

Budgeting

Lesson 1: Student Activities | Pro: Ages 14-18

FINANCIAL FOOTBALL

Every Play Counts in Budgeting

Creating a realistic and specific budget is key to managing your money. In this module, you will learn how to build and maintain a budget that aligns with your goals.

Getting Game-Ready: For many, a budget can feel like a complex game plan with too many moves to master. However, just like a complex play, a budget comes down to a simple and solid plan backed by plenty of practice. Putting the plan into action, you'll hone your skills with each step you take.

As you work to master each run or pass, you'll learn to develop your balance. This balance is essential to successfully managing your money. You need to develop and maintain a balance between where your money comes from and where your money goes. You can then compare these and see if they are in sync. If you are spending more money than you are making (through part-time jobs, a stipend or allowance from your parents, etc.), your budget will fall out of balance, making it difficult to save money and reach your financial goals.

Module Level: Pro, Ages 14-18

Subjects: Economics, Math, Finance, Consumer Sciences, Life Skills

Materials: Facilitators may print and photocopy handouts and quizzes for you, and direct you to the online resources below.

- **Pre- and Post-Test questions:** Answer five questions before completing the Budgeting activities to see how much you already know about the topic. After you've finished all the activities with your teacher and classmates, try taking the quiz again to see how your understanding has grown.
- **Practical Money Skills Budgeting resources:** practicalmoneyskills.com/ff01
- **Budget Worksheet:** practicalmoneyskills.com/ff03
- **Choose Your Route:** Character Case Studies
- **Impulse Purchase Infographic**
- **Glossary of Terms:** Learn basic financial concepts with this list of terms.

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Learning Objectives

- Identify and examine current spending habits
- Identify the various expenses associated with your current lifestyle
- Determine the difference between a “want” and a “need”
- Create a working personal budget that supports your personal financial goals and evolves with your life
- Understand the relationship between a budget and savings goals

Key Terms and Concepts

Before you start the lesson, review the key terms and concepts below. The answers to each budgeting question will get you prepped and game-ready.

What exactly is a budget?

A budget is a financial plan that takes income and expenses into account and provides estimates for how much you make and spend over a given period of time.

Although four out of five Americans use a budget to plan their spending, according to a 2015 Bankrate survey, 18% of all Americans only keep a mental budget.¹ Putting your budget on paper or in a basic spreadsheet is essential if you want a healthy financial future. You can also use mobile apps that support your budget and goals. An accurate monthly budget can help you reach your financial goals, whether you’re saving for a video game system, new shoes, or even your first car. By sticking to a budget, you can save thousands of dollars each year and avoid overspending.

(practicalmoneyskills.com/ff01)

What should I be tracking in a budget?

Use a budget to track your income and expenses to determine exactly how much money you have coming in and how you’re spending it. Take control of your finances by following these five steps for budgeting:

1. Set Guidelines and Financial Goals

If you choose to spend more for some expenses, remember to reduce other costs accordingly. Set guidelines on how much money should go toward different expenses and financial goals.

2. Add Up Your Income

To set a monthly budget, you need to know how much money you’re earning. Make sure you include all income like salary from a part-time job, interest and any other sources.

3. Estimate Expenses

Reevaluate needs and wants when determining monthly fixed and flexible expenses.

4. Find the Difference

Subtract your expenses from your income to find how much disposable income you have. If it’s a negative number, reduce your expenses.

Learning Objectives, cont.

5. Track, Trim and Target

After creating your budget, track your actual income and expenses. You may be surprised to see what you spend on unnecessary expenses. Adjust your budget to fit your lifestyle and financial goals.

How should I categorize wants vs. needs in my spending? Is it wrong to spend money on wants?

It's a balancing act. You need to buy a jacket, but you also want to buy a new cell phone. How do you choose? Consider your wants and needs. Not sure where an item fits? Ask yourself a few questions. What items do you need and are they necessary for your survival? Would it negatively impact your daily life if you were not able to pay for this item?

Next, evaluate your current financial situation and make two lists — one for needs and one for wants. As you make the list, ask yourself the following:

- Which things are most closely aligned with my goals and values?
- What is the opportunity cost of this item, meaning the benefit or value associated with another product, that you must forgo in order to purchase this one?
- How will this benefit me now and in the future?



Did You Know?

If you do not complete Form W-4 because you are working as an independent contractor, taxes are not being deducted from your paycheck.²

When your list is complete, reevaluate what qualifies as a need before making any purchases that will impact your budget. Spending money on something you want versus something you need is called discretionary spending. Examples of discretionary spending: a soda and snack at a convenience store, movie tickets, or a summer vacation.

Wants and discretionary spending aren't bad things. In fact, a want can be an excellent motivator for saving money. However, too much discretionary spending can just as easily be the downfall that prevents monthly saving. By carefully and constantly monitoring discretionary spending habits, you make opportunities to save easier to recognize.

What is the difference between fixed and variable expenses?

As you sort your expenses, you'll find some expenses such as cell phone plans or online streaming subscriptions stay the same from month to month — these are your fixed expenses. Other expenses, such as how much you spend on food, may be lower or higher each month; these are your flexible or variable expenses.



Did You Know?

If you work as a contractor or freelancer, it's important to put money aside regularly from each paycheck for taxes.

What is the difference between gross and net income?

Gross income is the total amount of income an employee earns from a job before taxes are taken out.

Net income is the amount an employee earns once taxes and other items such as health insurance have been deducted from the gross pay.

Learning Objectives, cont.

What strategies can I use to budget for specific events (back-to-school, vacation, etc.)?

Are you gearing up for a big holiday party or a vacation? Budgeting for seasonal events and trips will not only help you manage your finances better, but also offer you more efficient ways to save.

There are a few simple strategies you can use to budget for specific events:

1. **Plan it out.** Before you start shopping, figure out how much you can spend and then set a SMART (Specific, Measurable, Attainable, Relevant, Time-Related) goal. Don't leave anything out — it's better to know ahead of time if your budget will be tight.
2. **Start early and take time to get ready.** The earlier you start, the easier it'll be to avoid last-minute shopping and spending more than you can afford.
3. **Shop around and take advantage of technology.** Play it smart and comparison-shop, check for coupons or deals, and take advantage of free shipping when possible.
4. **Expect the unexpected.** Prepare for the unknown like needing extra supplies or having the cost of an item or ticket go up. Set aside an extra 10 to 15% for surprise costs.
5. **Get creative and learn from experience.** Look for ways to get crafty and cut costs, such as making your own decorations or checking out thrift stores for supplies. Keep track of expenses and write notes for the future about what worked best.

How do I determine my net worth? What is the difference between an asset and a liability?

Creating and sticking to a budget is key to building a strong financial foundation. It's a smart habit that will help you throughout life; it can also support building your overall net worth.

Net worth is your financial wealth at one point in time. The formula to calculate net worth is simple:

Net worth = Assets – Liabilities

An **asset** is something that you own that has positive economic value. Growing your assets leads to a higher net worth. Examples of an asset: savings accounts, collectibles like comic books or baseball cards, vehicles including bikes and cars, stocks, and real estate.

A **liability** is something that you owe, something that has negative economic value. Excessive liabilities can detract from your overall financial picture.

Examples of a liability: cell phone installment payments, home loan, auto loan, unpaid credit card balances.

Generally speaking, the key to greater net worth is maximizing assets while minimizing liabilities.



Did You Know?

You cannot always count on having same-day access to paychecks that were deposited into your accounts.

¹2015 Bankrate Money Pulse poll

²IRS.gov, Independent Contractor (Self-Employed) or Employee?

³U.S. Department of Labor, Bureau of Labor Statistics, Consumer Expenditures Survey, 2017

Student Activities

- > Budgeting Pre- and Post-Test
- > Budget Worksheet
- > Choose Your Route: Character Case Studies
- > Impulse Purchase Infographic

Budgeting Pre- and Post-Test

Student Name: _____

Directions: Answer the questions with the most appropriate answer, noting a, b, c, d or filling in the blank.

1. What is the purpose of a personal budget?

2. What is an example of a flexible expense?

- a. Online subscription service
- b. Cell phone plan
- c. School supplies
- d. Rent payment

3. What is the first step in creating a budget?

- a. Figure out how much money you're receiving (income) and spending (expenses)
- b. Create a list of ways to save money
- c. Divide your income by your expenses
- d. Open a new checking account

4. Which monthly expense is more of a "want" than a "need"?

- a. Cell phone bill
- b. Magazine or online streaming subscription
- c. Lunch costs
- d. School supplies

5. You can budget for annual expenses, such as back-to-school expenses, by putting a little money aside each month.

- a. True
- b. False

Budget Worksheet

Monthly Net Income	
Income #1	\$
Income #2	\$
Interest	\$
Other (i.e., Passive Income)	\$
TOTAL INCOME	\$

Savings	
Saving for Emergencies	\$
Saving for Short-Term Goals	\$
TOTAL INCOME AVAILABLE TO SPEND	\$

Monthly Flexible Expenses	
Food/Groceries	\$
Entertainment (Movies, Restaurants, Special Events, Vacations)	\$
Medical	\$
Education	\$
Utilities	\$
Personal Care (Haircut, Toiletries)	\$
Clothing/Shoes	\$
Philanthropy/Gifts	\$
Child/Dependent	\$
Home Improvement/Maintenance	\$
Pet Care	\$
Travel	\$
Other	\$
TOTAL FLEXIBLE EXPENSES	\$

Monthly Fixed Expenses	
Housing	\$
Debt Payments (Student Loan, Credit Card, Personal Loans)	\$
Insurance	\$
Child Care (Babysitting/Child Support)	\$
Transportation	\$
Phone/Cable	\$
Other	\$
TOTAL FIXED EXPENSES	\$
TOTAL EXPENSES (add flexible and fixed expenses)	\$

TOTAL MONTHLY INCOME AVAILABLE TO SPEND	\$
TOTAL EXPENSES	\$
SUBTRACT TOTAL EXPENSES FROM TOTAL INCOME AVAILABLE TO SPEND (should equal \$0)	\$

Choose Your Route: Character Case Studies

Directions: Work in a team or with a partner to compare and propose revision suggestions for two budgets, one for each of the characters described below. Determine what the 15-year-old student and 18-year-old college student's financial situation could be, considering the following:

- *What is the person's monthly income? Make sure to calculate their net pay, which is the amount they take home after deductions such as taxes (25%) and 401(k) employee retirement accounts (optional 10%).*
- *Which of the expenses are fixed? Flexible? Where could adjustments be made in the budget to reach goals faster?*
- *Which budget will lead to building wealth? Why?*
- *What actions could each character take to build assets over time?*

Character: 15-year-old student

Income: Works part-time for 10 hours a week making \$8 per hour before taxes (gross pay), and also provides dog-walking services for an average income of \$150 in gross pay per month.

What is the monthly net pay, which is income earned monthly after deductions such as taxes (10%) and 401(k) contributions (optional 10%)? (total deductions of 35%)

Goal:

- To have \$500 in a savings account

Character Budget Strengths:

- Willing to give up on some small nice-to-have purchases to reach personal goals

Character Budget Challenges:

- Spends money on impulse buys like quick snacks that they don't love, just find convenient

Monthly Investing and Saving:

- Automatic deposits into savings: \$0, not saving any extra money right now
- Contributions toward retirement: 10% of gross monthly income

Choose Your Route, cont.

Monthly Expenses:

- Eating out: \$55
- Entertainment: \$75
- School supplies: \$50
- Transportation: \$45
- Phone: \$70

Which of the expenses are fixed? Flexible? Where could adjustments be made in the budget to reach goals faster?

Assets:

- \$100 in savings account
- \$50 in checking account

Liabilities:

- \$150 owed for phone, paying it as monthly installments in cell phone bill

Character: 18-year-old college student

Income: Works part-time on campus for 20 hours a week making \$14 per hour before deductions (gross pay)

What is the monthly net pay, which is income earned monthly after deductions such as taxes (25%) and 401(k) contributions (optional 10%)? (average deduction of 35%)

Goal:

- Works part-time on campus for 20 hours a week making \$14 per hour before deductions (gross pay)

Character Budget Strengths:

- Tracks all monthly purchases and looks for ways to save money

Character Budget Challenges:

- Buys a \$10 sandwich or salad at least three times a week for lunch

Choose Your Route, cont.

Monthly Investing and Saving:

- Automatic deposits into savings: \$25
- Contributions toward retirement: 10% of gross monthly income

Monthly Investing and Saving:

- Automatic deposits into savings: \$25
- Contributions toward retirement: 10% of gross monthly income

Monthly Expenses:

- Food/groceries: \$150
- Takeout food: \$120
- Entertainment: \$45
- Utilities: \$45
- Transportation \$0 (walks to class and work)
- Phone: \$50
- Personal care: \$70
- Health insurance: Covered as part of student fees paid for with scholarship
- Housing: \$375 shared apartment with 4 housemates

Which of the expenses are fixed? Flexible? Where could adjustments be made in the budget to reach goals faster?

Assets:

- \$500 in savings account
- \$2,600 in checking account

Liabilities:

- \$500 in credit card debt from last billing cycle and growing this month

Compare Budgets

Which budget will lead to building wealth? Why?

Choose Your Route, cont.

What actions could each character take to build assets over time?



Impulse Buying in the United States

Did you know that the average American impulsively spends over \$5,000 a year? These are often small purchases that you might not even remember making. Acknowledging areas of overspending can be an eye-opening experience. Creating a budget and sticking to it can help you save money and reach your short- and long-term financial goals.

These unplanned expenses add up to \$5,400 a year and a whopping **\$324,000 over a lifetime.**

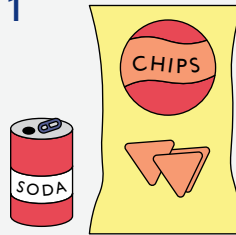
Quick Tips to Reduce Impulse Shopping

- Stick to a shopping list
- Be aware of advertising tactics in the store and online
- Track your spending to keep a clear picture of where your money is going
- Ask yourself: How you will feel about the purchase in a day? In a few months?
- Create a visual of your big financial goals to remind yourself of personal priorities

The 5 Most Common Impulse Buys

The average American spends **\$450** a month on impulse buys.

1



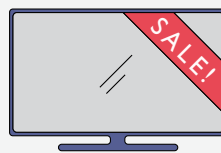
Food/Groceries

2



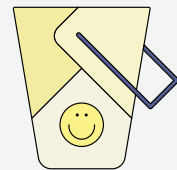
Clothing

3



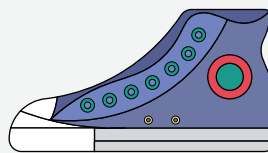
Household Supplies

4



Takeout Food

5



Shoes

Use this template to help build a balanced budget

practicalmoneyskills.com/ff03

Statistics from public news survey of 2,000 Americans in 2018, by Slickdeals.

Glossary of Terms

Study this list of personal finance terms to help warm up before playing Financial Football. By mastering these terms, you will have a better opportunity to answer questions in the game correctly and score.

Assets: Anything of material value owned by an individual or company. This may include your house, car, furniture — anything that's worth money.

Bad debt: Debt taken on for items that a consumer cannot afford and that does not generate opportunities for future income. (See good debt)

Bookkeeping: The recording of financial transactions and exchanges.

Budget: A plan for future spending and saving, weighing estimated income against estimated expenses.

Cash flow: The total amount of money being transferred into or out of a business, account or an individual's budget.

Cost comparison: Comparing the cost of two or more goods or services in an effort to find the best value.

Cost-benefit analysis: Analyzing whether the cost of an item is more than, equal to, or less than the benefit that comes from its purchase.

Expenses: The money an individual spends regularly for items or services.

Federal taxable wages: The sum of all earnings by an employee that are eligible for a specific taxation.

Financial advisor: A professional who provides financial services and advice to individuals or businesses.

Financial partnership: A relationship that requires financial interdependence, contribution and communication.

Financial plan: A strategy for handling one's finances to ensure the greatest future benefit.

Fixed expenses: Personal expenses that are the same each month.

Good debt: The concept that sometimes it is worth taking on certain types of debt in order to generate income in the long run. Some common examples of good or "useful" debt include college education loans and real estate.

Gross income: The total amount of money an individual has earned before voluntary deductions such as 401(k) contributions and involuntary deductions such as taxes are taken out.

Impulse spending: Spur-of-the-moment, unplanned decision to buy, made just before a purchase.

Income: Payment received for goods or services, including employment.

Income tax: Tax levied by a government directly on personal income.

Income volatility: The variance of income, meaning the amount of divergence from the average.

Liabilities: Everything that you owe, which may include your mortgage, credit card balance, interest, student loans and loans from family and friends.

Glossary of Terms, cont.

Long-term financial goal: A financial goal that will take longer than a year to achieve.

Needs: Items needed in order to live, such as clothing, food and shelter.

Net income: The amount an employee earns once taxes and other items are deducted from gross pay.

Net worth: Your financial wealth at one point in time. The formula to calculate net worth is simple:

Net worth = assets – liabilities

Opportunity cost: The benefit or value that one must give up in order to buy or achieve something else.

Purchase price: The price paid for an item or service.

Short-term financial goal: A financial goal that will require less than six months to achieve.

Tuition: Fees paid in exchange for instruction from a school (e.g., primary, high school, college, vocational).

Unexpected expenses: Unplanned for and unforeseen expenses. An emergency fund can help with these expenses.

Variable expenses: Expenses that change in price and frequency each month.

Aim for Strong Stats, Why Credit Counts

Building and managing your credit responsibly is crucial for reaching financial goals. This 45-minute module will help you learn what credit is, how personal creditworthiness is built and maintained, and the factors to consider in choosing different types of loans.

Getting Game-Ready: In football, as in other sports, statistics are used to measure how well individual football players perform, as well as where the team stands in the league's rankings. Favorable numbers play a huge part in how the football player does in his or her career, as well as whether the team eventually makes it to the playoffs or the Super Bowl.

Once you start using credit, whether through credit cards, student loans or other forms of borrowing, you begin building a credit history. Your credit history is a bit like a player's statistics in football. By looking at your past financial statistics, banks or lenders can evaluate and measure the likelihood that you'll be able to pay off debt if they decide to give you a loan or a credit card. In other words, your credit history, measured using past performance with money, determines what kind of credit risk you are.

As you begin to build credit, it's important to learn about creditworthiness and how it can affect your financial future. Avoiding mistakes that damage

your creditworthiness is vital, because once it's damaged, restoring your creditworthiness can be a long and difficult process.

Module Level: Pro, Ages 14-18

Subjects: Economics, Math, Finance, Consumer Sciences, Life Skills

Materials: Facilitators may print and photocopy handouts and quizzes for you, and direct you to the online resources below.

- **Pre- and Post-Test questions:** Answer these questions before completing the Credit activities to see how much you already know about the topic. After you've finished all the activities with your teacher and classmates, try taking the quiz again to see how your understanding has grown.
- **Practical Money Skills Credit resources:** practicalmoneyskills.com/ff12

Overview, cont.

- **Choose Your Own Adventure handout**
- **Practical Money Guides Credit History:**
practicalmoneyskills.com/ff14
- **True Cost of Credit handout**
- **Cost of Credit Financial calculator:**
practicalmoneyskills.com/ff15
- **myFICO Free Credit Scores Estimator:**
practicalmoneyskills.com/ff16
- **CFPB Credit Report Review Tool:**
practicalmoneyskills.com/ff17
- **Glossary of Terms:** Learn basic financial concepts with this list of terms.

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Learning Objectives

- Define credit, credit scores, and credit reports
- Identify what builds creditworthiness
- Examine the five Cs of credit (character, capital, capacity, collateral, and conditions)
- Analyze the costs and benefits of credit cards and other types of credit

Key Terms and Concepts

Before you start the lesson, review the key terms and concepts below. The answers to each question will get you prepped and game-ready.

What is credit and how does it affect my life?

It is an agreement by which a borrower receives something of value now and agrees to pay the lender at a later date. Credit can be a convenient and flexible form of payment, but it must be used responsibly in order for you to make the most of your money.

How do I get a credit score and what does it mean?

When you apply for credit, lenders determine your credit risk by examining a number of factors, including your credit scores from companies like FICO and VantageScore. Each of the three main credit bureaus — Experian, TransUnion, and Equifax — keeps credit information about you that is used to calculate your scores. This includes your payment history, the amount of money you owe, the length of your credit history, and the number of recently opened credit accounts. The resulting three-digit score measures your creditworthiness — how likely you are to repay debts. Scores can vary between 300 and 850. If you haven't ever had a loan in your name, you may not have a score — just like a player who hasn't played in a game yet.

What is a credit score?

Credit score calculations are based on review of your credit report. Your credit report is a statement that has information about your credit activity and current credit situation, such as loan paying history and the status of your credit accounts.

How do I get to see my credit report?

Everyone who is 18 years or older is entitled to receive a free copy of your credit report once every 12 months. Order yours online from annualcreditreport.com or call 1-877-322-8228. You will need to verify your identity with your name, birth date, address, and Social Security number.

Learning Objectives, cont.

How can I build my creditworthiness?

1. Build your Character:

- ✓ Always pay your bills on time.
- ✓ When you are confident you can manage the responsibility of a credit card, consider opening a secured credit card account. Always pay your credit card balance in full and on time each month and maintain balances below 10% of your credit limit.
- ✓ Protect your identity. If your credit card is lost or stolen, report it to the issuer immediately. Check each credit report once a year for inaccuracies and immediately report errors to resolve any issues.
- ✓ Do not apply excessively for credit.

2. Grow your Capital:

- ✓ Use savings strategies to save for the down payment of a future loan.

3. Establish evidence of your Capacity to repay loans:

- ✓ Establish a consistent work history and increase your cash flow.
- ✓ Avoid over borrowing. Whether it is a student loan, mortgage, a credit card, or auto loan, just because you qualify to borrow a certain amount doesn't mean you have to borrow that amount.

4. Document Collateral:

- ✓ Ensure you have a list of property or assets, as some lenders may require you to put up this collateral for certain types of loans.

5. Assess Conditions:

- ✓ Take stock of why you need the loan (such as buying a car), the amount you are requesting, and the current interest rates, as lenders may want to know these details.
- ✓ Consider conditions that are out of your control, like the current state of the economy.

How do I choose the best credit card or loan?

The best way to maximize the benefits of loans, including student, auto, credit card, personal, and peer-to-peer loan options, is to understand your financial lifestyle — what you need, what you want, and how much money you spend. Begin your search for a credit card by determining key factors like how often you'll use it, whether you'll want to use it overseas and if the financial institution that offers it has a branch near you. It's important to make sure you know the terms of the credit card in the following areas:

- Annual percentage rates (APRs) and whether rates are fixed or variable
- Annual, late, and overdraft-limit fees
- Credit limit on account

Learning Objectives, cont.

- Grace periods before interest begins accruing
- Rewards, including airline miles or cash back

Consider your options and be smart about other loans you take out, including:

Student Loans – If you need to borrow money to cover your college tuition, you normally take out a student loan. There are a few options for what kind of loan you would apply for, including federal loans and loans from private companies.

Auto Loans – You may be able to buy and finance a car through auto loans from car dealerships, banks, and credit unions. You may also take out a home equity loan, which allows you to use your home as collateral for your auto loan.

Personal Loans – A personal loan can be used to cover various costs, from repaying credit card debt to taking an expensive vacation, at your discretion. Personal loans can be secured or unsecured, depending on whether you have collateral and the risk you want to take.

Peer-to-Peer Loans – You can use an online service to match up with a peer lender, whether you want a loan for personal purposes or your business. Many of these loans are unsecured, and since operations are conducted entirely online, you should approach peer-to-peer loans with caution.

Student Activities

- > Credit Pre- and Post-Test
- > Credit Choose Your Own Adventure handout
- > True Cost of Credit handout

Credit Pre- and Post-Test

Student Name: _____

Directions: Answer the questions with the most appropriate answer, noting a, b, c or d.

1. What three main factors are used to calculate your credit score?

- a. Your income, debt, and monthly expenses
- b. Your payment history, money owed, and credit history
- c. Your earning potential, income taxes, and monthly expenses
- d. Your payment history, annual income, and total debt

2. What does a credit score help a lender determine?

- a. How much money you owe
- b. Your monthly income
- c. Your savings rate
- d. Your reliability for paying back money you owe

3. The faster you pay back the money you borrow, the lower the amount of interest you will pay over a specific time period.

- a. True
- b. False

4. You are not responsible for late fees on your credit card during vacation.

- a. True
- b. False

5. A good way to begin building credit is:

- a. Pay bills on time
- b. Open and pay off a loan
- c. Maintain a credit card balance that is less than 10 percent of your credit limit
- d. All of the above

Choose Your Own Adventure

Directions: Prepare for this activity by researching the topic of credit scores and how to keep scores strong using the resource below. Review each question, then determine which factor or factors of your credit apply.

Check out 10 Ways to Keep Your Credit Strong: practicalmoneyskills.com/ff20

1. How many credit cards do you have? How long ago did you get your first credit card?

This is an example of which factors in my credit score: (check as many as apply)

- Payment history
- How much you owe
- Length of your credit history
- Different types of credit you have used
- New applications for credit

Which choices would provide the greatest benefit to your score? Which choices would most damage your credit score?

2. How long ago did you get your first loan? (i.e., auto loan, mortgage or student loan, etc.)

This is an example of which factors in my credit score: (check as many as apply)

- Payment history
- How much you owe
- Length of your credit history
- Different types of credit you have used
- New applications for credit

Which choices would provide the greatest benefit to your score? Which choices would most damage your credit score?

3. How many loans or credit cards have you applied for in the last year?

This is an example of which factors in my credit score: (check as many as apply)

- Payment history
- How much you owe

Choose Your Own Adventure, cont.

- Length of your credit history
- Different types of credit you have used
- New applications for credit

Which choices would provide the greatest benefit to your score? Which choices would most damage your credit score?

4. When was the last time you took out a new loan or opened a credit card?

This is an example of which factors in my credit score: (check as many as apply)

- Payment history
- How much you owe
- Length of your credit history
- Different types of credit you have used
- New applications for credit

Which choices would provide the greatest benefit to your score? Which choices would most damage your credit score?

5. How many of your loans currently have a balance?

This is an example of which factors in my credit score: (check as many as apply)

- Payment history
- How much you owe
- Length of your credit history
- Different types of credit you have used
- New applications for credit

Which choices would provide the greatest benefit to your score? Which choices would most damage your credit score?

Choose Your Own Adventure, cont.

6. What is the total balance on all of your loans and credit cards combined?

This is an example of which factors in my credit score: (check as many as apply)

- Payment history
- How much you owe
- Length of your credit history
- Different types of credit you have used
- New applications for credit

Which choices would provide the greatest benefit to your score? Which choices would most damage your credit score?

7. When did you last miss a loan or credit card payment?

This is an example of which factors in my credit score: (check as many as apply)

- Payment history
- How much you owe
- Length of your credit history
- Different types of credit you have used
- New applications for credit

Which choices would provide the greatest benefit to your score? Which choices would most damage your credit score?

8. How many of your loans and/or credit cards are currently past due?

This is an example of which factors in my credit score: (check as many as apply)

- Payment history
- How much you owe
- Length of your credit history
- Different types of credit you have used
- New applications for credit

Choose Your Own Adventure, cont.

Which choices would provide the greatest benefit to your score? Which choices would most damage your credit score?

9. What percent of your total credit card limits do your credit card balances represent?

This is an example of which factors in my credit score: (check as many as apply)

- Payment history
- How much you owe
- Length of your credit history
- Different types of credit you have used
- New applications for credit

Which choices would provide the greatest benefit to your score? Which choices would most damage your credit score?

10. In the last 10 years, have you ever experienced bankruptcy, tax lien, foreclosure, repossession, or an account in collections?

This is an example of which factors in my credit score: (check as many as apply)

- Payment history
- How much you owe
- Length of your credit history
- Different types of credit you have used
- New applications for credit

Which choices would provide the greatest benefit to your score? Which choices would most damage your credit score?

Estimated credit score range:

True Cost of Credit

If you don't pay off your credit card balance every month, the interest assessed on your account means you may be paying more than you expect. And if you spend beyond your means, the resulting interest and debt can become significant.

See how much extra you might pay on a \$250 credit card purchase with varying interest rates and depending on your payment amount each month.

Use the Cost of Credit financial calculator: practicalmoneyskills.com/ff15

Directions: Review each scenario and answer questions on how long it will take to pay the loan off and how much you will pay in finance charges.

Scenario 1

Purchase: \$250 on credit card for new clothes

Monthly payment: Minimum balance of \$40

Credit card APR (interest rate charged): 10%

How long will it take you to pay off? _____

How much will you pay in finance charges (interest fees)? _____

Scenario 2

Purchase: \$250 on credit card for new gaming system

Monthly payment: \$10

Credit card APR (interest rate charged): 15%

How long will it take you to pay off? _____

How much will you pay in finance charges (interest fees)? _____

Scenario 3

Purchase: \$250 on credit card for summer vacation expenses

Monthly payment: \$25

Credit card APR (interest rate charged): 25%

How long will it take you to pay off? _____

How much will you pay in finance charges (interest fees)? _____

True Cost of Credit, cont.

The Convenience of Credit

Credit cards can be powerful financial tools for you and your family, and as with all financial products, they need to be used carefully. A credit card allows you to purchase necessary items now and pay later.

Advantages to Using a Credit Card

- Being able to buy needed items immediately and earn rewards for purchases.
- Credit cards can also offer more security than other options, as they protect from fraud and eliminate the need to carry large amounts of cash.

With These Advantages Come Responsibilities

- Using a credit card is just like taking out a loan. If you don't pay your card balance in full each month, you'll start paying interest on that loan.
- Credit cards have to be managed wisely in order for you to avoid paying interest and accruing debt.
- Understand all terms and conditions.
- Stay on top of payments and realize the true cost of purchases made with credit.
- Maximize the benefits of credit while minimizing the risks, to become a responsible credit card owner.

For more information:

Credit Score Basics at practicalmoneyskills.com/ff22

Glossary of Terms

Study this list of personal finance terms to warm up before playing Financial Football. By mastering these terms, you will have a better opportunity to answer questions in the game correctly and score.

Annual fee: The once-a-year cost of owning a credit card. Some credit card providers offer cards with no annual fees.

Annual percentage rate (APR): The yearly interest rate charged on outstanding credit card balances.

Balance: In personal banking, balance refers to the amount of money in a savings or checking account. In credit, balance refers to the amount of money owed.

Capacity: This refers to your ability to pay off debt.

Capital: Wealth in the form of money or property.

Character: A lender's assessment of your reliability to repay debt based on your credit history.

Collateral: A property or asset pledged as security for repayment of a loan, to be forfeited in the event of a default.

Compound interest: Compound interest (or compounding interest) is interest calculated on the initial principal and also on the accumulated interest of previous periods of a deposit or loan. A savings account earns interest every day. Each time your interest compounds, it gets added back to your account and becomes part of your principal. With more principal, the account earns even more interest, which continually compounds into new principal.

Conditions: This refers to the condition of the economy and how it may affect your ability to repay the loan.

Cost-benefit analysis: Analyzing whether the cost of an item is more than, equal to, or less than the benefit that comes from its purchase.

Credit: An agreement by which a borrower receives something of value now and agrees to pay the lender at a later date.

Credit bureau: A reporting agency that collects information on consumer credit usage. There are currently three main credit bureaus in the United States: Equifax, Experian, and TransUnion.

Credit card: Card issued by a bank or other business for purchases using borrowed funds to be paid back later.

Credit history: A record of an individual's past borrowing and payments.

Credit limit (credit line): The maximum dollar amount that can be charged on a specific credit card account.

Credit rating: A financial institution's evaluation of your ability to manage debt. It's crucial to have a good credit rating if you want to borrow money or apply for a line of credit, such as a credit card. Your credit rating can also impact the cost of some insurance and can be a hiring factor for some employees and a rental agreement factor for some landlords.

Credit report: A document outlining your credit history, for use by credit card issuers and others considering providing you with a loan.

Credit reporting agency: A company that compiles and provides information to creditors to facilitate their decisions about extending credit.

Glossary of Terms, cont.

Credit score: A credit score is a numerical expression primarily based on credit report information typically sourced from credit bureaus. There are many different credit scoring companies; however, most credit score ranges are from 300 to 850.

Creditor: A person or business to whom money is owed.

Creditworthiness: An analysis made by a lender about a consumer's riskiness as a borrower.

Debt: The state of owing money to another individual or business, or the amount of money borrowed.

Debt load: The sum total of all the money you owe.

Debt-to-income ratio: A calculation comparing the amount you owe to the amount you earn. Debt-to-income ratio may be used to see how much debt you can afford to take on.

Finance: To borrow funds for the purpose of a purchase.

Finance charge: Fees assessed from borrowing funds for the purpose of a purchase.

Fixed rate: A fixed rate does not fluctuate over the length of the loan or investment term.

Good debt: The concept that sometimes it is worth taking on certain types of debt in order to benefit financially in the long run. Common examples include college education debt and real estate.

Grace period: The period of time after a payment deadline when the borrower can pay back the borrowed money without incurring interest or a late fee.

Guaranteed interest rate: The minimum interest rate an investor or borrower can expect from an issuing company.

Interest: A charge for borrowed money generally a percentage of the amount borrowed.

Interest rate: The rate at which a borrower pays interest for borrowing an item or money, or the percentage rate earned on a given investment.

Introductory rate: An interest rate offered by lenders in the initial stages of a loan. These rates are often set much lower than standard rates in order to attract new borrowers. Introductory rates, sometimes called teaser rates, are most common in the credit card industry.

Loan term: The period of time during which a loan is active.

Minimum balance: A specific amount of money that a bank or credit union requires in order for you to open or maintain a particular account without paying maintenance or minimum balance requirement fees.

Minimum payment: The minimum amount of money that you are required to pay on your credit card statement each month in order to keep the account in good standing.

Payment history: A record of monthly payment status on an individual's credit report listed since the time the accounts were established.

Variable interest rate: An interest rate that fluctuates based on market changes.

Debt

Lesson 5: Student Activities | Pro: Ages 14-18

FINANCIAL FOOTBALL

Avoiding Fumbles with Debt Management

Understanding the costs and benefits of debt is essential to managing it effectively throughout life. This 45-minute module will prepare students to think critically about types of debt, debt loads, and strategies for managing debt.

Getting Game-Ready: Each football game won is the result of careful planning, strategic plays, and judgment calls. There is a risk, with each pass and rush, that yards might be lost instead of gained on the path to the goal line.

In life, managing debt demands similar planning, careful decision-making, and a solid understanding of the risks, costs, and benefits. With a solid management plan, taking out loans can provide funds that allow you to reach goals such as college expenses or buying a house. However, debt can also spiral out of control, negatively impacting your financial opportunities now and in the future. While the topic of debt may seem overwhelming, it's important to keep your head in the game and take informed action to reach your goals.

Module Level: Pro, Ages 14-18

Subjects: Economics, Math, Finance, Consumer Sciences, Life Skills

Materials: Facilitators may print and photocopy handouts and quiz.

- **Pre- and Post-Test questions:** Answer these questions before completing the Debt activities to see how much you already know about the topic. After you've finished all the activities with your teacher and classmates, try taking the quiz again to see how your understanding has grown.
- **Practical Money Skills Debt resources:** practicalmoneyskills.com/ff40
- **Index cards**
- **Glossary of Terms:** Learn basic financial concepts with this list of terms.

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Learning Objectives

- Explore types of debt and their costs and benefits
- Calculate debt-to-income ratio
- Discover strategies to manage and alleviate debt
- Discuss the dangers of debt and how to prevent lasting negative impacts
- Identify tools for debt management planning

Key Terms and Concepts

Before you start the lesson, review the key terms and concepts below. The answers to each debt question will get you prepped and game-ready.

What types of loans are sometimes considered good debt? Bad debt?

Borrowing money (taking on debt) can help you reach goals but it can also become a burden. To decide whether a debt is good or bad for your personal situation you will need to consider the benefits and costs. In general, debt that helps you earn more in the long term with proper planning, such as school loans, business loans, or real estate mortgages are considered good debt. Meanwhile, debt that has no potential of making you money is considered bad debt. In other words, good debt helps your future self and bad debt hurts your future self.

What is debt load and how is it calculated?

The sum total of all the money you owe is called your debt load. To determine whether your load is more than you can afford, you'll want to calculate your debt-to-income ratio by comparing the amount you owe to the amount you earn.

How much debt is too much debt?

Excessive debt is a problem that only gets worse the longer it continues. Warning signs that debt is getting out of hand include not being able to pay bills and owing late fees. Lenders typically like to see a debt-to-income ratio (DTI) of 35% or less.

When does it make sense to take out a loan?

There are many different types of loans:

- Student Loans
- Mortgage Loans
- Auto Loans
- Personal Loans
- Peer-to-peer Loans

Learning Objectives, cont.

Taking out a loan is a big responsibility and commitment. When you're choosing a loan it's important to consider the interest rate, length of the loan, and overall cost of borrowing the money. Loans can allow you to leverage time — giving you access to opportunities such as education, real estate, and transportation. However, debt can also quickly grow and get out of hand, so it's critical to consider how much debt you can afford to repay.



Did You Know?

If you can't afford your monthly payments, your creditors may be willing to put you on a new payment plan.

How can I prevent debt problems?

- Keep track of what you owe and monitor your credit report for accuracy
- Avoid borrowing more money than you can afford to repay
- Not everyone receives a steady paycheck. If your income varies, it is of particular importance to minimize your debt burden
- Create a plan for repayment when considering loan options
- Pay bills on time; if you can't make a payment, call to notify and negotiate with your creditor
- Know your consumer rights. Find out more at the Consumer Financial Protection Bureau's website (consumerfinance.gov)

How can I rebuild my finances after debt?

You can't rewrite your credit history, but you can rebuild it. Whether you've undergone a major life event or filed for bankruptcy, reestablishing your credit rating takes time and discipline so it's helpful to create a plan you can stick to. You'll need to demonstrate that you're able to pay your bills on time every month and make regular repayments to a credit line.

Five ways to rebuild financial credibility:

- Credit builder loan
- Using a secured credit card account and avoiding balances greater than 9% of the credit limit
- Becoming an authorized user on another person's account
- Making payments on time
- Reducing total debt balances

Student Activities

- > Debt Pre- and Post-Test
- > Strategies for Managing Debt
- > Examining Debt Load

Debt Pre- and Post-Test

Student Name: _____

Directions: Answer the questions with the most appropriate answer, noting a, b, c, d or filling in the blank.

1. Your personal debt is:

- a. The PIN code for your debit card
- b. What is in your savings account
- c. What you owe in money, goods or services
- d. The same as your credit score

2. Which of the following is a warning sign that you could have a problem with debt?

- a. You aren't sure how much you owe
- b. This month's bills arrive before last month's have been paid
- c. You often owe late fees
- d. All of the above

3. Decisions you can make that will help pay down your debt include:

- a. Canceling your credit cards
- b. Opening a new, low-interest credit card account
- c. Increasing your income and reducing your expenses
- d. All of the above

4. Your "debt load" is _____.

- a. Your total available credit
- b. Your debt-to-income ratio
- c. Your number of credit accounts
- d. The total amount you owe

5. So-called "good debt" is debt that helps to improve your _____.

Strategies for Managing Debt

Directions: You'll be divided into two teams to complete this activity.

Part 1: Work with your team to fill out seven index cards, one for each of the following debts or loans. On each index card, write down an interest rate and loan amount based on the ranges provided below for each item.

- Auto loan Index Card: 0% - 20%, \$1,000 - \$10,000
- Credit card debt #1 Index Card: 12% - 34%, \$250 - \$15,000
- Credit card debt #2 Index Card: 12% - 34%, \$250 - \$15,000
- Credit card debt #3 Index Card: 12% - 34%, \$250 - \$15,000
- Mortgage Index Card: 4% - 5%, \$100,000 - \$300,000
- Payday loan Index Card: 300% - 450%, \$350 - \$500
- Auto title loan Index Card: 750%, \$2,500 - \$10,000

Part 2: On a blank piece of paper, write down an answer key that identifies the order in which you'll repay your seven debts, using one of the following two repayment strategies.

Debt Snowball Method: This method of paying off loans works by prioritizing debts based on their size. By paying off smaller loans first, you'll be able to pay off several loans earlier on, and your payments "snowball" as you're psychologically rewarded. Many people feel more motivated to pay off loans if they can see visible progress.

Debt Avalanche Method: Paying off debt through the debt avalanche method means first making the minimum payment on each debt, then using any remaining money to start paying off the debt that has the highest interest rate. Once you've paid off your highest interest rate debt, tackle the debt with the next highest interest. Using this method can result in paying off debt more quickly while reducing overall interest rates.

Part 3: Swap cards with another team and compete. The team who can first correctly order its seven index cards for each strategy wins. The teacher holds each team's answer key and is the referee.

Examining Debt Load

Directions: This activity can be done in small teams or individually.

The sum total of all the money you owe is called debt load. To determine whether your load is more than you can afford, you'll want to calculate your debt-to-income ratio by comparing the amount you owe to the amount you earn.

Part 1: Review Josh and Maria's personal finances:

- Josh has an average monthly income of \$1,800 after taxes; and is making payments on his laptop and cell phone that cost \$175 a month.
- Maria has an average monthly income of \$4,400 after taxes; a monthly mortgage of \$1,700.

Part 2: Read Understanding Debt Load on the Practical Money Skills website: practicalmoneyskills.com/ff41.

Part 3: Based on what you've read, calculate who has a better debt-to-income ratio: Josh or Maria.

Glossary of Terms

Study this list of personal finance terms to help warm up before playing Financial Football. By mastering these terms, you will have a better opportunity to answer questions in the game correctly and score.

Bad debt: Debt taken on for items that a consumer cannot afford and that does not generate opportunities for future income. (See good debt)

Bankruptcy: A condition of insolvency where an individual or business is unable to repay debts. Bankruptcy is a way to eliminate debts or repay them under court protection and supervision, although child support payments, alimony, fines, taxes, and some student loan obligations are typically not eliminated. Bankruptcy will stay on your credit report 7 or 10 years depending on the type of bankruptcy filing, possibly affecting your ability to buy or rent a home, and will likely result in higher interest rates on future loans.

Collateral: This is an asset, like a property, that you may need to provide to a lender to get a loan. In many cases, collateral is required for certain types of loans, like mortgages and auto loans.

Cost-benefit analysis: Analyzing whether the cost of an item is more than, equal to, or less than the benefit that comes from its purchase.

Creditor: A person or business to whom money is owed.

Debt: The state of owing money to another individual or business, or the amount of money borrowed.

Debt avalanche method: Paying off debt through the debt avalanche method means first making the minimum payment on each debt, then using any remaining money to start paying off the debt that has the highest interest rate. Once you've paid off your highest interest rate debt, tackle the debt with the next highest interest. Using this method can result in paying off debt more quickly while reducing overall interest rates.

Debt counseling: Debt management advice and services available through either of the following national organizations: American Consumer Credit Counseling, National Foundation for Credit Counseling.

Debt load: The sum total of all the money you owe.

Debt snowball method: This method of paying off loans works by prioritizing debts based on their size. By paying off smaller loans first, you'll be able to pay off several loans earlier on, and your payments "snowball" as you're psychologically rewarded. Many people feel more motivated to pay off loans if they can see visible progress.

Debt-to-income ratio: A calculation comparing the amount you owe to the amount you earn. Debt-to-income ratio may be used to see how much debt you can afford to take on.

Equity: In business, equity is a business's value and someone who has equity in the company owns part of the company. Two business partners who own equal parts of a business both have an equal amount of equity in the company. If the business is a corporation, the owner's equity is called shareholders' equity and shareholders receive shares or stock. Someone who owns half of the corporation's stocks owns half the company.

Finance: To borrow funds for the purpose of a purchase.

Glossary of Terms, cont.

Foreclosure: A legal process in which a mortgaged property is confiscated because the borrower has failed to keep up payments.

Good debt: The concept that sometimes it is worth taking on certain types of debt in order to generate opportunities for income in the long run. Some common examples of good debt include college education debt and real estate.

Liabilities: Everything that you owe, which may include your mortgage, credit card balance, interest, student loans and loans from family and friends. The sum total of all the money you owe is what's commonly known as your debt load.

Loan: Money or assets borrowed and paid back with interest over time.

Loan principal: An amount borrowed that remains unpaid, excluding interest.

Loan term: The period of time during which a loan is active.

Mortgage: A mortgage is a loan needed to purchase a property; it includes three parts: a down payment, monthly payments, and fees. The monthly payment is the amount needed to pay off the mortgage over the length of the loan and includes a payment on the principal of the loan as well as interest. There are often property taxes and other fees included in the monthly bill. The fees are comprised of various costs you have to pay up front to get the loan. The down payment is the up-front amount you pay to secure a mortgage. The larger your down payment, the better your financing deal will be. You'll get a lower mortgage interest rate, pay fewer fees, and gain equity in your home more rapidly.

Mortgage payment: The payment a borrower makes each month toward the purchase of a home.

Mortgage term: The agreed-upon amount of time to pay off a mortgage.

Opportunity cost: The loss of potential gain from other alternatives when one alternative is chosen.

Principal: The amount of money you deposit in your account to begin saving or the original amount of money borrowed.

Secured loans: For secured loans, which are often used for an influx of cash, you must provide collateral in the form of a liquid asset, like a savings account, or property. For example, once you have a car or home, you could use the property and your equity in it as collateral for a secured loan, giving you access to funds you can use for a number of things.

Student loan: A loan offered to students for education-related expenses that must be repaid.

Unsecured loans: An unsecured personal loan doesn't require you to put up any collateral (like a car) for the loan. If you don't repay it, the lender can't claim collateral as compensation. But there is something you risk if you default on either unsecured or secured loans — your credit. Lower credit scores could make it more difficult to get approved for other types of credit.

Choosing Your Team: Finding a Financial Institution

Examining how financial institutions operate and the services they provide is a key part of making the most of your money. This 45-minute module will help you learn how to choose banking services, use debit and prepaid cards, and understand the factors to consider when managing electronic and mobile banking.

Getting Your Class Game-Ready: When football coaches are directing teams toward a win, they choose the players best suited to each play based on the athletes' strengths and weaknesses. Players themselves consider the best way to maximize their performance and work together as a team to reach a win.

This strategy can also be applied when choosing a financial institution, using debit cards and prepaid cards, and managing online banking; it's good to know the relative strengths of your options, as well. Knowing how they work and how best to use them in various financial situations lets you tap into the advantages of each. Just like building a strong football team, working with financial institutions requires clear communication and an understanding of your goals.

Module Level: Pro, Ages 14-18

Subjects: Economics, Math, Finance, Consumer Sciences, Life Skills

Materials: Facilitators may print and photocopy handouts and quizzes for you, and direct you to the online resources below.

- **Pre- and Post-Test questions:** Answer these questions before completing the Financial Institutions activities to see how much you already know about the topic. After you've finished all the activities with your teacher and classmates, try taking the quiz again to see how your understanding has grown.
- **Practical Money Skills Financial Institutions resources:** practicalmoneyskills.com/ff33
- **What Am I? Game Questions**
- **Affinity Mapping Character Scenarios**
- **Glossary of Terms:** Learn basic financial concepts with this list of terms.

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Learning Objectives

- Compare and contrast different types of financial institutions and the services they provide
- Identify the features and costs of personal checking accounts offered by different financial institutions
- Identify how debit and prepaid cards work as payment methods
- Determine the various pros and cons to all types of cards
- Identify how to manage purchases and payments using electronic and mobile banking

Key Terms and Concepts

Before you start the lesson, review the key terms and concepts below. The answers to each financial institutions question will get you prepped and game-ready.

What types of financial institutions are there?

Just like any other business, a financial institution sells products to earn money so that it can run its operations and provide services. Three common types of financial institutions are banks, credit unions, and community banks. To understand how financial institutions operate, know that when you deposit money in a bank, it gets pooled into a shared fund along with everyone else's money; this allows the financial institution to make loans. When you deposit money into a checking or savings account, your financial institution is obligated to allow you to access and withdraw funds from accounts you own.

What does FDIC-insured mean?

Federal Deposit Insurance Corporation (FDIC) preserves and promotes public confidence in the U.S. financial system by insuring deposits in banks for at least \$250,000 per depositor, per insured bank, for each account ownership category. FDIC insurance covers depositors' accounts at each insured bank, dollar-for-dollar, including principal and any accrued interest, through the date of the insured bank's closing, up to the insurance limit. This means that, in the event funds are stolen, the bank fails, or the bank closes, the account holder will be reimbursed for deposits totaling up to \$250,000.

What does NCUA-insured mean?

The National Credit Union Administration (NCUA) preserves and promotes public confidence in the U.S. financial system by insuring deposits in credit unions for at least \$250,000 per depositor, per insured credit union, for each account ownership category. Share insurance coverage offered through the National Credit Union Share Insurance Fund (NCUSIF) protects members against losses if a federally insured credit union should fail.

Do I have to open a checking account? What are the benefits if I do open an account?

Did you know that 6.5% of households in the United States were unbanked in 2017 according to the FDIC¹? That's 8.4 million households that aren't taking advantage of the services offered by financial institutions. It's not mandatory to

Learning Objectives, cont.

open a checking account, but opening an account offers many benefits. An additional 18.7% of U.S. households (24.2 million) were underbanked, meaning that the household had a checking or savings account but also obtained financial products and services outside of the banking system, like payday loans.

Banking — all the services offered by a bank or credit union — allows individuals to deposit funds, transfer money and complete transactions in a secure place. Checking accounts offer four primary benefits:

- Security
- Convenience
- Budgeting
- Earns interest



Did You Know?

The IRS will never email you or contact you via social media and will rarely call you without first sending you a letter.²

What services do financial institutions offer? What fees do they charge?

Financial institutions offer a range of services and products including checking and savings accounts. These accounts allow customers to deposit and withdraw money, pay bills, and earn interest. Some common fees include monthly account fees, ATM fees, and overdraft fees. Often these are avoidable with proper knowledge of bank policies, such as the need to maintain a certain account balance.

What is the difference between a debit card, prepaid card, and credit card?

When football coaches are directing their team toward a win, they choose the players best suited to each play based on the athletes' strengths and weaknesses.

By the same token, when it comes to choosing among credit cards, debit cards, and prepaid cards, it's good to know their relative strengths. Knowing how they work and how best to use them in various spending circumstances lets you tap into the advantages of each without getting penalized. Before applying for a credit card, research and understand the fees associated with various cards.

Here's an easy way to remember the difference:

Pay now: Debit cards. Debit card transactions are withdrawn instantly from your checking account.

Pay later: Credit cards. Credit card transactions are added to your credit card balance. It's important to pay each balance on time and in full.

Pay in advance: Prepaid cards. A prepaid card can be loaded with funds to make purchases anywhere a debit card is accepted. There may be fees that accompany using a prepaid card.

Learning Objectives, cont.

What services do electronic banking and mobile banking include?

- Locate ATMs
- Direct deposit
- Deposit checks — some even allow deposit by taking a picture of a check through the banking app
- Debit card purchases
- Track spending and review account history
- 24/7 account access
- Bill pay
- Text message notifications and account alerts



Did You Know?

The Consumer Financial Protection Bureau (CFPB) is tasked with protecting consumers and enforcing federal consumer financial laws.

How do I manage my account once it is open? How do I handle inaccuracies or mistakes with my account?

Three Quick Tips for Checking Account and Debit Card Management

1. Keep an eye on your bank account balance and how much money you have available.
2. Know your limits. Find out how much cash you are allowed to withdrawal and how much money you can spend with your debit card.
3. Communicate with your financial institution. You can receive automatic alerts about changes to your account. If you notice any mistaken charges or inaccuracies, tell your financial institution right away.

Student Activities

- > Financial Institutions Pre- and Post-Test
- > What Am I? Game Questions
- > Affinity Mapping Character Scenarios

Financial Institutions Pre- and Post-Test

Student Name: _____

Directions: Answer the questions with the most appropriate answer, noting a, b, c or d.

1. A key difference between credit unions and banks is:

- a. Banks usually pay higher interest on savings accounts
- b. Credit unions are usually member-owned
- c. Bank debit cards are more widely accepted
- d. All of the above

2. What are the consequences of not having a bank account?

- a. Your employer may be forced to pay you with a fee-based payroll card
- b. Money saved under a mattress can be lost from fire or theft
- c. Savings under a mattress does not earn interest
- d. All of the above

3. A single fund account is insured by the Federal Deposit Insurance Corporation (FDIC) for up to how much?

- a. \$1,000,000
- b. \$500,000
- c. \$250,000
- d. \$150,000

4. When you're selecting a bank or credit union, it is important to research each institution's non-network ATM fees, annual fees and overdraft fees.

- a. True
- b. False

5. If you want to switch banks:

- a. Compare services at other banks and credit unions first
- b. Compare fees at other banks and credit unions first
- c. Consider the location and convenience of other banks and credit unions first
- d. All of the above

What Am I? Game Questions

Exploring Checking Accounts and Financial Institutions

Directions: Circle the answer in the “What am I?” section that most appropriately answers the question.

1. I am a nonprofit money cooperative whose members can borrow from pooled deposits at low interest rates.
What am I? (bank, credit union, or both)
2. I am a for-profit public company owned by shareholders who have purchased company stock. What am I?
(bank, credit union, or both)
3. I am insured by the NCUA. What am I? (bank, credit union, or both)
4. I am insured by the FDIC. What am I? (bank, credit union, or both)
5. This is where you can go to open a checking or savings account. What am I? (bank, credit union, or both)
6. This is where you can go to open a money market account. What am I? (bank, credit union, or both)
7. I am a financial institution that offers online banking. What am I? (bank, credit union, or both)

Affinity Mapping: Finding the Right Financial Service

Financial Services & Products:

Directions: Students will be divided into small teams. Teams work together answer questions about the benefits of various financial accounts and what to watch for that might not be beneficial.

Bank A: Simple Checking

No minimum balance requirements, free mobile app and text messages

What are the benefits?

What are the things to watch out for?

Bank B: Bundled Savings and Checking Account

\$1,000 minimum balance requirement for savings account and \$500 minimum balance requirement for checking account, overdraft protection with checking account, no ATM fees, savings account pays 0.1% interest

What are the benefits?

What are the things to watch out for?

Affinity Mapping: Finding the Right Financial Service, cont.

Credit Union C: Free Checking with Add-on Options

No minimum balance requirements, no monthly maintenance fee, free access to 240 credit union ATMs nationwide, option to add savings account for \$1 minimum deposit, savings interest rate of 0.15%

What are the benefits?

What are the things to watch out for?

Prepaid Card D: Paid in Advance and Ready to Go

No loading or monthly maintenance fee, can only spend what is loaded on the card, \$1 per transaction fee

What are the benefits?

What are the things to watch out for?

Learn More:

Debit Cards and Prepaid Cards:

practicalmoneyskills.com/ff34

practicalmoneyskills.com/ff35

Electronic and Mobile Banking:

practicalmoneyskills.com/ff38

practicalmoneyskills.com/ff39

Affinity Mapping: Finding the Right Financial Service, cont.

Directions: Students will be divided into small teams. Each team will be provided with Affinity Mapping Character Scenarios. Teams work together to map the bundled services and products to the correct character and justify their decisions.

Character: 15 years old

Income: \$45 twice a month for watching neighbors' kids

Current Financial Snapshot: \$125 in cash

Banking Priorities:

- Values convenience — wants easy access to money without having cash on hand

Character Challenges:

- Does not have an adult ready to act as joint account holder

Which product would best fit this person's needs? Why?

Character: 17 years old

Income: \$0, occasionally gets cash for holidays or birthday

Current Financial Snapshot: \$75 in cash in wallet

Banking Priorities:

- Values security — doesn't want to worry about losing cash

Character Challenges:

- Limited funds for opening and maintaining an account

Which product would best fit this person's needs? Why?

Affinity Mapping: Finding the Right Financial Service, cont.

Character: 18 years old

Income: \$120 a week working part-time

Current Financial Snapshot: \$500 in a checking account

Banking Priorities:

- Values saving on costs — doesn't want to have funds eaten up by fees

Character Challenges:

- Current checking account charges \$4 ATM fee; needs a better option

Which product would best fit this person's needs? Why?

Character: 19 years old

Income: \$320 a week working part-time

Current Financial Snapshot: \$1,500 in cash in jar at home, \$250 in cash in wallet

Banking Priorities:

- Values cost savings — doesn't want to have funds eaten up by fees

Character Challenges:

- Does not want to have to pay for checking or savings

Which product would best fit this person's needs? Why?

Glossary of Terms

Study this list of personal finance terms to help warm up before playing Financial Football. By mastering these terms, you will have a better opportunity to answer questions in the game correctly and score.

Account balance: An account balance is the amount of money in a financial institution, such as a savings or checking account, at any given moment.

Annual fee: The once-a-year cost of owning a credit card. Some credit card providers offer cards with no annual fees.

Bank: A financial institution that invests money deposited by customers, provides loans and exchanges currency.

Bank services: Services offered by a bank for convenience, such as online banking, automatic transfer and check cancellation.

Brokerage firm: An organization that charges a fee to act as an intermediary between buyers and sellers of stock.

Certificate of deposit (CD): A savings certificate issued by a bank, depositing money for a specified length of time.

Checking account: An account at a bank that allows checks to be written and deposited by the account holder.

Credit card balance: A credit card balance is the total amount of money you owe to your credit card company. When you use your credit card to make a purchase, the balance increases. When you make a payment, the balance decreases. Any balance that remains at the end of the billing cycle is carried over to the next month's bill.

Credit union: A nonprofit cooperative that is owned by its members. Like banks, credit unions accept deposits, make loans and provide a wide array of other financial services.

Debit card: A card that allows consumers to make purchases using money from their bank account. Debit card transactions are paid instantly, not in the future. A debit card is tied directly to a bank account, so when you make a purchase with that card, money is withdrawn from your account.

Deposit: Adding a sum of money to your account to increase your account balance.

Federal Deposit Insurance Corporation (FDIC): A body that regulates most banks in the United States and insures most private bank deposits. The Federal Deposit Insurance Corporation (FDIC) preserves and promotes public confidence in the U.S. financial system by insuring deposits in banks and thrift institutions for at least \$250,000. It does this by identifying, monitoring and addressing risks to the deposit insurance funds; and by limiting the effect on the economy and the financial system when a bank or thrift institution fails. An independent agency of the federal government, the FDIC was created in 1933 in response to the thousands of bank failures that occurred in the 1920s and early 1930s.

Financial advisor: A professional who provides financial services and advice to individuals or businesses.

Financial partnership: A relationship that requires financial interdependence, contribution and communication.

Financial plan: A strategy for handling one's finances to ensure the greatest future benefit.

Guaranteed interest rate: The minimum interest rate an investor can expect from an issuing company.

Glossary of Terms, cont.

Internal Revenue Service (IRS): A United States government agency that is responsible for the collection and enforcement of taxes.

Invest: Putting money into an item, enterprise, or financial product with the expectation of earning a profit on that fund over time.

Investment: An item or financial product on which a consumer expects to earn a profit in the future.

Investment portfolio: A range of investments held by a person or organization.

Investment strategy: A set of rules or procedures to guide an investor's selections.

Liquidity: Being able to easily or quickly you can withdraw your money.

Minimum balance: A specific amount of money that a bank or credit union requires in order for you to open or maintain a particular account without paying maintenance or minimum balance requirement fees.

National Credit Union Share Insurance Fund (NCUSIF): The National Credit Union Administration preserves and promotes public confidence in the U.S. financial system by insuring deposits in credit unions for at least \$250,000 per depositor, per insured credit union, for each account ownership category.

New York Stock Exchange (NYSE): A New York City–based stock exchange, which is considered the largest equities-based exchange in the world based on total market capitalization.

Nonprofit organization: An organization chartered for purposes other than making profits. These are groups that are tax-exempt under Internal Revenue Code Section 501(c)(3) as “public charities” because they are formed to provide “public benefit.”

Online banking: Allows customers to conduct financial transactions via the internet.

Overdraft fees: Fees incurred when a customer withdraws more money from an account than what is available in the account.

Withdrawal: When you take money out of your account, thereby reducing your principal.

Withdrawal limit: The maximum amount a customer is able to withdraw from an account on a given day.

Withdrawal penalty: Any penalty incurred by an account holder for early withdrawal from an account with withdrawal restrictions.

Identity Theft

Lesson 6: Student Activities | Pro: Ages 14-18

FINANCIAL FOOTBALL

Avoiding Injury with Identity Theft Protection

Identity theft protection and fraud prevention are incredibly important aspects of a healthy financial life. This 45-minute module empowers you to manage risks, monitor your financial life, and take preventive action to protect your financial futures.

Getting Game-Ready: Athletes who train for their sport see many benefits on and off the field. It builds strength and agility, it provides time for practice and growth, and it helps minimize the risk of injury. Players work diligently to protect themselves when training and competing.

While most of us are not dodging tackles at high speeds, we do have a similar need to protect ourselves when it comes to finances. Identity theft has become increasingly prevalent and even affects children before they start building their own credit. Being aware of common risks and prevention strategies is an important step.

Module Level: Pro, Ages 14-18

Subjects: Economics, Math, Finance, Consumer Sciences, Life Skills

Materials: Facilitators may print and photocopy handouts and quizzes for you, or direct you to the online resources below.

- **Pre- and Post-Test questions:** Answer these questions before completing the Identity Theft activities to see how much you already know about the topic. After you've finished all the activities with your teacher and classmates, try taking the quiz again to see how your understanding has grown.
- **Practical Money Skills Identity Theft resources:** practicalmoneyskills.com/ff43
- **Identity Theft Game Plan activity handout:** Using the research tools provided, brainstorm and create a list of strategies to build awareness, prevent problems, and protect yourself from identity theft.
- **Two Scams and an Ad handout:** Play with a partner or small team to see how many identity theft risks you can identify.
- **Glossary of Terms:** Learn basic financial concepts with this list of terms and definitions.

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• Identity Theft Protection: Two Scams and an Ad.....	10
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Learning Objectives

- Identify what identity theft and fraud are and how they can impact your financial life
- Examine strategies to avoid identity theft and scams
- Discover ways to handle identity theft, fraud, and/or security breaches

Key Terms and Concepts

Before starting the lesson, familiarize yourself with the key terms and concepts that will be covered. The answers to each question will help you get prepped and game-ready.

What is identity theft?

Identity theft can take many forms. With financial identity theft, it's often a case of bank accounts or credit cards being accessed and used illegally. For example, the thief may take out cash or max out a credit card. Uncaught it can have a serious impact on your credit score. Another form of identity theft is when criminals gain access to your Social Security number and use it illegally — to take out loans or open credit card accounts, for example.

What are common types of identity theft scams?

- **Phishing:** These are scams that try to trick someone into giving away their personal information, such as bank account numbers or passwords.
- **Emails:** Beware of emails coming from suspicious sources, which may be attempts to get your personal information. Do not reveal your financial account passwords, PINs, or other security-based data to third parties; genuine organizations or institutions do not need your secret data for ordinary business transactions.
- **Smishing:** Smishing is similar to a phishing scam. Computer users receive an authentic-looking email that appears to be from their bank, Internet service provider (ISP), favorite store, or some other organization. Smishing messages are also sent to you via SMS (text message) on your mobile phone. Do not respond to them. Delete them and the emails.
- **Clone Phishing:** This refers to re-sending an email that has a malicious attachment or link. Don't open attachments to questionable emails; they may contain viruses that will infect your computer.
- **Vishing:** Vishing is where a scammer calls pretending to be someone you know in an attempt to get your personal information. Potential victims may hear an automated recording informing them that their bank account has been compromised and providing a toll-free number to reset security settings associated with the account.
- **Skimmers:** This is when scammers install devices at an ATM, a gas station pump, or a store's checkout counter to copy the information from a shopper's debit or credit cards.
- **Whaling:** These scams are directed at high-profile business people to get their personal financial information.

Learning Objectives, cont.

What steps can I take to protect myself from identity theft?

There are six simple steps you can take to reduce the risk of becoming a victim of identity theft or card fraud.

1. Practice safe internet use
2. Destroy unneeded financial documents
3. Guard your Social Security number
4. Check your credit report
5. Beware of scams
6. Secure your mail

What do I do if I think I have been a victim of identity theft?

If your private financial information gets into the wrong hands, the consequences can be devastating. If you find yourself a victim of identity theft, act quickly, taking the following steps:

- Report the fraud to your bank or credit union that issued the card and request replacement cards
- Report the fraud to law enforcement
- Contact the fraud departments of each of the credit bureaus
- File a fraud report
- Create a fraud recovery plan

Credit Bureau Contact Information

Equifax

Order Credit Report: 1-800-685-1111

Fraud Hotline: 1-888-766-0008

equifax.com

Experian

Order Credit Report: 1-888-397-3742

Fraud Hotline: 1-888-397-3742

experian.com

TransUnion

Order Credit Report: 1-877-322-8228

Fraud Hotline: 1-800-680-7289

transunion.com



Did You Know?

Secure Sockets Layer (SSL) is data protocol used to keep your online transactions safe. Some URLs start with "http://" while others start with "https://". Did you notice that extra "s" when you were browsing websites that require giving over sensitive information, like when you were paying bills online? The extra "s" means your connection to that website is secure and encrypted, and any data you enter is safely shared with that website.

Where can I get help and information about identity theft?

For information about fighting back against identity theft, visit the Federal Trade Commission's Identity Theft website (identitytheft.gov) or call the hotline: 1-877-IDTHEFT (1-877-438-4338).

Learning Objectives, cont.

Get more information on identity theft.

- Learn more about identity theft basics and ways to protect yourself at practicalmoneyskills.com/ff43
- Read the Identity Theft Practical Money Guide at practicalmoneyskills.com/ff45



Did You Know?

One indicator of being a victim of identity theft is that your credit report shows unfamiliar activity.

Student Activities

- > Pre- and Post-Test
- > Identity Theft Protection Game Plan
- > Identity Theft Protection: Two Scams and an Ad

Identity Theft Protection Pre- and Post-Test

Student Name: _____

Directions: Answer the questions with the most appropriate answer, noting a, b, c, d or filling in the blank.

1. Which is an effective way to prevent fraud?

- a. Shredding documents that contain credit account information
- b. Online shopping only on secure sites
- c. Spreading purchases over various accounts
- d. Both A and B

2. An indicator that you've been a victim of identity theft could be:

- a. Getting a prank call
- b. Your bank adding additional security measures to its site
- c. Denials of credit for no apparent reason
- d. You meet someone with the same name as you

3. What information is NOT okay to share with a friend?

4. What are examples of safe internet use?

5. What are warning signs of scams to watch out for?

Identity Theft Protection Game Plan

Identity theft is a growing problem causing financial damage for millions of Americans. To lower your chances of becoming a victim of identity theft, it's important to understand how to best protect your finances and personal information.

Directions: To build our agility at protecting our information, we'll work in teams to create a game plan. Each group will research and document things to watch out for (awareness), things to avoid (prevention) and things to do (protection). Time to get started on your game plan.

Select Your Group's Research Focus (Check One of the Boxes Below)

- Protecting yourself online
- Protecting yourself in real life while out and about
- Protecting yourself at home and on your devices

Create a Plan

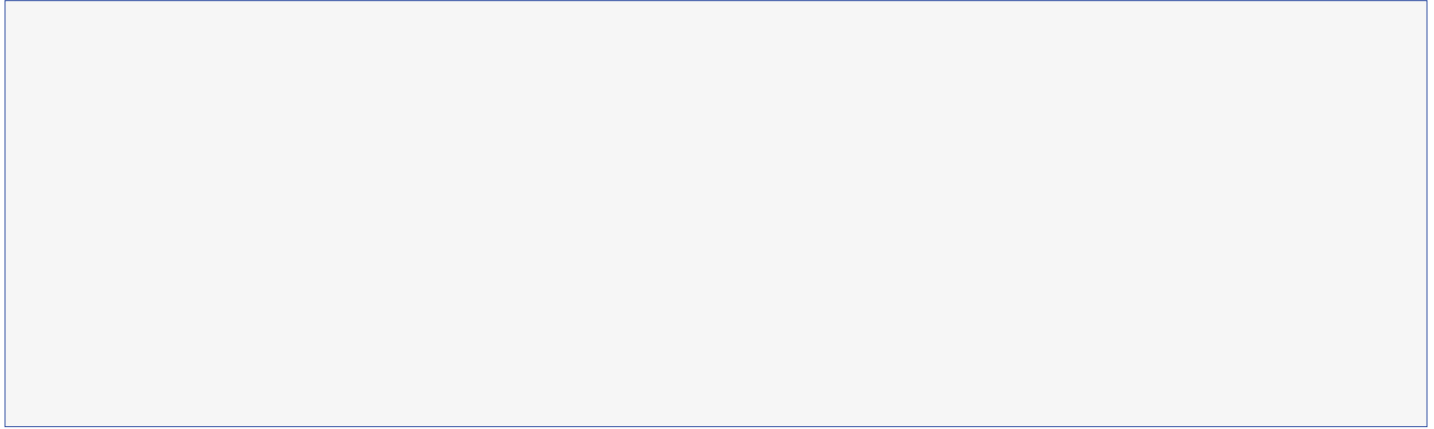
Use the research resources below and your team's ideas to create a list of strategies to build awareness, prevent problems, and protect yourself.

- [Identity Theft Basics](https://practicalmoneyskills.com/ff46): practicalmoneyskills.com/ff46
- [How to Prevent Fraud](https://practicalmoneyskills.com/ff47): practicalmoneyskills.com/ff47
- [Identity Protection While Traveling](https://practicalmoneyskills.com/ff48): practicalmoneyskills.com/ff48
- [Consumer Financial Protection Bureau Fraud and Scams](https://consumerfinance.gov/consumer-tools/fraud): consumerfinance.gov/consumer-tools/fraud

Learning Objectives, cont.

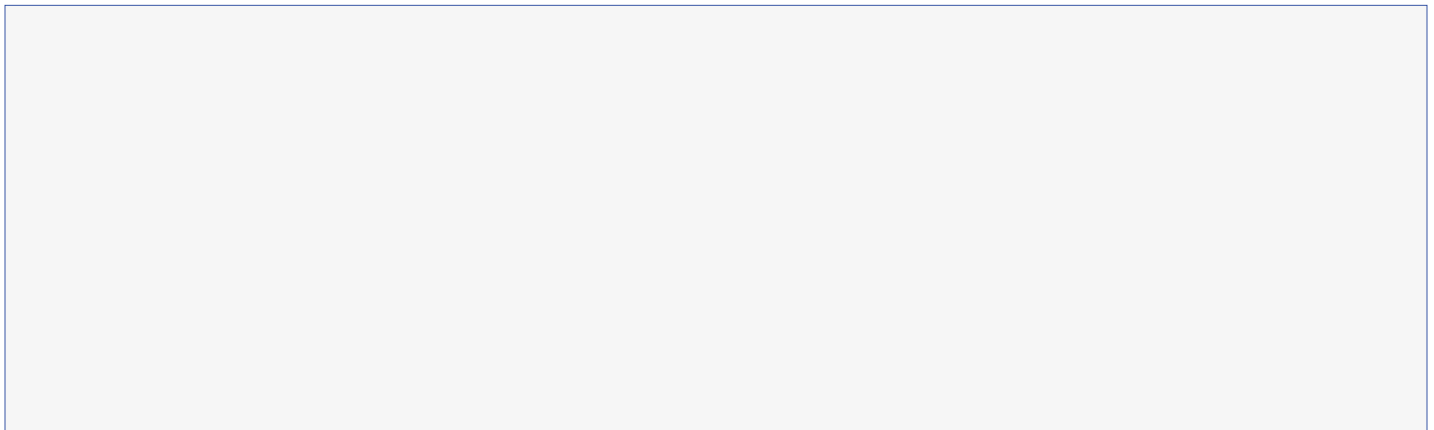
Build Awareness

What warning signs should people watch out for?



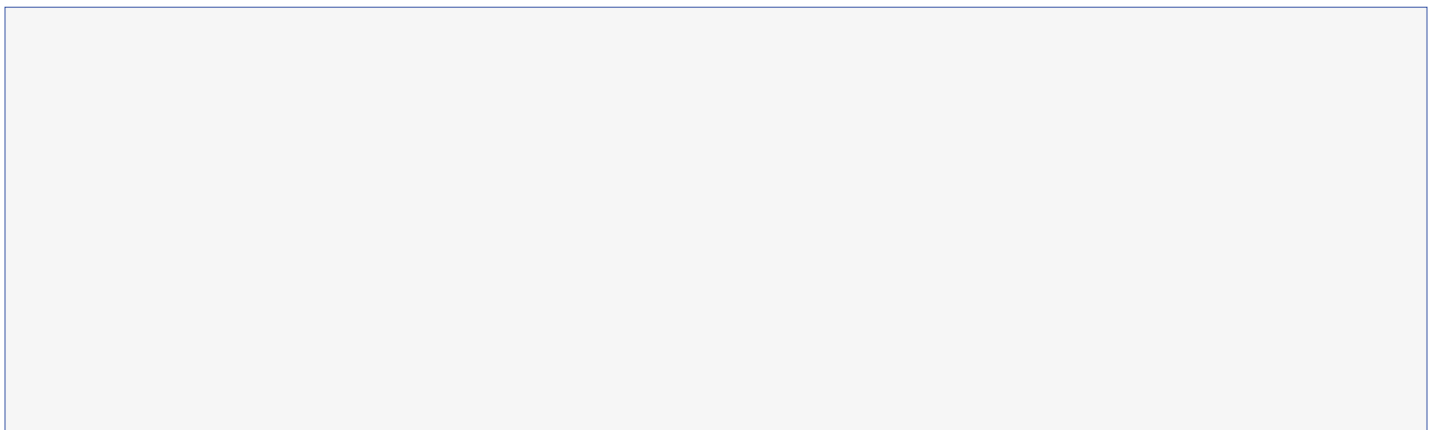
Prevent Possible Problems

What risks should people avoid taking with their information?



Protect Yourself

What actions can you take to protect your information?



Identity Theft Protection: Two Scams and an Ad

Directions: Can you spot the scam? Play with a partner or small team to see how many identity theft risks you can identify. Your answer should identify each scenario as a “scam” or an “ad” and explain your reason. Include tips or best practices for protecting your identity.

Something Phishy

1. You get a call and are excited to hear you’ve been awarded a scholarship! They know your name, your school, and when you’re graduating. They say that, in order to finalize the award they will need your address and banking details.

2. You get a text from a store you’ve only gone to once offering 50% off. The text includes a link to the national website to download the offer.

3. You get an email invite to view a cloud-based document; it’s your friend’s name but the email isn’t one you remember your friend using.

Mal-Intent or Just Annoying Marketing?

1. You get a text with a brief survey from your favorite store two days after making a purchase there. You told the sales clerk you didn’t want text offers.

Identity Theft Protection: Two Scams and an Ad, cont.

- Someone knocks on the door, selling magazines for a school fundraiser. For just \$5 you can get two years of your favorite subscription. They need you to give your name, address, and credit card info. They have a glossy handout listing the magazines but no other formal documentation.

- You get a text offering help to get scholarships; it says, "Click here to sign up today for discounted access to support."

Unexpected Sharing or Serious Issue?

- You shared a video online explaining the solution to a math problem. The video did not show your face, just the math problem onscreen. Someone commented on the video, sharing your name, phone number, and email and telling others they should reach out for tutoring.

- You download an app and it asks if it can access your personal information.

- Your friends shared an online quiz; it's easy to take and the results tell you which of your favorite TV characters you are most like. When you click on the link through social media, it requires access to your profile and asks permission to post your result to your profile.

Identity Theft Protection: Two Scams and an Ad, cont.

Convenience or Con?

1. You're at a street festival with friends and decide to buy a few things at one of the booths. The person at the booth says the card scanner is in back and asks for your card, promising to be right back.

2. You're running errands with your family and someone notices the credit card reader at the gas station looks different and is sticking out slightly. Seems odd, but the screen still looks like the machine is working.

3. You're at the grocery store and after swiping your debit card they offer you a game board and stickers so you can start playing the grocery sweepstakes game.

Summer Job or Position in Pyramid Scheme Scam?

1. Several friends are working as dog walkers using a new app. It lets pet owners see days you are available to work and lets you set your own rate. You mention wanting to try it and a friend sends you an invite through the app.

2. You're scrolling on social media when you spot a friend's meme: "Need some extra cash? Turn \$5 into \$40...Join my team and download the cash app below."

Identity Theft Protection: Two Scams and an Ad, cont.

3. You see a flyer in front of a local coffee shop: "Summer job, work at home, do crafts for easy money." It includes a phone number and website info. Curious, you check out the website and see it costs \$49.99 to get a starter kit of high-quality supplies.



Glossary of Terms

Study this list of personal finance terms to warm up before playing Financial Football. By mastering these terms, you will have a better opportunity to answer questions in the game correctly and score.

Clone Phishing: This is resending an email that now has a malicious attachment or link. Do not open attachments to questionable emails; they may contain viruses that will infect your computer.

Credit bureau: A credit bureau is a company that gathers and stores various types of information about you and your financial accounts and history. They use this information to create your credit reports and credit scores. The three major consumer credit bureaus are Equifax®, Experian®, and TransUnion®.

Identity theft: The fraudulent use of another person's information for financial gain.

Malware: Software that is intended to damage or disable computers and computer systems.

Pharming: The fraudulent practice of directing internet users to a bogus website that mimics the appearance of a legitimate one, in order to obtain personal financial information such as passwords, account numbers, etc.

Phishing: The fraudulent practice of sending emails purporting to be from reputable companies in order to induce individuals to reveal personal financial information, such as passwords and credit card numbers.

Pyramid schemes: Illegal schemes in which money from new investors is used to show a false return to other investors.

Scam: A fraudulent activity or deceptive act.

Security breaches: An incident that results in unauthorized access of data, applications, services, networks and/or devices by bypassing their underlying security mechanisms.

Skimming: A method used by identity thieves to capture information from a card holder.

Smishing: This is similar to a phishing scam. Computer users receive an authentic-looking email that appears to be from their bank, Internet service provider (ISP), favorite store, or some other organization. Smishing messages are also sent to you via SMS (text message) on your mobile phone. Do not respond to them. Delete them and the emails.

Social Security Identity Theft: A dishonest person who has your Social Security number can use it to get other personal information about you. Identity thieves can use your number and your good credit to apply for more credit in your name. Then, they use the credit cards and don't pay the bills, it damages your credit. You may not find out that someone is using your number until you're turned down for credit, or you begin to get calls from unknown creditors demanding payment for items you never bought. ssa.gov/pubs/EN-05-10064.pdf

Whaling: These scams are directed at high-profile business individuals to get their personal financial information.

Life Events

Lesson 7: Student Activities | Pro: Ages 14-18

FINANCIAL FOOTBALL

Planning Routes for Life Events

Each phase of life brings its own unique adventures requiring complex decision-making. This 45-minute module builds student awareness and provides them with skills to navigate the challenges and opportunities that life presents.

Getting Game-Ready: In a rush of action on the field, players have to rely on their personal skills and training from their coaches to make on-the-spot decisions. In the process of even the simplest play, unexpected events can completely change the game. A blitz, an audible or a fumble can easily shift the outcome.

Just like players on the field, we can't predict everything that our future will bring, but we can focus our energy and time on learning strategies and insights to make informed decisions. With each step we take to become better prepared mentally and financially, we can improve our ability to successfully manage major life events.

Module Level: Pro, Ages 14-18

Subjects: Economics, Math, Finance, Consumer Sciences, Life Skills

Materials: Facilitators may print and photocopy handouts and quizzes for you, and direct you to the online resources below.

- **Pre- and Post-Test questions:** Answer five questions before completing the Life Events activities to see how much you already know about the topic. After you've finished all the activities with your teacher and classmates, try taking the quiz again to see how your understanding has grown.
- **Practical Money Skills Life Events resources:** practicalmoneyskills.com/ff50
- **Life Event Action Plan handout:** (One for each life event): Using the research tools, brainstorm and create action plans for life events such as buying a car and building an emergency fund.
- **Glossary of Terms:** Learn basic financial concepts with this list of terms.

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• Landing a Job Action Plan handout.....	17
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• Handling the Unexpected Action Plan handout.....	23
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Learning Objectives

- Identify personal financial goals
- Examine strategies for handling a variety of life events
- Make informed financial decisions by comparing options, benefits, costs, and potential risks
- Create an action plan for navigating life events such as buying a car, going to college, or choosing housing
- Discover ways to plan for unexpected financial decisions and expenses

Key Terms and Concepts

Before you start the lesson, review the key terms and concepts below. The answers to each Life Events question will get you prepped and game-ready.

What steps can I take to make informed financial decisions?

Each phase of life brings exciting choices and unique challenges. When it comes to managing your money, you can make better decisions when you're well informed.

How can I prepare for unexpected expenses?

Unexpected events can take a lasting toll on your financial security. While you can't predict what experiences you will encounter in life, there are steps you can take to prepare for the unexpected. A job loss or an expensive car repair bill will be much more manageable if you've created a financial security net to fall back on. There are three key areas to consider in planning for the unexpected: emergency funds, insurance and your overall budget.

How can I navigate complex financial decisions for buying a car? Going to college? Finding housing?

Life is full of exciting milestones and complex decisions. Whether you're buying your first car, heading off to college or finding a new home, it's important to understand the potential impact on your finances. By examining costs, considering options, and planning ahead; you'll be better prepared to make decisions to help you reach your goals. Here are some of the events that will be covered.

- **Going to college.** Heading off to college means a lot of new experiences — taking classes, living independently for the first time and managing expenses for tuition, housing, food, books and more. Creating a spending plan can help things go smoothly.

- **Buying a car.** Get ready to hit the road by looking at the costs of buying and maintaining a car. Looking at the numbers will help you avoid sending your budget into overdrive.

- **Housing.** Looking to rent an apartment? Or maybe even to buy a house? There are a few key things you need to know before you do. The housing market is highly competitive, fast-moving, and ever-changing. Exploring the ins and outs of renting and buying now can prepare you for opportunities when they arise.



Did You Know?

A healthy diet and regular exercise could save you money on health care in the future.



Did You Know?

Most new cars lose around 20% of their value within the first year of ownership.¹

Learning Objectives, cont.

- **Landing a job.** Whether you're looking for your first job or just searching for a new opportunity, there are some key things to consider. It's important to think about your interests, skills, and financial goals.
- **Family life.** Each stage of family life can present different challenges and rewards: heading out on vacation? Getting a new pet? Figuring out entertainment for the month? Get prepared by planning ahead.
- **Handling the unexpected.** While we can't predict what will happen in our future, we can prepare for the unexpected. Financial security is essential to successfully managing major life events, and that means planning for an emergency fund and thinking about insurance.



Did You Know?

Some landlords subscribe to credit-building services that report on-time rent payments to Experian RentBureau, which can build a tenant's credit history.²



Did You Know?

You can open a bank account with a parent if you're a teenager.



Did You Know?

The estimated cost of raising a child from birth to age 17 is over \$233,610 for a child born in 2015.³



Did You Know?

Your parents' private health insurance can cover you until you turn 26, even if you don't live at home.⁴

¹Carfax.com

²Experian

³U.S. Department of Agriculture (USDA) 2015 Expenditures on Children by Families report, also known as "The Cost of Raising a Child."

⁴HealthCare.gov

Student Activities

- > Life Events Pre- and Post-Test
- > Going to College Action Plan handout
- > Buying a Car Action Plan handout
- > Housing Action Plan handout
- > Landing a Job Action Plan handout
- > Family Life Action Plan handout
- > Handling the Unexpected Action Plan handout

Life Events Pre- and Post-Test

Student Name: _____

Directions: Answer the questions with the most appropriate answer, noting a, b, c, d or filling in the blank.

1. What are some common expenses for students?

2. A car owner is NOT responsible for:

- a. License plates
- b. Proof of health insurance
- c. A driver's license
- d. Annual vehicle registration

3. If you break your phone, you may have to pay a deductible before insurance will cover a replacement.

- a. True
- b. False

4. To apply for college scholarships, you can:

- a. Check with your school's guidance office
- b. Ask local employers what might be available
- c. Expedite the process by paying a fee
- d. A and B

5. A _____ can help you find a new job.

- a. Strong professional network
- b. Resume
- c. Professional online presence
- d. All of the above

Action Plan: Going to College

Heading off to college means a lot of new experiences — taking classes, living independently for the first time and managing expenses for tuition, housing, food, books and more. Creating a spending plan can help things go smoothly. Answer the questions below after researching the costs of going to college at the links provided.

Directions: Before you answer the questions in this activity, review visit the Practical Money Skills website to learn more about preparing to go to college (practicalmoneyskills.com/ff51).

Set Your Sights

What are the three general types of post-secondary schools?

Research college types: practicalmoneyskills.com/ff51

Which appeal to you most and why?

Consider SMART (Specific, Measurable, Attainable, Relevant, Time-Related) goals: practicalmoneyskills.com/ff52

Prepare Financially

How do I prepare for the college admissions process?

Choosing the path that is the right fit for you is a process that begins your first year in high school. The U.S. Department of Education compiled a grade-level-specific checklist of recommended tasks. Review the tasks for your current grade level and, if you have time, future grade levels. As an option, add each task to a calendar, such as the calendar on your phone.

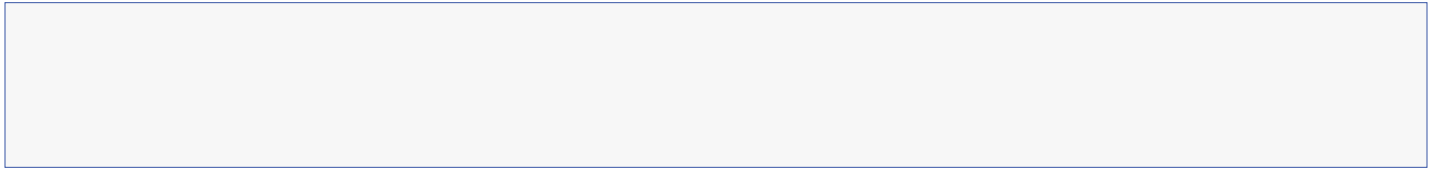
- 9th grade checklist: studentaid.ed.gov/sa/prepare-for-college/checklists/9th-grade
- 10th grade checklist: studentaid.ed.gov/sa/prepare-for-college/checklists/10th-grade
- 11th grade checklist: studentaid.ed.gov/sa/prepare-for-college/checklists/11th-grade
- 12th grade checklist: studentaid.ed.gov/sa/prepare-for-college/checklists/12th-grade

Action Plan: Going to College, cont.

How much will school cost?

The published price for college is rarely the price you pay. Many students receive grants or scholarships; however, they won't know what the price will be until they receive financial award letters. According to the College Board, the average tuition and fees for the 2018–2019 school year were \$35,830 at private colleges, \$10,230 for state residents at public colleges, and \$26,290 for out-of-state residents attending public universities. These costs do not include room and board.

Before selecting colleges you want to apply to, explore costs of a number of factors including tuition, using the U.S. Department of Education's College Scorecard tool to identify five affordable college options: collegescorecard.ed.gov



In order to receive financial aid for college, students will need to apply each year online at fafsa.ed.gov, which provides loans for almost all two- and four-year colleges, universities, and career schools in the country. The amount of aid you receive may vary from one year to the next.

Remember that not everyone who applies receives aid. Grants and loan packages are awarded according to your income and the tuition of the school you're applying to. You can estimate how much aid you might be eligible for by using the federal government's Student Aid Eligibility calculator (studentaid.ed.gov/sa/fafsa/estimate).

When it comes to financial aid, you have two main options:

- **Scholarships and merit-based aid.** Did you get good grades in high school? That will help when you apply for scholarships and merit-based aid. Even if the answer is no, there are still plenty of opportunities — you'd be amazed at the sheer variety of scholarships out there. Do your research — there's money waiting for you depending on where you were born, what your career goals are, and what extracurricular activities you've been involved in.
- **Student loans and need-based aid.** If you're not eligible for scholarships or merit-based aid (or if these don't cover the whole bill), there are other options. Find out how much need-based aid you're eligible for through your school or through a lender. If that's not enough, other institutions also offer financial assistance, though they may use different formulas with different results.

Be sure you understand your loan repayment responsibilities before accepting financial aid. If it's a grant, it doesn't have to be repaid. Loans do have to be repaid with interest upon graduation. If you're going to go that route, shop around for a good interest rate — you'd be surprised how much difference a couple of percentage points make over time. To find out just how much, explore your options using the Repaying Student Loans calculator.

Federal Financial Aid

The William D. Ford Federal Direct Loan Program is the sole government-backed loan program in the United States. Also known as Stafford Loans, these provide funding directly to students and their parents or guardians in two general varieties:

Action Plan: Going to College, cont.

- **Subsidized.** Available only to undergraduate students. Eligibility is based on demonstrated financial need. The federal government pays the interest while you are in school on at least a half-time basis.
- **Unsubsidized.** Available to undergraduate and graduate students. Eligibility is not based on financial need and the borrower is responsible for paying all the interest.

Federal Perkins Loans

The Federal Perkins loan is a campus-based loan program, awarded by the college or university's financial aid office to undergraduate and graduate students with exceptional financial need. The interest rate on the Federal Perkins loan is fixed at 5%.

PLUS Loans

As its name suggests, the federal Parent Loan for Undergraduate Students (PLUS) loans are loans that parents can take out on behalf of a dependent undergraduate child who is enrolled at least half-time at an eligible school. The child must meet general eligibility requirements for federal student aid. These loans can also be taken by graduate or professional students to supplement other financial aid packages. The loan amount is the total cost of attendance minus the borrower's total financial aid package. For example, if tuition costs \$30,000 per year and the student is receiving \$25,000 from other sources, the maximum PLUS loan would be \$5,000.

Loan Limits

Most student loans have several types of limits on the amount you can borrow:

- Annual loan limits determine the maximum amount you can borrow in a single academic year.
- Aggregate loan limits, sometimes called cumulative limits, describe the total amount you are allowed to borrow during your academic career.
- Cost of attendance (COA) limits specify that the loan amount must be less than the school's official cost of attendance minus other financial aid received.

Imagine that your parents aren't aware of options that can help you pay for college and you have to email them information on the basics. Construct an example of an email using the resources below (Prepare Financially and Grants), and explain to your parents the following:

- Why a subsidized loan is better than an unsubsidized loan, if you must borrow money.
- How grants and scholarships are similar.
- Why grants and scholarships are better than loans.

Resources: Prepare Financially practicalmoneyskills.com/ff58

Grants practicalmoneyskills.com/ff59

Action Plan: Going to College, cont.

Comparing the costs of colleges can be challenging. Many experts believe you should never borrow more for college than what you can expect to earn your first year after graduation. To ensure you know before you owe, review the Consumer Financial Protection Bureau’s (CFPB) Compare Schools to help compare college costs and financial aid offers. This can help you and your parents make an informed financial decision.

Resource: consumerfinance.gov/paying-for-college/compare-financial-aid-and-college-cost

Budgeting in College

Research what your budgeting and spending might look like once you’re on campus.

Resource: Budgeting in College. practicalmoneyskills.com/ff61

Would you choose to live at home, on campus, or off campus? Why?

Beyond housing and tuition, what other expenses should be considered?

What ways could you earn money while in school? Can you invest while in school?

Repaying Loans

School loans are not free money. Thinking ahead for your future self, consider how much a loan will really cost.

How Much Will Your Loan Really Cost?

Assume you choose to borrow \$40,000 over four years to go to college. Respond to each of the questions using the Practical Money Skills calculator.

Resource: How Much Will Your Loan Really Cost calculator: practicalmoneyskills.com/ff62

Action Plan: Going to College, cont.

- **Loan #1:** 5% interest rate, length of loan 120 months
 - Minimum monthly payment: _____
 - Total finance charge: _____
 - Total payment amount (including interest): _____

- **Loan #2:** 8% interest rate, length of loan 120 months
 - Minimum monthly payment: _____
 - Total finance charge: _____
 - Total payment amount (including interest): _____

- **Loan #3:** 8% interest rate, length of loan 168 months
 - Minimum monthly payment: _____
 - Total finance charge: _____
 - Total payment amount (including interest): _____

How does the interest rate affect the cost of borrowing?

How does the length of the loan affect the monthly payment?

How does the length of the loan affect the amount paid in interest?

Building a Support Team and Taking Next Steps

Who can you talk to in order to find out more about your college options? What actions can you take now to prepare for college?

Action Plan: Buying a Car

Ready to hit the road? Not so fast. A car can be more than just your personal transportation. Your new set of wheels can improve your quality of life by bringing more ease and convenience, but it's also a major purchase that involves regular maintenance and additional costs such as insurance, a license, and registration fees. Because of this, you'll want to choose a car that won't send your budget into overdrive. There are many routes you can take to buying a car.

Directions: After reading the Buying a Car content on Practical Money Skills, answer the following questions with as many details as possible.

Resource: Buying a Car. practicalmoneyskills.com/ff63

Set Your Sights

What type of car are you interested in and why?

Include estimated cost; the make, model, and year; whether it's new or used; and whether it is a hybrid, gas, or electric-powered car

What other costs will you need to consider besides the car payment?

Research common car expenses. practicalmoneyskills.com/ff63

Prepare Financially

Will you buy used or new? Or will you lease your car? What are the benefits and drawbacks of each?

Research buying used or new, or leasing with the resources listed below.

Resources: Buying a Used Car. practicalmoneyskills.com/ff64

Leasing a Car. practicalmoneyskills.com/ff65

Action Plan: Buying a Car, cont.

How much car can you afford?

Use the calculator to consider options.

Resource: Much Car Can You Afford? practicalmoneyskills.com/ff66

How will you pay for your car?

Research ways to finance a car.

Resource: Auto Financing. practicalmoneyskills.com/ff67

Building a Support Team and Taking Next Steps

What strategies can you use to get a good deal?

Check out tips.

Resource: Getting a Good Deal. practicalmoneyskills.com/ff68

What actions can you take now to prepare for buying a car?

Action Plan: Choosing Housing

Looking to rent an apartment? Or maybe even to buy a house? There are a few key things you need to know before you do. The housing market is highly competitive, fast-moving and ever-changing. Exploring the ins and outs of renting and buying now can prepare you for opportunities when they arise.

Directions: Do your homework first before starting this activity. Research options for buying a home or renting an apartment using the resources listed below.

Resources: Buying a Home. practicalmoneyskills.com/ff69
 Renters Rights. practicalmoneyskills.com/ff70

Set Your Sights

What are the rights and responsibilities of renting vs. buying?

List the difference between renting and buying in the table below:

	Renting	Buying
Rights		
Responsibilities		
Risks		

Which appeals to you most and why?

Action Plan: Choosing Housing, cont.

Searching for the Right Place

What are the key things to consider in choosing a home or apartment?

Research and list at least 3 things to consider:

Choosing the Right Home. practicalmoneyskills.com/ff71

Searching for the Right Place. practicalmoneyskills.com/ff72

1.

2.

3.

Prepare Financially

How do the costs compare for renting vs. buying?

Examine the costs of renting and buying: Buying a Home. practicalmoneyskills.com/ff69

Use the calculators below to weigh the costs.

- Practical Money Skills Home and Mortgage Calculators: practicalmoneyskills.com/ff73
- New York Times calculator: Review the categories of expenses for renting and buying. nytimes.com/interactive/2014/upshot/buy-rent-calculator.html

Which will cost more up front?

What are the recurring costs for renting? For buying?

Action Plan: Choosing Housing, cont.

What is the potential long-term benefit of buying?

Taking Next Steps

What choices can you make now to put yourself in a better position to buy a home in the future?

Action Plan: Landing a Job

Whether you're looking for your first job out of college, searching for a new opportunity or making a career switch, landing a job is a major milestone. You will want to consider not only what job is best suited to your interests and skills, but also what career choice will let you live comfortably within your means.

Directions: Do your homework before starting this activity by learning more about landing a job using the resources listed below.

Resources: Landing a Job. practicalmoneyskills.com/ff75

Set Your Sights

If you had to choose a career for your adult self, what would it be, and why?

What kind of jobs or internships can you take as a teen to help prepare you for your future career?

What skills are valued most for the career and job you listed?

Preparing for the Job Search

Research how to prepare for a job search before answering the questions.

Resource: Preparing for the Search. practicalmoneyskills.com/ff76

You are your own brand and may have a digital footprint from social media or website interactions. If an employer or college admissions officer conducted an online search about you, what would they see? If you're not sure, try it yourself and do what's necessary to improve your digital brand.

Action Plan: Landing a Job, cont.

Choose between the options after reviewing the resource listed below:

- **Option #1:** Write a resume and cover letter that you can add to a summer job application, to help you stand apart from other job applicants. You can find tips on creating an effective resume at: practicalmoneyskills.com/ff75
- **Option #2:** Imagine you are 30 years old. Based on your current career and education aspirations, construct a resume and cover letter for your 30-year-old self; when you're done, use these as a college and career road map.
- **Option #3:** Create a LinkedIn account highlighting your professional strengths.

Share three tips for making yourself stand out as a potential employee.

Acing the Interview

Discover five tips and resources to help prep before the interview.

Resource: The Interview. practicalmoneyskills.com/ff77

What kind of questions might an interviewer ask you? How might you prepare to answer those questions?

Using the Problem-Action-Solution (PAR) outline at the resource above, craft an example that highlights a time you successfully solved a problem.

Action Plan: Landing a Job, cont.

Working From Home: Building a Side Hustle or Business

One of the fastest growing segments of America's workforce is the self-employed. Is a side hustle or business ownership in your future? Answer the following questions to see if such a gig is right for you.

What does it take to be your own boss?

Research working from home and list three things that need to be handled if you are self-employed using the resource listed below.

Resource: Working from Home. practicalmoneyskills.com/ff78

What skills might you use to work from home?

Taking Next Steps

How could you begin building job skills now with an internship or volunteer position? Use the resource listed below before answering the question.

Internships are not only for high school and college students. Whether you're looking for that final resume-building gig to impress future employers or an internship to win over college admissions decision makers, there are resources to help you find your next opportunity.

Resource: Internship Resources. practicalmoneyskills.com/ff79

Action Plan: Family Life

Each stage of family life can present different challenges and rewards: heading out on vacation? Getting a new pet? Figuring out entertainment for the month? Get prepared by planning ahead.

Directions: Your teacher will assign this activity as an individual or group exercise.

Set Your Sights

Which of the following family life adventures is most interesting to you? Why?

- Welcoming a new pet
- Planning a trip
- Hosting a party

Note: Depending on your selection above, work on that section of your Action Plan only.

Welcoming a Pet

Directions: Before starting this activity, read the article [How to Save Money While Welcoming a New Pet](https://practicalmoneyskills.com/ff83):
practicalmoneyskills.com/ff83

To provide the best care for a pet, you'll want to be able to afford meeting its needs, including the basics like food and health care. With this in mind, think carefully and review your budget before deciding to welcome an animal into your family.

What kind of pet are you interested in?

Action Plan: Family Life, cont.

Is this pet affordable in your life? What are the up-front costs? What are the recurring costs?

(List items and estimated prices)

Items	Cost
	Total: \$

Planning a Trip

Directions: From choosing a spot to getting your gear, you can learn about five ways to save before setting off on your next adventure. Read the article at the link below before answering the questions.

Resource: How to Save Money on Your Next Outdoor Adventure practicalmoneyskills.com/ff84

What kind of trip are you interested in taking? Where will you go?

What will your budget be for the whole trip?

Calculate the costs, and record your total. How did you stay within your budget?

Use the Travel Budgeting calculator: practicalmoneyskills.com/ff85

Before boarding the plane or departing on a road trip, use this calculator to help map out your expenses so you don't spend beyond your means.

Action Plan: Family Life, cont.

Hosting a Party

Hosting a party requires planning. Use the Entertainment Planner calculator to budget for your party preparation so you don't overspend. practicalmoneyskills.com/ff86

What kind of event are you hosting? (Birthday celebration, graduation party, Pi Day party, etc.)

What will your budget be for the whole event?

Calculate the costs, and record your total. How did you stay within your budget?

Use the Entertainment Planner Calculator: practicalmoneyskills.com/ff86

Action Plan: Handling the Unexpected

While we can't predict what will happen in our future, we can prepare for the unexpected. Financial security is essential to successfully managing major life events, and that means planning to create an emergency fund and thinking about insurance.

Directions: Do your homework before beginning this activity; learn more about handling the unexpected at the resource listed below.

Resource: Handling the Unexpected. practicalmoneyskills.com/ff92

Building an Emergency Fund

Read the article Building an Emergency Fund: practicalmoneyskills.com/ff90

According to a recent BankRate survey, 40% of all Americans are unprepared to cover a \$1,000 emergency.⁵ Construct a list of possible emergencies that someone could not afford to pay for without three to six months' worth of expenses set aside in a savings account for that purpose.

How much should you save for an emergency fund if your total monthly expenses are \$250? Or \$1,000?

Take a look at your finances and determine how much you should be saving in preparation for the unexpected. A typical emergency fund should cover three to six months' worth of expenses.

Resource: Emergency Fund calculator. practicalmoneyskills.com/ff91

If your friend had an emergency fund goal of \$1,500, and can save \$100 per month, how long will it take to build the emergency fund?

⁵Bankrate's January 2019 Financial Security Index survey

Action Plan: Handling the Unexpected, cont.

Insurance in Case of Emergency

Unexpected events can take a lasting toll on your financial security. While you can't predict what experiences you will encounter in life, there are steps you can take to prepare for the unexpected by having insurance.

Directions: Before answering the questions, review the information at the resource listed below.

Resource: Planning for the Unexpected. practicalmoneyskills.com/ff92

What is insurance?

How can insurance help in handling the unexpected?

Summarize how each type of insurance below protects/helps in case of the unexpected:

Medical/health insurance

Life insurance

Auto insurance

Renters insurance

Action Plan: Handling the Unexpected, cont.

Homeowners insurance

Glossary of Terms

Study this list of personal finance terms to help warm up before playing Financial Football. By mastering these terms, you will have a better opportunity to answer questions in the game correctly and score.

401(k): A 401(k) is a feature of a qualified, employer-sponsored retirement plan that allows eligible employees to contribute a portion of their wages to individual accounts.

529 plan: A savings plan operated by a state or educational institution, designed to help set aside funds for future college costs. Savings deposited in a 529 plan grow tax-free until withdrawn.

Annuity: An annuity is an investment agreement in which you pay an insurance company a specified amount of money and the insurer invests it for you with the promise to pay you back on a future date or series of dates.

Asset: Anything of material value owned by an individual or company. This may include your house, car, furniture — anything that's worth money.

Auto insurance: Insurance designed to cover a driver, and often a vehicle, financially in the event of an accident or theft.

Bookkeeping: The recording of financial transactions and exchanges.

Budget: A plan for future spending and saving, weighing estimated income against estimated expenses.

Capital gains: Profits from the sale of an investment.

Career objective: The goal of your current career efforts, or a short statement of definition on a resume about the position you are seeking.

Cash flow: The total amount of money being transferred into or out of a business, account or an individual's budget.

Copayment: Primarily for health insurance; the amount owed each time you visit the doctor.

Collateral: An asset or amount of money provided as security for repayment of a loan.

Collision insurance: Auto insurance that covers certain costs if your vehicle is damaged.

Cost comparison: Comparing the cost of two or more goods or services in an effort to find the best value.

Cost-benefit analysis: Analyzing whether the cost of an item is more than, equal to, or less than the benefit that comes from its purchase.

Deductible: The amount an insured person must pay for services before the insurance provider begins to cover costs.

Depreciation: The decrease in value of assets over time.

Down payment: The amount a consumer pays up front for something on the day of the purchase.

Emergency fund: Money set aside for emergency expenses, recommended to cover 3–6 months of expenses.

Employer-sponsored savings plan: A benefit plan offered by an employer for employees at relatively low cost.

Glossary of Terms, cont.

Entrepreneur: Someone who owns or operates his or her own business taking on financial risks in the hope of a profit.

Estate: The whole of an individual's possessions, including property and debts.

Estate plan: The process of arranging for the dispersal of an individual's estate in the event of death.

Executor: A person or institution appointed to carry out the terms of a will.

Expenses: The money an individual spends regularly for items or services.

Federal taxable wages: The sum of all earnings by an employee that are subject to a specific taxation.

Flexible savings account (FSA): A special account you put money into that you use to pay for certain out-of-pocket health care costs. This means you'll save an amount equal to the taxes you would have paid on the money you set aside. There are two types of FSAs — one for health-care-related expenses and the other for dependent-care-related expenses. The accounts are separate, and you may sign up for either or both during your open enrollment period. FSAs offer a way for those with health insurance to set aside money that is pretaxed to pay for their health care costs, known as "qualified expenses," which include (but are not limited to) deductibles, copayments, coinsurance, monthly prescriptions and more. They can also be used for expenses incurred out of network.

Foreclosure: A legal process in which a mortgaged property is confiscated because the borrower has failed to keep up payments.

Grants: Grants are a type of financial aid that you don't have to repay and are usually based on financial need. Grants can come from the federal government, your state government, your college or career school or a private or nonprofit organization. It is a sum of money given for a particular purpose such as college tuition.

Gross income: The total amount of money an individual has earned before voluntary deductions such as 401(k) contributions and involuntary deductions such as taxes are taken out.

Health insurance: Insurance designed to cover the costs of health care expenses.

Health savings account (HSA): A pretax savings account designed specifically for medical expenses. Only those who have high-deductible health plans can select an HSA. For you to qualify for a HSA, this high-deductible health plan (HDHP) must be your only health insurance plan, you must not be eligible for Medicare and you cannot be claimed as a dependent on someone else's tax return.

Homeowners insurance: Insurance designed to cover the costs of damage to home or property in the event of a theft, natural disaster or other unexpected event.

Income: Payment received for goods or services, including employment.

Income tax: Tax levied by a government directly on personal income.

Individual retirement account fund (IRA): A retirement account that allows individuals to contribute a limited yearly sum toward retirement on either a pre-tax (traditional IRA) or after-tax (Roth IRA) basis.

Glossary of Terms, cont.

Inflation: The overall increase in the cost of products and services over time.

Insurance: An agreement that helps to protect against financial risk in the event something unexpected happens.

Insurance policy: A contract between a consumer and insurance company outlining coverage plans.

Lease: A contract outlining the rental terms of a piece of property, whether a car, an apartment or another space.

Liabilities: Everything that you owe, which may include your mortgage, credit card balance, interest, student loans, and loans from family and friends.

Life insurance: Provides financial protection for one's family in the event of one's death. It is primarily designed to replace the income stream relied on by beneficiaries.

Loan: Money or assets borrowed and paid back with interest over time.

Loan principal: An amount borrowed that remains unpaid, excluding interest.

Long-term financial goal: A financial goal that will take longer than a year to achieve.

Mortgage: A loan secured in order to purchase property.

Mortgage payment: The payment a borrower makes each month toward the purchase of a home.

Mortgage term: The agreed-upon amount of time to pay off a mortgage.

Net worth: Your financial wealth at one point in time. The formula to calculate net worth is simple:
Net worth = assets – liabilities

Opportunity cost: The loss of potential gain from other alternatives when one alternative is chosen.

Premium: The amount paid to an insurance provider monthly in order to maintain an insurance plan.

Private mortgage insurance (PMI): Insurance to help protect a mortgage lender in the event a borrower cannot make payments.

Property tax: A capital tax on property based on its estimated value.

Purchase price: The price paid for an item or service.

Renters insurance: Covers your personal property in a rented apartment, condo or home against unexpected circumstances such as theft, a fire or sewer backup damage — and will pay you for lost or damaged possessions. It can also help protect you from liability if someone is injured on your property.

Scholarship: An award of financial aid for the purpose of education that does not need to be repaid. This is a grant-in-aid to a student (as by a college or foundation).

Short-term financial goal: A financial goal that will require less than six months to achieve.

SMART goals: An acronym guideline for setting financial goals that are Specific, Measurable, Attainable, Relevant, Time-Related.

Glossary of Terms, cont.

Social Security taxes: A tax on individuals used to fund the U.S. government's Social Security program, based on earnings history.

Student loan: A loan offered to students for education-related expenses that must be repaid.

Thrift savings plan: A retirement savings and investment plan for federal employees and members of the uniformed services.

Tuition: Fees paid in exchange for instruction from a school (primary, high school, college, vocational).

Unexpected expenses: Unplanned for and unforeseen expenses. An emergency fund can help with these expenses.

Variable expenses: Expenses that change in price and frequency each month.

Saving

Lesson 2: Student Activities | Pro: Ages 14-18

FINANCIAL FOOTBALL

Get a Game Plan for Saving

Saving is essential to building wealth and reaching financial goals. This 45-minute module will help you build your saving awareness and skills.

Getting Game-Ready: A touchdown in football is often the most dramatic moment of the game: when a player reaches the end zone in the final seconds, the crowd goes wild. While these exhilarating game day feats tend to become our focus, those moments are the result of countless hours spent practicing and honing skills. The most successful players are often the most disciplined: they have established good training habits on and off the field and are focused on learning how to maximize their performance.

Financial fitness is very similar. We often focus on the exciting big moments, like buying our first car or moving out on our own. Yet those moments would not be possible without building habits to save money. Just like athletes learning the strategies that work best for them on the field through practice, we can each identify strategies and tools that build our ability to save and reach our financial goals.

Module Level: Pro, Ages 14-18

Subjects: Economics, Math, Finance, Consumer Sciences, Life Skills

Materials: Facilitators may print and photocopy handouts and quiz.

- **Pre- and Post-Test questions:** Answer five questions before completing the Savings activities to see how much you already know about the topic. After you've finished all the activities with your teacher and classmates, try taking the quiz again to see how your understanding has grown.
- **Practical Money Skills Savings resources:** practicalmoneyskills.com/ff23
- **SMART Savings Goals handout:** Examine goal-setting criteria, then set some goals of your own.
- **Savings Best-Case Scenario handout:** Play with a partner or small group to identify the savings options for each situation.
- **The Magic of Compound Interest handout:** Find the magic of compound interest with some simple calculations.
- **Glossary of Terms:** Learn basic financial concepts with this list of terms.

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Learning Objectives

- Set personal goals for saving
- Explore the benefits of interest and how saving money makes money
- Identify the different types of savings accounts and options
- Discover financial tools and strategies for building savings

Key Terms and Concepts

Before you start the lesson, review the key terms and concepts below. The answers to each question will get you prepped and game-ready.

Why save money?

Throughout your life, you will be faced with many decisions about saving and spending. Your goals may vary over time from smaller purchases such as a new smartphone to larger purchases, such as a car or a house, to long-term savings for starting your own business or planning for retirement. There are some life events that you can plan and save for, like heading to college, but it's impossible to foresee all unplanned expenses. That's what makes saving important — so you'll be prepared for any type of expense by having money set aside.

How much should you save?

Saving is essential to building your long-term wealth, and it is important to save early in life and often. Regardless of your age, you should save a percentage every time you receive money, whether it's from a paycheck or a monetary gift. The everyday decisions you make about money can have a lifelong impact. Saving allows you the freedom and flexibility to fulfill your goals and helps you develop good personal finance habits. Pay yourself first. Determine a set amount of money to put away every month and treat it like any other bill. Put away part of every paycheck — ideally a minimum of 10% — and watch your savings grow.

What are the best strategies for saving money?

- Create a budget and stick to it
- Pay yourself first
- Save your raises
- Save your windfalls such as birthday money or tax refunds
- Keep emergency savings liquid (easily accessible)
- Set financial goals to keep yourself on track
- Consider your options to grow your money

Learning Objectives, cont.

Do you need a savings account to save?

Choosing the right savings method is dependent on a few factors: how much money you hope to save, how accessible you need the funds to be and when you'll want to withdraw them. Having a savings account with a financial institution offers a variety of benefits over saving in a shoebox, under the mattress or in a general checking account.

What are the benefits to having a savings account?

A savings account offers the benefits of security, convenience, potential to earn interest, and peace of mind.

What types of savings accounts are there? How do I choose between them?

There are many categories of savings accounts to choose from. You can use one savings account or multiple ones to organize your money for various purposes.

- Basic bank savings account — A savings account where you can deposit and store cash securely while earning interest on your money.
- Money market account — This type of account has many of the same characteristics of a traditional savings account, but also adds a safe, conservative element of investment.
- Online savings account — This type of account is available online only and might have a higher interest rate than one available through a brick-and-mortar financial institution.
- Credit union — For this type of “share account”, it is essential to obtain membership to the credit union. You'll also have access to their other services.
- Automatic savings plan — With this plan, you can automatically deposit funds to your savings account on a scheduled time, such as when a biweekly paycheck is deposited directly into your account.

How do retirement accounts differ from savings accounts?

If you are able to leave your money alone for a longer period of time, from several months to years, investments and retirement plans can allow you to earn greater amounts of interest. Unlike with regular bank accounts, if you want to withdraw money, you may face a steep penalty.

How does interest work?

The difference between saving money in a jar at home and in a savings account at a bank is how your principal (your money) grows. At home, your money grows only when you add (deposit) more money (principal) to the jar. In a savings account, your money grows not only when you deposit more money but also by accumulating interest. Interest is money the bank pays you for leaving it in your savings account. It's as if you are loaning the bank your money. You give them your money to hold. They pay you interest so your money grows. They are able to use your money to fund loans and investments for other people. The interest rate is the percentage amount of your principal that the bank agrees to pay into your account. An interest rate is often referred to as an APR, or annual percentage rate.

Student Activities

- > Saving Pre- and Post-Test
- > SMART Savings Goals handout
- > Savings Best-Case Scenario handout
- > The Magic of Compound Interest handout

Saving Pre- and Post-Test

Student Name: _____

Directions: Answer the questions with the most appropriate answer, noting a, b, c, d or filling in the blank.

1. Ideally, how much should you save in your emergency fund?

2. It's suggested to consistently save approximately _____ from each paycheck.

3. A savings account pays you:

- a. A fixed amount of money every month
- b. Interest on your account balance
- c. Every time you use your debit card
- d. Interest on the amount you borrow

4. The interest earned on \$1,000 over three years at 10% compounded annually is:

5. If you need to withdraw your money on short notice, your best saving option is:

- a. A retirement account
- b. A savings account
- c. A certificate of deposit
- d. A company stock portfolio

SMART Savings Goals

Directions: Your teacher will lead you in identifying whether or not certain savings goals meet the following SMART criteria, and in drafting a SMART financial goal.

Real-life reasons to save are good motivators. It is helpful to use the SMART criteria when you're establishing a savings goal.

SPECIFIC goals inspire. Setting a clear goal will help you focus on saving for it.

MEASURABLE goals let you see the real task at hand. By using real numbers, you can measure your progress along the way.

ATTAINABLE goals pay off. When you're setting your goal, ensure that it is realistic and within your reach.

RELEVANT goals make good sense. Set a goal only if you know it will be meaningful in the long run.

TIME-RELATED goals have a real deadline. Setting a time frame for your goal will help you stay committed to reaching it.

Directions: Select the savings goals that correctly incorporate the SMART criteria. Evaluate each savings goal and identify whether the SMART criteria was met for each.

SMART Criteria Met? Yes or No	Savings Goal
	I'm going to save for a pair of shoes
	I'll have \$150 saved for a pair of shoes in three months
	I'll have enough money to go to college
	I'm going to save toward my first car
	I'll have \$3,000 saved toward my first car in one year

Now it's your turn to establish your own SMART savings goal: To support setting specific goals, students may use the Emergency Fund financial calculator. practicalmoneyskills.com/ff27

Best-Case Scenario

Directions: Break into pairs or small groups and examine the savings options line graph below. Select the best answer in the two scenarios in this activity.

Savings options:

More liquid

Less money to save

Lower interest rate

Less liquid

More money to save

Higher interest rate



Checking account

Savings account

Money market account

Certificate of deposit (CD)

For more information: *Choosing Savings Options* practicalmoneyskills.com/ff24

Scenario 1: Don't let fees eat you alive

Imagine your friends meet you for lunch. They want to open their first savings account. They each only have around \$50 but want to start the habit of saving. Which account do you recommend?

- A. Basic savings account, .25% interest, no minimum balance requirement, no monthly maintenance fees
- B. Online savings account, 1.25% interest, \$4 monthly maintenance fee if average balance is below \$500
- C. Premium savings account, 1.5% interest, \$10 monthly maintenance fee if average balance is below \$1,500

Scenario 2: Make the most of interest

You are entering your junior year in high school and have saved \$3,500 for a car, and you want to save another \$1,500 over the next six months. You want to find a new savings product that has higher interest rates for the \$3,500 you have saved so far. You're OK with the money being less liquid for the next six months. What is your best option?

- A. Online savings account, 1.25% interest, \$4 monthly maintenance fee if average balance is below \$1,000
- B. Money market account, 1.5% interest, \$10,000 minimum deposit, \$12 monthly fee if balance is below \$5,000
- C. Certificate of deposit (CD), 2.5% APY for six months, \$2,500 minimum deposit, withdrawal penalty fee if you take money out before six months ends

The Magic of Compound Interest

Savings Written Exercises

Compound interest: The following formula shows how to calculate interest annually.

Compound Interest Formula:

$$A = P \left(1 + \frac{r}{n} \right)^{nt}$$

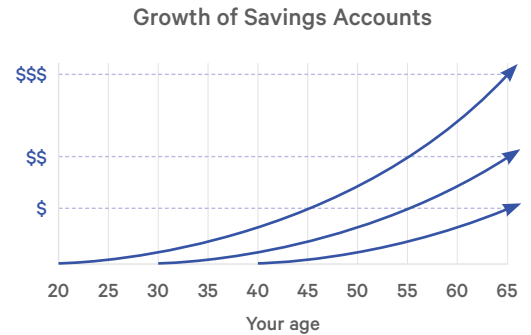
A = Total amount of the future value of the investment/loan with interest

P = The principal, the initial deposit or loan amount

r = The annual interest rate (decimal)

n = The number of times that interest is compounded per year

t = The number of years the money is invested or borrowed



Directions: Use the formula for compound interest and the How Will My Savings Grow? financial calculator to calculate how much compound interest will be added to your savings by answering the questions in this activity.

practicalmoneyskills.com/ff26

Find how much total savings you would have:

If you made an initial deposit of \$100, then put \$100 in a savings account every year with a 3% APR for 25 years?

If you made an initial deposit of \$1,000, then put \$1,000 in a money market account every year with a 4% APR for 30 years?

Using the formula for compound interest and the How Will My Money Grow? financial calculator, determine who will have saved more for retirement.

Ben invests \$2,000 a year from the age of 19 to 26, for a total of \$16,000 invested. His investments earn 12% annually until the age of 65. How much will he have saved by the time he reaches 65?

Arthur invests \$2,000 a year from the age of 27 to 65, for a total of \$78,000 invested. His investments also earn 12% annually until the age of 65. How much will he have saved by the time he reaches 65?

Who will have more saved for retirement?

Glossary of Terms

Study this list of personal finance terms to help warm up before playing Financial Football. By mastering these terms, you will have a better opportunity to answer questions in the game correctly and score.

529 plan: A savings plan operated by a state or educational institution designed to help set aside funds for future college costs. Savings deposited in a 529 plan grow tax-free until withdrawn.

American Stock Exchange (ASE): The third-largest stock exchange by trading volume in the United States. It is one of the oldest U.S. stock exchanges and innovator of the exchange traded fund (ETF).

Annual percentage rate (APR): The yearly interest rate charged on outstanding credit card balances.

Bank: A financial institution that invests money deposited by customers, provides loans and exchanges currency.

Bank services: Services offered by a bank for convenience, such as online banking, automatic transfer and check cancellation.

Bond: A type of loan in which an investor extends money to the government or a corporation with a set interest rate and maturity date.

Brokerage firm: An organization that charges a fee to act as an intermediary between buyers and sellers of stock.

Capital gains: Profits from the sale of an investment.

Certificate of deposit (CD): A savings certificate issued by a bank, depositing money for a specified length of time.

Checking account: An account at a bank that allows checks to be written and deposited by the account holder.

Compound interest: Interest calculated on both the principal and the accrued interest. Compound interest is what makes savings really grow. A savings account earns interest every day. Each time your interest compounds, it gets added back to your account and becomes part of your principal. With more principal, the account earns even more interest, which continually compounds into new principal.

Contribution limits: Maximum legal limit on contributions to a specific account.

Deposit: Adding a sum of money to your account to increase your account balance.

Depreciation: The decrease in value of assets over time.

Dividend: A share in a company's profits paid regularly by a company to its shareholders.

Emergency fund: Money set aside for emergency expenses, recommended to cover 3-6 months of expenses.

Estate: The whole of an individual's possessions, including property and debts.

Estate plan: The process of arranging for the dispersal of an individual's estate in the event of death.

Executor: A person or institution appointed to carry out the terms of a will or an estate plan.

Glossary of Terms, cont.

Federal Deposit Insurance Corporation (FDIC): A body that regulates most banks in the United States and insures most private bank deposits. The Federal Deposit Insurance Corporation (FDIC) preserves and promotes public confidence in the U.S. financial system by insuring deposits in banks and thrift institutions for at least \$250,000; by identifying, monitoring and addressing risks to the deposit insurance funds; and by limiting the effect on the economy and the financial system when a bank or thrift institution fails. An independent agency of the federal government, the FDIC was created in 1933 in response to the thousands of bank failures that occurred in the 1920s and early 1930s.

Federal Trade Commission (FTC): A federal agency established in 1914 that administers consumer protection legislation.

Fixed rate: A fixed rate does not fluctuate over the length of the loan or investment term.

Individual retirement account (IRA): A retirement account that allows individuals to contribute a limited yearly sum toward retirement on either a pre-tax (traditional IRA) or after-tax (Roth IRA) basis.

Inflation: The overall increase in the cost of products and services over time.

Interest: A charge for borrowed money, generally a percentage of the amount borrowed.

Interest rate: The rate at which a borrower pays interest for borrowing an item or money, or the percentage rate earned on a given investment.

Invest: To expend money with the expectation of earning a profit on that fund over time.

Investment: An item or financial product on which a consumer expects to earn a profit in the future.

Investment portfolio: A range of investments held by a person or organization.

Investment strategy: A set of rules or procedures to guide an investor's selections.

Liquidity: How easily or quickly you can withdraw your money.

Long-term financial goal: A financial goal that will take longer than a year to achieve.

Money market account: A type of savings account offered by banks that usually earns a higher amount of interest than a basic savings account. The minimum deposit and balance for this account is often considerably higher than the minimum balance of a basic savings account.

Mutual fund: A collection of stocks, bonds, or cash managed by a professional for a fee toward a stated goal.

New York Stock Exchange (NYSE): A New York City-based stock exchange, which is considered the largest equities-based exchange in the world based on total market capitalization.

Principal: The amount of money you deposit in your account to begin saving or the original amount of money borrowed.

Glossary of Terms, cont.

Retirement account: An account such as an IRA or 401(k) that helps an individual set aside money for retirement while minimizing tax burdens.

Savings account: An account where money is kept for future use.

Short-term financial goal: A financial goal that will require less than six months to achieve.

Social Security taxes: A tax on individuals used to fund the U.S. government's Social Security program.

Thrift savings plan: A retirement savings and investment plan for federal employees and members of the uniformed services.

Variable interest rate: An interest rate that fluctuates based on market changes.

Withdrawal: When you take money out of your account, thereby reducing your principal.

Withdrawal limit: The maximum amount a customer is able to withdraw from an account on a given day.

Withdrawal penalty: Any penalty incurred by an account holder for early withdrawal from an account with withdrawal restrictions.