotional materials are compared across banks, Standard CCSS.ELA-LITERACY.RH.9-10.9 is met. |
| 1 | Lesson 6: Keep Track | Mackenzie at the Mall | CCSS.ELA-LITERACY. WHST.9-10.1; CCSS. ELA-LITERACY.SL.9-10.4 | This activity meets CCSS.ELA-CONTENT.WHST.9-10 if expanded to student research is incorporated to answer the questions and if the reporting is formalized into a written argument. The standard would need to be further specified by letter (a, b, c, d, e). This activity meets CCSS.ELA-CONTENT.SL.9-10.4 if the presentation of the findings is oral and is presented in a logical manner appropriate to the purpose, audience and task. |
| 1 | Lesson 7: Stay Safe | An Urgent Email | CCSS.ELA-LITERACY. WHST.9-10.1; CCSS. ELA-LITERACY.SL.9-10.4 | This activity meets CCSS.ELA-CONTENT.WHST.9-10 if expanded to student research is incorporated to answer the questions and if the reporting is formalized into a written argument. The standard would need to be further specified by letter (a, b, c, d, e). This activity meets CCSS.ELA-CONTENT.SL.9-10.4 if the presentation of the findings is oral and is presented in a logical manner appropriate to the purpose, audience and task. |

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# Common Core State Standards Alignment

| Topic | Lesson | Activity | Standards | Notes |
|---|---|---|---|---|
| 2 | Lesson 2: Finding Employment | Alicia Wants a Career | CCSS.ELA-LITERACY. WHST.9-10.1; CCSS. ELA-LITERACY.SL.9-10.4 | This activity meets CCSS.ELA-CONTENT.WHST.9-10 if expanded to student research is incorporated to answer the questions and if the reporting is formalized into a written argument. The standard would need to be further specified by letter (a, b, c, d, e). This activity meets CCSS.ELA-CONTENT.SL.9-10.4 if the presentation of the findings is oral and is presented in a logical manner appropriate to the purpose, audience and task. |
| 2 | Lesson 2: Finding Employment | Additional Activity: 1 | CCSS.SL.9-10.4; CCSS. SL.9-10.6 | |
| 2 | Lesson 2: Finding Employment | Additional Activity: 2 | CCSS.ELA-LITERACY. WHST.9-10.7; CCSS. ELA-LITERACY.WHST.9-10.8; CCSS.ELA-LITERACY.WHST.9-10.9 | |
| 2 | Lesson 2: Finding Employment | Additional Activity: 5 | CCSS.ELA-LITERACY. WHST.9-10.7; CCSS. ELA-LITERACY.WHST.9-10.8; CCSS.ELA-LITERACY.WHST.9-10.9 | |
| 2 | Lesson 4: Consider Entrepreneurship | Strategy for Getting Started | CCSS.ELA-LITERACY. WHST.9-10.4 - 9 | This activity meets CCSS.ELA-CONTENT.WHST.9-10 if expanded to student research is incorporated to answer the questions and if the reporting is formalized into a written argument. The standard would need to be further specified by letter (a, b, c, d, e). This activity meets CCSS.ELA-CONTENT.SL.9-10.4 if the presentation of the findings is oral and is presented in a logical manner appropriate to the purpose, audience and task. |
| 3 | Lesson 2: Have a Plan? | What Should Daneeka pay First | CCSS.ELA-LITERACY. WHST.9-10.1; CCSS. ELA-LITERACY.SL.9-10.4 | This activity meets CCSS.ELA-CONTENT.WHST.9-10 if expanded to student research is incorporated to answer the questions and if the reporting is formalized into a written argument. The standard would need to be further specified by letter (a, b, c, d, e). This activity meets CCSS.ELA-CONTENT.SL.9-10.4 if the presentation of the findings is oral and is presented in a logical manner appropriate to the purpose, audience and task. |

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## Common Core State Standards Alignment

| Topic | Lesson | Activity | Standards | Notes |
|---|---|---|---|---|
| 3 | Lesson 3: Be a Savvy Shopper | Rafael's Cell Bill is Out of Control | CCSS.ELA-LITERACY. WHST.9-10.1; CCSS. ELA-LITERACY.SL.9-10.4 | This activity meets CCSS.ELA-CONTENT.WHST.9-10 if expanded to student research is incorporated to answer the questions and if the reporting is formalized into a written argument. The standard would need to be further specified by letter (a, b, c, d, e). This activity meets CCSS.ELA-CONTENT.SL.9-10.4 if the presentation of the findings is oral and is presented in a logical manner appropriate to the purpose, audience and task. |
| 3 | Lesson 4: Smart Car Buying | Should Megan Buy a Car? | CCSS.ELA-LITERACY. WHST.9-10.1; CCSS. ELA-LITERACY.SL.9-10.4; CCSS.ELA-LITERACY.RH.9-10.6 | This activity meets CCSS.ELA-CONTENT.WHST.9-10 if expanded to student research is incorporated to answer the questions and if the reporting is formalized into a written argument. The standard would need to be further specified by letter (a, b, c, d, e). This activity meets CCSS.ELA-CONTENT.SL.9-10.4 if the presentation of the findings is oral and is presented in a logical manner appropriate to the purpose, audience and task. |
| 3 | Lesson 4: Smart Car Buying | Scenario Activity: What's the Best Choice? | CCSS.ELA-LITERACY. SL.9-10.4; CCSS.ELA-LITERACY.WHST.9-10.1; CCSS.ELA-LITERACY. RH.9-10.6; CCSS.ELA-LITERACY.RH.9-10.9 | This activity meets CCSS.ELA-CONTENT.WHST.9-10 if expanded to student research is incorporated to answer the questions and if the reporting is formalized into a written argument. The standard would need to be further specified by letter (a, b, c, d, e). This activity meets CCSS.ELA-CONTENT.SL.9-10.4 if the presentation of the findings is oral and is presented in a logical manner appropriate to the purpose, audience and task. |
| 3 | Lesson 4: Smart Car Buying | Additional Activity: 2 | CCSS.ELA-LITERACY. WHST.9-10.1; CCSS. ELA-LITERACY.RH.9-10.6; CCSS.ELA-LITERACY.RH.9-10.9 | This activity meets CCSS.ELA-CONTENT.WHST.9-10 if expanded to student research is incorporated to answer the questions and if the reporting is formalized into a written argument. The standard would need to be further specified by letter (a, b, c, d, e). This activity meets CCSS.ELA-CONTENT.SL.9-10.4 if the presentation of the findings is oral and is presented in a logical manner appropriate to the purpose, audience and task. |

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| Topic | Lesson | Activity | Standards | Notes |
|---|---|---|---|---|
| 3 | Lesson 4: Smart Car Buying | Additional Activity: 3 | CCSS.ELA-LITERACY.WHST.9-10.1; CCSS.ELA-LITERACY.RH.9-10.6; CCSS.ELA-LITERACY.RH.9-10.10 | This activity meets CCSS.ELA-CONTENT.WHST.9-10 if expanded to student research is incorporated to answer the questions and if the reporting is formalized into a written argument. The standard would need to be further specified by letter (a, b, c, d, e). This activity meets CCSS.ELA-CONTENT.SL.9-10.4 if the presentation of the findings is oral and is presented in a logical manner appropriate to the purpose, audience and task. |
| 3 | Lesson 4: Smart Car Buying | Additional Activity: 5 | CCSS.ELA-LITERACY.WHST.9-10.1; CCSS.ELA-LITERACY.RH.9-10.6; CCSS.ELA-LITERACY.RH.9-10.11 | This activity meets CCSS.ELA-CONTENT.WHST.9-10 if expanded to student research is incorporated to answer the questions and if the reporting is formalized into a written argument. The standard would need to be further specified by letter (a, b, c, d, e). This activity meets CCSS.ELA-CONTENT.SL.9-10.4 if the presentation of the findings is oral and is presented in a logical manner appropriate to the purpose, audience and task. |
| 3 | Lesson 4: Smart Car Buying | Additional Activity: 6 | CCSS.ELA-LITERACY.WHST.9-10.1; CCSS.ELA-LITERACY.RH.9-10.6; CCSS.ELA-LITERACY.RH.9-10.12 | This activity meets CCSS.ELA-CONTENT.WHST.9-10 if expanded to student research is incorporated to answer the questions and if the reporting is formalized into a written argument. The standard would need to be further specified by letter (a, b, c, d, e). This activity meets CCSS.ELA-CONTENT.SL.9-10.4 if the presentation of the findings is oral and is presented in a logical manner appropriate to the purpose, audience and task. |
| 3 | Lesson 5: Renting an Apartment | Additional Activity: 1 | CCSS.ELA-LITERACY.WHST.9-10.1; CCSS.ELA-LITERACY.RH.9-10.6; CCSS.ELA-LITERACY.RH.9-10.13 | This activity meets CCSS.ELA-CONTENT.WHST.9-10 if expanded to student research is incorporated to answer the questions and if the reporting is formalized into a written argument. The standard would need to be further specified by letter (a, b, c, d, e). This activity meets CCSS.ELA-CONTENT.SL.9-10.4 if the presentation of the findings is oral and is presented in a logical manner appropriate to the purpose, audience and task. |

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| 3 | Lesson 5: Renting an Apartment | Additional Activity: 3 | CCSS.ELA-LITERACY.WHST.9-10.1; CCSS.ELA-LITERACY.RH.9-10.6; CCSS.ELA-LITERACY.RH.9-10.14 | This activity meets CCSS.ELA-CONTENT.WHST.9-10 if expanded to student research is incorporated to answer the questions and if the reporting is formalized into a written argument. The standard would need to be further specified by letter (a, b, c, d, e). This activity meets CCSS.ELA-CONTENT.SL.9-10.4 if the presentation of the findings is oral and is presented in a logical manner appropriate to the purpose, audience and task. |
| 4 | Lesson 2: Reward Yourself by Saving | Try an Interest Formula Activity | CCSS.MATH.CONTENT.HSN.Q.A.1 | |
| 4 | Lesson 3: Investing Basics | The Rule of 72 Activity | CCSS.MATH.CONTENT.HSN.Q.A.1 | |
| 4 | Lesson 4: Getting Started with Investing | Additional Activity: 1 | CCSS.ELA-LITERACY.WHST.9-10.1; CCSS.ELA-LITERACY.RH.9-10.6; CCSS.ELA-LITERACY.RH.9-10.7; CCSS.ELA-LITERACY.RST.9-10.9 | This activity meets CCSS.ELA-CONTENT.WHST.9-10 if expanded to student research is incorporated to answer the questions and if the reporting is formalized into a written argument. The standard would need to be further specified by letter (a, b, c, d, e). This activity meets CCSS.ELA-CONTENT.SL.9-10.4 if the presentation of the findings is oral and is presented in a logical manner appropriate to the purpose, audience and task. |
| 4 | Lesson 5: How to Build Wealth | Retirement Planning: Start Early! | CCSS.ELA-LITERACY.SL.9-10.4 | |
| 5 | Lesson 5: Credit Cards | Scenario Activity: How Should Ryan Respond? | CCSS.ELA-LITERACY.WHST.9-10.1 | This activity meets CCSS.ELA-CONTENT.WHST.9-10 if expanded to student research is incorporated to answer the questions and if the reporting is formalized into a written argument. The standard would need to be further specified by letter (a, b, c, d, e). This activity meets CCSS.ELA-CONTENT.SL.9-10.4 if the presentation of the findings is oral and is presented in a logical manner appropriate to the purpose, audience and task. |

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| Topic | Lesson | Activity | Standards | Notes |
|---|---|---|---|---|
| 5 | Lesson 7: Dealing with Debt | Scenario Activity - One More Loan? | CCSS.ELA-LITERACY. WHST.9-10.1; CCSS. ELA-LITERACY. RH.9-10.6; CCSS.ELA-LITERACY.RH.9-10.9; CCSS.ELA-LITERACY. SL.9-10.4 | This activity meets CCSS.ELA-CONTENT.WHST.9-10 if expanded to student research is incorporated to answer the questions and if the reporting is formalized into a written argument. The standard would need to be further specified by letter (a, b, c, d, e). This activity meets CCSS.ELA-CONTENT.SL.9-10.4 if the presentation of the findings is oral and is presented in a logical manner appropriate to the purpose, audience and task. |
| 6 | Lesson 1: Investing in Yourself | Additional Activity: 1 | CCSS.ELA-LITERACY. WHST.9-10.7;CCSS.ELA-LITERACY.WHST.9-10.8; CCSS.ELA-LITERACY. WHST.9-10.9 | This activity meets CCSS.ELA-CONTENT.WHST.9-10 if expanded to student research is incorporated to answer the questions and if the reporting is formalized into a written argument. The standard would need to be further specified by letter (a, b, c, d, e). This activity meets CCSS.ELA-CONTENT.SL.9-10.4 if the presentation of the findings is oral and is presented in a logical manner appropriate to the purpose, audience and task. |
| 6 | Lesson 1: Investing in Yourself | Additional Activity: 2 | CCSS.ELA-LITERACY. WHST.9-10.7; CCSS. ELA-LITERACY.WHST.9-10.8; CCSS.ELA-LITERACY.WHST.9-10.9 | This activity meets CCSS.ELA-CONTENT.WHST.9-10 if expanded to student research is incorporated to answer the questions and if the reporting is formalized into a written argument. The standard would need to be further specified by letter (a, b, c, d, e). This activity meets CCSS.ELA-CONTENT.SL.9-10.4 if the presentation of the findings is oral and is presented in a logical manner appropriate to the purpose, audience and task. |
| 6 | Lesson 1: Investing in Yourself | Additional Activity: 3 | CCSS.ELA-LITERACY. WHST.9-10.7; CCSS. ELA-LITERACY.WHST.9-10.8; CCSS.ELA-LITERACY.WHST.9-10.9 | This activity meets CCSS.ELA-CONTENT.WHST.9-10 if expanded to student research is incorporated to answer the questions and if the reporting is formalized into a written argument. The standard would need to be further specified by letter (a, b, c, d, e). This activity meets CCSS.ELA-CONTENT.SL.9-10.4 if the presentation of the findings is oral and is presented in a logical manner appropriate to the purpose, audience and task. |

# Appendix
# Common Core State Standards Alignment

| Topic | Lesson | Activity | Standards | Notes |
|---|---|---|---|---|
| 6 | Lesson 2: Education and Earning Power | Scenario Activity: Antonio at a Turning Point | CCSS.ELA-LITERACY.WHST.9-10.1; CCSS.ELA-LITERACY.RH.9-10.6; CCSS.ELA-LITERACY.RH.9-10.9; CCSS.ELA-LITERACY.SL.9-10.4 | This activity meets CCSS.ELA-CONTENT.WHST.9-10 if expanded to student research is incorporated to answer the questions and if the reporting is formalized into a written argument. The standard would need to be further specified by letter (a, b, c, d, e). This activity meets CCSS.ELA-CONTENT.SL.9-10.4 if the presentation of the findings is oral and is presented in a logical manner appropriate to the purpose, audience and task. |
| 6 | Lesson 3: The Money You'll Need and Where to Find it | Additional Activity: 1 | CCSS.ELA-LITERACY.WHST.9-10.7; CCSS.ELA-LITERACY.WHST.9-10.8; CCSS.ELA-LITERACY.WHST.9-10.9 | This activity meets CCSS.ELA-CONTENT.WHST.9-10 if expanded to student research is incorporated to answer the questions and if the reporting is formalized into a written argument. The standard would need to be further specified by letter (a, b, c, d, e). This activity meets CCSS.ELA-CONTENT.SL.9-10.4 if the presentation of the findings is oral and is presented in a logical manner appropriate to the purpose, audience and task. |
| 6 | Lesson 3: The Money You'll Need and Where to Find it | Additional Activity: 2 | CCSS.ELA-LITERACY.WHST.9-10.7; CCSS.ELA-LITERACY.WHST.9-10.8; CCSS.ELA-LITERACY.WHST.9-10.9 | This activity meets CCSS.ELA-CONTENT.WHST.9-10 if expanded to student research is incorporated to answer the questions and if the reporting is formalized into a written argument. The standard would need to be further specified by letter (a, b, c, d, e). This activity meets CCSS.ELA-CONTENT.SL.9-10.4 if the presentation of the findings is oral and is presented in a logical manner appropriate to the purpose, audience and task. |
| 6 | Lesson 3: The Money You'll Need and Where to Find it | Additional Activity: 3 | CCSS.ELA-LITERACY.WHST.9-10.7; CCSS.ELA-LITERACY.WHST.9-10.8; CCSS.ELA-LITERACY.WHST.9-10.9 | This activity meets CCSS.ELA-CONTENT.WHST.9-10 if expanded to student research is incorporated to answer the questions and if the reporting is formalized into a written argument. The standard would need to be further specified by letter (a, b, c, d, e). This activity meets CCSS.ELA-CONTENT.SL.9-10.4 if the presentation of the findings is oral and is presented in a logical manner appropriate to the purpose, audience and task. |

# Appendix
# Common Core State Standards Alignment

| Topic | Lesson | Activity | Standards | Notes |
|---|---|---|---|---|
| 6 | Lesson 3: The Money You'll Need and Where to Find it | Additional Activity: 4 | CCSS.ELA-LITERACY. WHST.9-10.7; CCSS. ELA-LITERACY.WHST.9-10.8; CCSS.ELA-LITERACY.WHST.9-10.9 | This activity meets CCSS.ELA-CONTENT.WHST.9-10 if expanded to student research is incorporated to answer the questions and if the reporting is formalized into a written argument. The standard would need to be further specified by letter (a, b, c, d, e). This activity meets CCSS.ELA-CONTENT.SL.9-10.4 if the presentation of the findings is oral and is presented in a logical manner appropriate to the purpose, audience and task. |
| 6 | Lesson 3: The Money You'll Need and Where to Find it | Additional Activity: 5 | CCSS.ELA-LITERACY. WHST.9-10.7; CCSS. ELA-LITERACY.WHST.9-10.8; CCSS.ELA-LITERACY.WHST.9-10.9 | This activity meets CCSS.ELA-CONTENT.WHST.9-10 if expanded to student research is incorporated to answer the questions and if the reporting is formalized into a written argument. The standard would need to be further specified by letter (a, b, c, d, e). This activity meets CCSS.ELA-CONTENT.SL.9-10.4 if the presentation of the findings is oral and is presented in a logical manner appropriate to the purpose, audience and task. |
| 6 | Lesson 3: The Money You'll Need and Where to Find it | Additional Activity: 6 | CCSS.ELA-LITERACY. WHST.9-10.7; CCSS. ELA-LITERACY.WHST.9-10.8; CCSS.ELA-LITERACY.WHST.9-10.9 | This activity meets CCSS.ELA-CONTENT.WHST.9-10 if expanded to student research is incorporated to answer the questions and if the reporting is formalized into a written argument. The standard would need to be further specified by letter (a, b, c, d, e). This activity meets CCSS.ELA-CONTENT.SL.9-10.4 if the presentation of the findings is oral and is presented in a logical manner appropriate to the purpose, audience and task. |
| 6 | Lesson 3: The Money You'll Need and Where to Find it | Additional Activity: 7 | CCSS.ELA-LITERACY. WHST.9-10.7; CCSS. ELA-LITERACY.WHST.9-10.8; CCSS.ELA-LITERACY.WHST.9-10.9 | This activity meets CCSS.ELA-CONTENT.WHST.9-10 if expanded to student research is incorporated to answer the questions and if the reporting is formalized into a written argument. The standard would need to be further specified by letter (a, b, c, d, e). This activity meets CCSS.ELA-CONTENT.SL.9-10.4 if the presentation of the findings is oral and is presented in a logical manner appropriate to the purpose, audience and task. |

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# Common Core State Standards Alignment

| Topic | Lesson | Activity | Standards | Notes |
|---|---|---|---|---|
| 6 | Lesson 4: Making It Happen/Your Action Plan | Katie Needs the Cash Activity | CCSS.ELA-LITERACY.WHST.9-10.1; CCSS.ELA-LITERACY.RH.9-10.6; CCSS.ELA-LITERACY.RH.9-10.9; CCSS.ELA-LITERACY.SL.9-10.4 | This activity meets CCSS.ELA-CONTENT.WHST.9-10 if expanded to student research is incorporated to answer the questions and if the reporting is formalized into a written argument. The standard would need to be further specified by letter (a, b, c, d, e). This activity meets CCSS.ELA-CONTENT.SL.9-10.4 if the presentation of the findings is oral and is presented in a logical manner appropriate to the purpose, audience and task. |
| 6 | Lesson 5: Managing Money in School and After | Scenario: Trouble Repaying Activity | CCSS.ELA-LITERACY.WHST.9-10.1; CCSS.ELA-LITERACY.RH.9-10.6; CCSS.ELA-LITERACY.RH.9-10.9; CCSS.ELA-LITERACY.SL.9-10.4 | This activity meets CCSS.ELA-CONTENT.WHST.9-10 if expanded to student research is incorporated to answer the questions and if the reporting is formalized into a written argument. The standard would need to be further specified by letter (a, b, c, d, e). This activity meets CCSS.ELA-CONTENT.SL.9-10.4 if the presentation of the findings is oral and is presented in a logical manner appropriate to the purpose, audience and task. |

National Governors Association Center for Best Practices, Council of Chief State School Officers Title: Common Core State Standards Publisher: National Governors Association Center for Best Practices, Council of Chief State School Officers, Washington D.C. Copyright Date: 2010