Lesson One
Making Decisions
Decision-making skills are something we use every day. We make choices about many aspects of our lives from nutrition to money. To make the best financial decisions, it’s important to have current information, assistance, and data on all of the relevant economic factors.

For related links and resources on this lesson, visit:
practicalmoneyskills.com/teens/1
overview

Each day, we are faced with many decisions. While most decisions are simple, such as “what should I wear?” or “what should I eat?,” others are more complex, such as “should I buy a new or used car?”

As decision-making skills are used and improved, a person’s quality of life is enhanced. Wiser choices result in better use of time, money, and other resources.

This introductory lesson provides students with an opportunity to learn more about decision-making. The lesson starts with an overview of the decision-making process followed by a discussion of various internal and external factors that affect decisions.

People are usually not aware of economic influences that can affect decision-making. These economic factors include inflation, interest rates, and the unemployment rate. Also, common risks associated with decision-making are often not considered. Students should also be aware of opportunity cost—what a person gives up when a decision is made.

Finally, the lesson concludes with strategies for analyzing the results of decision-making. Students are encouraged to consider their experiences in an effort to improve the quality of future decisions.

goals

Provide an understanding and an awareness of the factors that can influence decisions, introduce basic decision-making methodologies, and provide structured practice in analyzing a problem, identifying options, and making a decision.

lesson objectives

- Identify decisions
- Identify the steps in the decision-making process
- Identify and explain factors that can affect the decision-making process, and give examples of decisions that have been influenced by one or more of these factors
- Identify and explain frequently used decision-making strategies, and give examples of when these strategies have been used
- Analyze influences of economic conditions on personal and financial decisions
- Identify risks and opportunity costs associated with personal and financial decisions
- Practice making decisions using a decision-making diagram

presentation slides

1-A the decision-making process
1-B factors that can influence a decision
1-C common decision-making strategies
1-D economic influences on decision-making
making decisions lesson outline

1-4 risks associated with decision-making
1-5 opportunity costs and the time value of money

student activities

1-1 What Are You Trying to Decide?
- Have students identify three decisions they are trying to make (e.g., taking a vacation, moving away from home, buying a car, changing jobs, etc.)
- Have them use the decision-making process sheet to work through one of the decisions they have identified

1-2 What Decision-Making Strategies Have You Used?
- As a class, have students identify and role-play the various decision-making strategies they’ve used
- Discuss how well they think their strategies have worked
- Discuss what factors might have influenced their choice of strategies

1-3 How Do Economic Conditions Affect Decision-Making?
- Research current economic conditions and determine possible effects on personal and financial decisions
- Discuss what actions might be taken based on various economic conditions

1-4 Can You Analyze a Decision?
- Ask students to volunteer to record one or more of their favorite television programs
- Using the recorded television programs, have students identify the decision-making strategies being used by the main characters
- Have students document the decision-making process using the sheet provided
- Discuss how well each strategy worked

1-5 Lesson One Quiz

For more information, please refer to the Appendix.
Learning activities appropriate to varied target audiences for lesson one

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**the decision-making process (an example)**

1. Identify the problem or goal.
   - Where to live when you graduate from high school/college

2. Obtain information and think about possible courses of action or possible alternatives.
   - Live at home
   - Live at home and pay rent to parents
   - Rent an apartment
   - Live alone
   - Share an apartment
   - Live in college dorm
   - Live in fraternity or sorority
   - Live with friends or relatives

3. Consider the consequences of each choice (action) and evaluate the alternatives.

4. Select the best course of action.

5. Evaluate the results.

**what are you trying to decide?**

1. Make a list.

   **Teenagers**
   - Going to college
   - Saving money
   - Getting a part-time job

   **Young Adults**
   - Buying a car
   - Saving money
   - Moving away from home

   **Adults**
   - Purchasing a home
   - Saving money
   - Changing careers
   - Selecting a retirement location

2. Use the decision-making process sheet to arrive at a possible solution for one of the decisions on the list.
   - Talk about the results
**why is this (sometimes) so hard?**

1. Levels of the cognitive domain:
   - Knowledge (easiest)
   - Comprehension (less easy)
   - Analysis (starting to get difficult)
   - Synthesis (difficult)
   - Evaluation (most difficult)

**factors that can influence a decision**

- Age
- Budget
- Culture
- Family opinions
- Feelings
- Habits
- Peers
- Risks and consequences
- Time
- Values

**common decision-making strategies**

For each strategy, discuss what it is, what recent decisions have been made in that manner, and what factors influenced the decisions to use that strategy.

- Spontaneity
- Compliance
- Procrastination
- Agonizing
- Intention
- Desire
- Avoidance
- Security
- Synthesis

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Have students present in class (or on video) examples of strong and weak decision-making strategies.

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www.practicalmoneyskills.com making decisions teacher's guide 1-vi
### Economic Factors and Decision Making

1. Higher prices result in more expensive goods and services and lower buying power of the dollar.

2. Increases in consumer spending for certain goods and services can result in additional jobs and higher wages in those industries.

3. Lower interest rates encourage consumer spending; higher rates are likely to encourage saving and less borrowing.

4. A higher money supply will usually result in lower interest rates. A lower money supply will likely result in higher interest rates and reduced consumer spending.

5. High unemployment reduces consumer spending and results in fewer job opportunities.

6. Increased home building usually leads to more job opportunities and expanded consumer spending.

7. A growing GDP usually indicates expanded economic growth in a country.

8. Higher stock prices usually indicate confidence in the economy and strong business conditions for jobs and consumer spending.

### Risks and Decision-Making

### Opportunity Costs and Time Value of Money

#### Analyze a Decision

If possible, use recorded programs (from televisions or movies).

- Have students identify the decision-making strategies being used by one or more of the main characters.

- Have students document the decision-making process using a decision chart.

- Discuss how well each strategy worked.
true-false

1. ❌ The decision-making process starts with gathering information.
2. ❌ Procrastination is an example of an economic influence on decision-making.
3. ✔ Higher interest rates result in higher costs of borrowing money.
4. ✔ Rising prices causing lower buying power is referred to as an inflation risk.
5. ✔ Interest earned on savings may be referred to as the “time value of money.”

multiple choice

6. A The final step of the decision-making process is:
   A. evaluating the results
   B. gathering information
   C. identifying the problem
   D. selecting the best course of action

7. C Changes in the buying power of the dollar are measured by:
   A. the unemployment rate
   B. the money supply
   C. the consumer price index
   D. interest rates

8. B Consumer spending is likely to rise when:
   A. unemployment is high
   B. interest rates are low

9. D Investments that may be difficult to convert to cash quickly have a high __________ risk.
   A. inflation
   B. economic
   C. income
   D. liquidity

10. C What a person gives up when making a decision is commonly called:
    A. the time value of money
    B. a personal risk
    C. an opportunity cost
    D. spontaneity

case application

In recent weeks, Richard and Fran Jones have considered moving to another city with additional job opportunities. Discuss the personal and economic factors they might consider in this situation. What risks are associated with this decision? Personal factors that the Joneses may consider include their job skills, willingness to move with regard to family and friends, and personal long-term goals. Economic factors might include the employment opportunities in the new city, and the cost of living compared to the salary level. Risks that might be associated with this situation include current and new job satisfaction, and the effect of economic conditions on current and future employment opportunities in the new city.
Lesson One
Making Decisions
what are you trying to decide?

Identify the problem

- 

Gather information and list possible alternatives

- 

- 

- 

- 

Consider the consequences of each alternative

- 

- 

- 

Select the best course of action

- 

Evaluate the results

-
what decision-making strategies have you used?

directions
As a class, identify and role-play the various decision-making strategies you’ve used, then answer the questions below.

1. Have the strategies you’ve used worked? Please explain.

2. What factors do you think might have influenced your choice of strategies?
Changing economic factors affect the decisions we make. Using *The Wall Street Journal*, internet, or other sources of economic news, obtain information about current economic trends that influence various saving, investing, spending, and borrowing decisions. For example, higher interest rates make borrowing more expensive; however, higher interest rates make saving more attractive.

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can you analyze a decision?

Identify the problem

Gather information and list possible alternatives

Consider the consequences of each alternative

Select the best course of action

Evaluate the results
lesson one quiz: making decisions

tru-false

1. _____ The decision-making process starts with gathering information.
2. _____ Procrastination is an example of an economic influence on decision-making.
3. _____ Higher interest rates result in higher costs of borrowing money.
4. _____ Rising prices causing lower buying power is referred to as an inflation risk.
5. _____ Interest earned on savings may be referred to as the “time value of money.”

multiple choice

6. _____ The final step of the decision-making process is:
   A. evaluating the results
   B. gathering information
   C. identifying the problem
   D. selecting the best course of action
    C. taxes rise
    D. people are putting more money into savings accounts

9. _____ Investments that may be difficult to convert to cash quickly have a high _______ risk.
   A. inflation
   B. economic
   C. income
   D. liquidity

10. _____ What a person gives up when making a decision is commonly called:
    A. the time value of money
    B. a personal risk
    C. an opportunity cost
    D. spontaneity

case application
In recent weeks, Richard and Fran Jones have considered moving to another city with additional job opportunities. Discuss the personal and economic factors they might consider in this situation. What risks are associated with this decision?
Lesson Two
Making Money
Landing that first job is an exciting time, and there are many areas to consider before the first paycheck is earned. Students should explore career path options and understand all of the financial aspects of employment.

For related links and resources on this lesson, visit:
practicalmoneyskills.com/teens/2
overview
Building your career is one of the surest ways to increase income and make money. When planning for the future, one of the most critical financial decisions is determining your career path.

In this lesson, students will be encouraged to consider various topics related to career planning and the financial aspects of employment. This variation of the decision-making process can help a person match personal abilities and interests with appropriate employment opportunities.

“How does a person apply for a job?” This is a question asked by many students. First students are informed of sources for identifying available employment positions. Next, various aspects of interviewing are discussed, as well as information on preparing for a job interview along with tips for successful interviewing.

Then, financial aspects of employment are considered, including the "hidden costs" of working and employee benefits. Finally, for students who have not worked in the past, information is offered about payroll taxes and other deductions from a person's income.

goals
Gain an understanding of career planning and the processes of employment, tips on starting a new career and provide practice reading and interpreting pay stubs.

lesson objectives
■ Know the phases of the career-planning process
■ Identify and apply for employment
■ Understand the interview process
■ Understand some of the hidden costs of a job
■ Understand some of the benefits companies often offer employees
■ Interpret a pay stub

presentation slides
2-A the career planning process
2-B preparing for a job interview
2-C common interview questions
2-D adding up the benefits
2-E reading a pay stub
2-F an example of paycheck deductions
student activities

2-1 Assessing Your Personal Interests and Abilities
2-2 Evaluating the Current Employment Market
  - Part-time summer employment
  - Career-entry positions
  - Advanced careers, employment field changes
2-3 Creating a Resume
2-4 Reading and Interpreting Pay Stubs
  - Have students answer the questions about the attached pay stubs
  - Discuss their answers
2-5 Lesson Two Quiz

For more information, please refer to the Appendix.
Learning activities appropriate to varied target audiences for lesson two

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### The Career Planning Process
- **Phase 1:** Assess your personal interests, abilities, and career goals.
- **Phase 2:** Evaluate the current employment market.
- **Phase 3:** Identify specific job opportunities.
- **Phase 4:** Apply for employment positions with the use of a resume or application letter.
- **Phase 5:** Interview for available positions.
- **Phase 6:** Obtain additional career training.

### Identifying and Applying for Employment Positions
- Advertisements
- Personal contacts
- Business organizations
- The internet

### The Interview Process
When preparing for a job interview, take the following actions:

1. **When researching an organization, obtain information on:**
   - What are its main activities?
   - What types of jobs does it have?
   - What do the people who work there like about their employment situation?

2. **Practice your interviewing skills:**
   - Write out answers to possible interview questions.
   - Have someone interview you.

3. **Prepare questions that you plan to ask:**
   - What skills are needed for success in the organization?
   - What opportunities are available for continued learning?

### Teaching Notes
- **Slides 2-A to 2-C**
- **Student Activity 2-1 to 2-2**
- **Web Activity:** Conduct a Web search to identify sites that people can contact to obtain information on available job positions.
- **Oral Presentation:** Have students present in class (or on video) examples of strong and weak actions in a job interview.
### The Hidden Costs of a Job
1. Transportation
2. Clothing
   - Uniforms
   - Nice clothing
3. Food
4. Child or adult care
5. Union dues

### Adding Up the Benefits
1. Possible job benefits
   - Health, dental, and eye care insurance
   - Life insurance/disability insurance
   - Flexible spending account
   - Health savings account
   - Tax-deferred retirement plan
   - Paid vacation
   - Paid holidays
   - Parental leave
   - Stock purchase plan
   - Employee assistance plans
   - Employee fitness programs
   - Employee discounts
   - Tuition assistance or reimbursement

### Reading a Pay Stub
1. Pay period
2. Gross pay
3. Wage deductions
   - Federal income tax
   - FICA (Social Security and Medicare)
   - Individual state or local income tax
   - Tax-free or tax-deferred benefits
4. Net pay
interpreting pay stubs
1. Interpret sample pay stubs

lesson two quiz
Quiz 2–5 is in the student activity section.
The answer key is at Teacher’s Guide page 2–ix.
read and interpret pay stubs

answer key

directions
Answer the following questions using the attached pay stubs:

1. What is the name of Jane Brown's employer?
   *Hamburger Palace Enterprises, Inc.*

2. How much did Jane earn before taxes?
   *$120.00*

3. What is Jane's salary?
   *$6.00/hour*

4. List Jane's deductions.
   *Federal income tax, Social Security, Medicare, state income tax, meals*

5. What pay period does Peter Smith's check cover?
   *8/6/99 to 8/12/99*

6. How much federal income tax has been taken out of Peter's check so far during 1999?
   *$429.84*

7. How much did Peter contribute to a retirement plan from this paycheck?
   *$30.00*

8. How much is Peter's take-home pay?
   *$182.41*

9. Where does Mary Stone work?
   *Dance-o-Rama*

10. What is Mary's salary?
    *$448.00*

11. How much money was deducted from Mary's paycheck?
    *$98.79*

12. How much has Mary been paid in total during 1999?
    *$5,824.00*
true-false

1. **t** The career planning process starts with assessing your personal interests, abilities, and goals.

2. **f** Interviewing is the final phase of the career planning process.

3. **t** Travel costs to work are considered to be “hidden” job costs.

4. **f** Worker’s compensation is a common employee benefit received by most workers.

5. **f** Gross pay results from deducting various deductions from your earnings.

multiple choice

6. **C** The first phase of the career planning process is to:
   - A. identify specific job opportunities
   - B. interview for available positions
   - C. assess personal interests and abilities
   - D. apply for employment positions

7. **A** After applying for an available position, the next step usually involves:
   - A. interviewing
   - B. obtaining training for necessary skills
   - C. comparing employee benefits
   - D. preparing a personal data sheet (resume)

8. **B** A hidden cost of a job might involve:
   - A. gross pay
   - B. uniform fees
   - C. employee discounts
   - D. retirement benefits

9. **D** Which of the following employee benefits would a working parent find most useful?
   - A. stock options
   - B. tax deferred retirement plan
   - C. Social Security benefits
   - D. parental leave

10. **C** A common deduction on a person’s pay stub would be:
   - A. gross pay
   - B. unemployment tax
   - C. federal income tax
   - D. excise tax

case application

Sue Smith has worked for nine years in retail sales. She is considering going back to school to change career fields. What factors should be considered before making this decision? Sue should consider her personal interests and abilities as well as potential demand in the new career field. Next, she should assess if she can afford the time and money that may be required when making this career change. In addition, Sue should consider the impact of this decision on her personal well-being and that of family members.
Lesson Two
Making Money
assess your personal interests, abilities and career goals.

based on your personal situation, answer the following questions:

1: What topics of study do or did you enjoy most in school?

2: What skills do you do well? What do you feel to be your most distinguishing skill or area of specialty?

3: What are your interests away from school or work?

4: Describe a situation in which you helped organize the work of others.

5: Describe a situation in which you worked with a team to achieve a goal.

6: Describe the kind of job you might like.

based on your answers to the above items, describe two or three jobs that meet your criteria:

A. 

B. 

C.
Select two career areas that interest you. Using library information, the internet, and interviews with others, obtain answers to the following questions:

| 1. What are the general activities and duties of this job? |
| 2. What are the physical surroundings, work hours, and mental and physical demands of this type of work? |
| 3. What training and educational background is needed for this area of employment? |
| 4. Will these career areas be in demand in the future? |
| 5. What are the starting and advanced salaries for this industry? |
| 6. What makes these careers attractive to you? |
creating a resume

A resume is a personal data sheet commonly used to apply for a job. It lists your skills and experience so that future employers can see what you have already done and whether your experience meets the job's requirements. Fill out the following categories to assist you in preparing your resume.

**education**
degree/programs completed, school, location, areas of study, dates

**work experience**
title, organization, dates, responsibilities

**other experience** *(volunteer work, school, and community activities)*
title, organization, dates, responsibilities

**honors/awards**
title, organization, dates
read and interpret pay stubs

directions
Answer the following questions using the pay stubs on the following pages:

1. What is the name of Jane Brown's employer?

2. How much did Jane earn before taxes?

3. What is Jane's hourly wage?

4. List Jane's deductions.

5. What pay period does Peter Smith’s check cover?

6. How much federal income tax has been taken out of Peter’s check so far during 1999?

7. How much did Peter contribute to a retirement plan from this paycheck?

8. How much is Peter's take-home pay?

9. Where does Mary Stone work?

10. How much is Mary’s salary?

11. How much money was deducted from Mary's paycheck?

12. How much has Mary been paid in total during 1999?
HAMBURGER PALACE ENTERPRISES, INC.

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THE BANANA BREADBOX

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**Employee #:** A5926  
**Pay Period:** 7/01/09 TO 7/15/09  
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**Net Pay:** $349.21  

### Earnings

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### Taxes Withheld

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### Other Deductions

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false
1. ____ The career planning process starts with assessing your personal interests, abilities, and goals.

2. ____ Interviewing is the final phase of the career planning process.

3. ____ Travel costs to work are considered to be “hidden” job costs.

4. ____ Worker’s compensation is a common employee benefit received by most workers.

5. ____ Gross pay results from deducting various deductions from your earnings.

multiple choice

6. ____ The first phase of the career planning process is to:
   A. identify specific job opportunities.
   B. interview for available positions.
   C. assess personal interests and abilities.
   D. apply for employment positions.

7. ____ After applying for an available position, the next step usually involves:
   A. interviewing.
   B. obtaining training for necessary skills.
   C. comparing employee benefits.
   D. preparing a personal data sheet (resume).

8. ____ A hidden cost of a job might involve:
   A. gross pay.
   B. uniform fees.
   C. employee discounts.
   D. retirement benefits.

9. ____ Which of the following employee benefits would a working parent find most useful?
   A. stock options
   B. tax deferred retirement plan
   C. Social Security benefits
   D. parental leave

10. ____ A common deduction on a person’s pay stub would be:
    A. gross pay.
    B. unemployment tax.
    C. federal income tax.
    D. excise tax.

Case application
Sue Smith has worked for nine years in retail sales. She is considering going back to school to change career fields. What factors should be considered before making this decision?
Effective money management requires a step-by-step plan for saving and spending. Simply, it demands a good budget. Students need to become familiar with how to build and maintain a realistic budget for their specific needs.

For related links and resources on this lesson, visit: practicalmoneyskills.com/teens/3
overview
A personal budget is a financial plan that allocates future income toward expenses, savings, and debt repayment. “Where does the money go?” is a common dilemma faced by many individuals and households when it comes to budgeting and money management.

Effective money management starts with a goal and a step-by-step plan for saving and spending. Financial goals should be realistic, be specific, have a timeframe, and imply an action to be taken. This lesson will encourage students to take the time and effort to develop their own personal financial goals and budget.

In this chapter students will monitor their spending habits (in writing) and will be able to better obtain the most value for their available dollars. We will also demonstrate that by carefully considering needs and wants, an individual or family will spend appropriate amounts for current living expenses, while saving and investing for long-term financial security.

goals
Assist in identifying and prioritizing personal and financial goals, create a plan to achieve those goals, and provide practice in setting up and maintaining a personal budget.

lesson objectives
- Identify and prioritize some of your personal and financial goals
- Identify the steps you can take and the resources you will need to achieve your goals
- Identify and examine your current spending behaviors and patterns
- Understand what it means to budget, and identify the reasons to maintain a budget
- Create and maintain a personal budget that supports your personal and financial goals

presentation slides

- the budgeting process
- goal-setting guidelines
- setting up and maintaining a budget
student activities

3-1 What Are Your Goals?
- Ask students what some of their goals are, based on their life situation. List them at the front of the room, separating them into short-, intermediate-, and long-term goals.
- Pick one goal from each group. Have the class brainstorm steps they can take and the resources needed to achieve those goals.
- Have students individually work through “What Are Your Goals?” and “Working with Your Goals.”

3-2 Where Does Your Money Come From?
- Have students identify their current or potential (new job, career change) sources of income.
- Discuss the feelings of being financially dependent vs. financially independent.

3-3 Where Does Your Money Go?
- Have students keep a record of everything they spend during a one-month period.
- Ask students what patterns they can see in their spending habits.
- Discuss topics such as impulse buying, how to decide what to purchase, and what factors might influence purchasing decisions.

3-4 Setting Up and Maintaining a Personal Budget
- Have students set up a personal budget that supports their personal and financial goals.
- Ask students to try to stick to their budget for one month.
- After the month has passed, discuss what it was like to stick to a budget. Was the budget realistic? Where did they overspend? In which areas did they spend less than what they planned? Were they able to make progress toward their financial goals? What would they change about their budget?

3-5 Rework a Budget
- Have students set up, maintain, and rework a budget for the scenarios and then for themselves.

3-6 Lesson Three Quiz

For more information, please refer to the Appendix.
Learning activities appropriate to varied audiences for lesson three

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what are your goals?
1. Why set goals?
2. List your goals
3. Goal ranges:
   ■ Short-term goals (1–4 weeks)
   ■ Medium-term goals (2–12 months)
   ■ Long-term goals (1 year or longer)
4. Prioritize your goals
5. What can you do to work toward your goals?
6. What resources do you need to achieve your goals?
   ■ Personal (abilities, skills, time, education, etc.)
   ■ External (money, car, tools, etc.)

where does your money come from?
1. Current sources of income
   ■ Job(s)
   ■ Parents
   ■ Alimony/child support
   ■ Investments
2. How it feels…
   ■ To be financially dependent
   ■ To be financially independent

where does your money go?
1. Keep track of everything spent in one month:
   ■ What did you buy?
   ■ Can you see a pattern in your spending habits?
   ■ What did you need?
   ■ What did you want?
2. How did you decide what to spend and where to spend it?
   ■ Categorize how money is currently spent (e.g., clothing, food, CDs, automobile, etc.)
   ■ Name areas that might be added to this list in the near future
   ■ Review concepts and skills of making decisions
3. What might make a habitual Spender turn into a Saver? What could turn a Saver into a Spender?
### why budget?

1. What do you think of when you hear the word “budget”?
   - Write responses on board
   - Reinforce the concept that YOU control the budget, the budget doesn’t control you

2. Reasons to budget:
   - To determine how much money you have to spend
   - To decide how you want to spend your money
   - To determine how to spend money in the future
   - To learn to live on less than available income
   - To stay out of financial trouble

### the budgeting process

1. What it is:
   - A plan for spending and saving

2. What it takes:
   - Choosing a budgeting period
   - Estimating expenses and income
   - Balancing expenses and income

3. What a budget does for you:
   - Puts you in control
   - Helps you create a visual spending picture
   - Helps you prevent impulse spending
   - Helps you decide what you can and cannot afford
   - Enables you to keep track of how you spend your money
   - Helps you create a savings plan
   - Helps you decide how you can protect yourself against the financial consequences of unforeseen events

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www.practicalmoneyskills.com the art of budgeting teacher's guide 3-vi
### Setting Up and Maintaining a Budget

1. Estimate your income

2. Estimate your expenses, to include:
   - Fixed regular monthly expenses
   - Fixed irregular monthly expenses
   - Flexible monthly expenses
   - "Mad money"

3. Estimate your future expenses
   - Begin by keeping a record of everything you spend
   - What are your financial goals and your plans for obtaining those goals?

4. Cope with change
   - Plan for new situations
   - Plan for changing conditions that increase or decrease your expenses

5. Keep your personal and financial goals in mind
   - Set money aside to help meet financial goals

6. Balance your budget
   - Each month, compare your income to your expenses. Continue reworking your budget until your income is greater than your expenses
   - Discuss different budget options available

7. Practice setting up a personal budget

### Tips for Maintaining a Budget

1. Become a good consumer
   - Learn how to get the most for your money

2. Exercise willpower and self-control
   - Try to not indulge in unnecessary spending

3. Develop a good record-keeping system
   - Learn how to maintain a workable budget

4. Evaluate your budget regularly
**rework a budget**

1. Work with a budgeting sheet
2. Incorporate unforeseen events
3. Compare planned expenses with actual expenses
4. Design a budget, keeping personal and financial goals in mind

---

**lesson three quiz**

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**web activity:**

Have students conduct a Web search to obtain information and make suggestions for budgeting and wise money management.

---

**student activity 3-5**

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**quiz 3-6**
how does her budget look now?

1. What is the difference between Gabrielle’s planned expenses and her actual expenses?
   
   Actual was $1,675, planned was $1,025. Difference is $650. (Taking into account her overtime pay of $45, she went over budget only $605.)

2. In what areas did she overspend?
   
   Food, transportation, clothing, entertainment, personal, other (tickets, birthday present)

3. In what areas did she spend less than she planned?
   
   Savings

4. How much did she spend for the use of her car this month?
   
   $784, not including tickets

5. How much money did she have at the end of the month to put into savings?
   
   None

if it were your budget...

1. Using the attached budget sheet, set up a budget for yourself. Use Gabrielle’s income as a starting point. Keep in mind your personal financial goals.

2. What did you change about the budget?

3. How much would you save each month to put toward your personal and financial goals?
true-false

1.  
   The budgeting process starts with monitoring current spending.
   
2.  
   Most short-term goals are based on activities over the next two or three years.
   
3.  
   A common long-term goal may involve saving for college for parents of a newborn child.
   
4.  
   Rent is considered a fixed expense.
   
5.  
   Flexible expenses stay about the same each month.

multiple choice

6.  
   The final phase of the budgeting process is to:
   
   A. set personal and financial goals
   B. compare your budget to what you have actually spent
   C. review financial progress
   D. monitor current spending patterns
   
   B. “To pay off credit card bills in 12 months”
   C. “To invest in an international mutual fund for retirement”
   D. “To establish an emergency fund of $4,000 in 18 months”

7.  
   An example of a long-term goal would be:
   
   A. an annual vacation
   B. saving for retirement
   C. buying a used car
   D. completing college within the next six months
   
   B. auto insurance
   C. an electric bill
   D. educational expenses

8.  
   A clearly written financial goal would be:
   
   A. “To save money for college for the next five years”
   
   D. “To establish an emergency fund of $4,000 in 18 months”

9.  
   An example of a fixed expense is:
   
   A. clothing
   B. auto insurance
   C. an electric bill
   D. entertainment

10.  
     is commonly considered a flexible expense.

     A. Rent
     B. A mortgage payment
     C. Home insurance
     D. Entertainment

case application

Each month Mary and Brad Johnson have lengthy discussions about their household spending. They do not understand why they are continually short of money even though they both have good salaries. What actions might be taken to avoid personal and financial difficulties? The Johnson’s should create a specific spending plan based on their income, needs, and wants. They should decide on various financial goals for their current and future needs. They should regularly revise their budget based on changing situations in their lives.
Lesson Three

The Art of Budgeting
what are your goals?

directions
List some of your educational, social, financial, family, health/physical, and recreational goals. In some categories you may have more than six goals; in others you may have fewer.

my educational goals include:
1. 
2. 
3. 
4. 
5. 
6. 

my social goals include:
1. 
2. 
3. 
4. 
5. 
6. 

my financial goals include:
1. 
2. 
3. 
4. 
5. 
6. 

name: ____________________________  date: ____________________
what are your goals? (continued)

my family goals include:
1. ____________________________
2. ____________________________
3. ____________________________
4. ____________________________
5. ____________________________
6. ____________________________

my health/physical goals include:
1. ____________________________
2. ____________________________
3. ____________________________
4. ____________________________
5. ____________________________
6. ____________________________

my recreational goals include:
1. ____________________________
2. ____________________________
3. ____________________________
4. ____________________________
5. ____________________________
6. ____________________________
working with your goals

what goals are the most important to you?
Choose the two goals from each category that are the most important to you. Identify each goal as short-term (1–4 weeks), medium-term (2–12 months), or long-term (1 year or longer).

1. ____________________________________________
2. ____________________________________________
3. ____________________________________________
4. ____________________________________________
5. ____________________________________________
6. ____________________________________________
7. ____________________________________________
8. ____________________________________________
9. ____________________________________________
10. ____________________________________________
11. ____________________________________________
12. ____________________________________________

prioritize your goals
List and prioritize six of your most important goals. After each goal, identify what you could be doing now to work toward the goal, and what resources (if any) you need to achieve each goal.

goal #1 ____________________________________________
What I can be doing now to work toward this goal:
__________________________________________
__________________________________________
__________________________________________
__________________________________________
The resources I need to achieve this goal are:
__________________________________________
__________________________________________
__________________________________________
working with your goals (continued)

goal #2

What I can be doing now to work toward this goal:

The resources I need to achieve this goal are:

goal #3

What I can be doing now to work toward this goal:

The resources I need to achieve this goal are:

goal #4

What I can be doing now to work toward this goal:

The resources I need to achieve this goal are:
working with your goals (continued)

goal #5

What I can be doing now to work toward this goal:

The resources I need to achieve this goal are:

goal #6

What I can be doing now to work toward this goal:

The resources I need to achieve this goal are:
where does your money come from?

directions
Answer these questions. Be prepared to discuss your answers in class.

1. List your current source(s) of income.

2. What do you expect to be your source(s) of income in the near future?

3. What are your feelings about being financially dependent vs. financially independent?
where does your money go?

**directions**
Keep a record of everything you spend during a one-month period. Then, answer the questions below.

1. What patterns can you see in your spending habits?

2. How do you decide what to purchase?

3. What factors do you think influence your purchasing decisions?
setting up and maintaining a personal budget

directions
Use this form to set up a personal budget. After you've completed your planning, try to stick to your budget for one month. At the end of the month, record your actual income and your actual expenses. Calculate the difference between what you thought you would earn and what you actually earned, and what you thought you would spend and what you actually spent.

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### Setting up and maintaining a personal budget (continued)

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directions
Use one of the attached budget sheets to set up and maintain Gabrielle’s budget. Then, use the other sheet to rework Gabrielle’s budget into one that fits your personal lifestyle.

her planned income and expenses
Gabrielle works part-time at a greeting card company and part-time at a record store. The net monthly income from her first job is $600. The net monthly income from her second job is $800.

Her planned fixed monthly expenses include:
- $200 for rent (she shares an apartment with two friends)
- $175 for car payment
- $220 for car insurance

Her planned flexible expenses include:
- $100 (to save for going to trade school)
- $150 for food
- $40 for gas and oil
- $50 for clothes
- $60 for entertainment
- $30 for personal items

how her month actually went
1. What she made:
   - Gabrielle made $45 in overtime pay this month

2. What she spent on fixed, regular expenses:
   - Rent went up to $225, starting this month
   - Her monthly car payment was $175
   - Her monthly car insurance premium, as of this month, went up to $295

3. What her flexible expenses actually were:
   - $190 for food (she had a dinner party for which she hadn’t budgeted)
   - $60 for gas and oil (her car needed an oil change)
   - $34 for parking and bridge tolls
   - $220 for car repairs
   - $80 for a new pair of running shoes
   - $70 for entertainment
   - $60 for personal items
   - $36 for a birthday present for her mother

4. Her unexpected expenses:
   - Gabrielle got two speeding tickets in one week. The total cost of both tickets is $230.
how does her budget look now?

1. What is the difference between Gabrielle’s planned expenses and her actual expenses?

2. In what areas did she overspend?

3. In what areas did she spend less than she planned?

4. How much did she spend for the use of her car this month?

5. How much money did she have at the end of the month to put into savings?

if it were your budget...

1. Using the attached budget sheet, set up a budget for yourself. Use Gabrielle’s income as a starting point. Keep in mind your personal financial goals.

2. What did you change about the budget?

3. How much would you save each month to put toward your personal and financial goals?
Gabrielle’s budget

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<td>Tuition</td>
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### If It Were Your Budget

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<td>Household items</td>
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<td>Personal items</td>
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<tr>
<td><strong>Total Monthly Expenses</strong></td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>
true-false

1. _____ The budgeting process starts with monitoring current spending.
2. _____ Most short-term goals are based on activities over the next two or three years.
3. _____ A common long-term goal may involve saving for college for parents of a newborn child.
4. _____ Rent is considered a fixed expense.
5. _____ Flexible expenses stay about the same each month.

multiple choice

6. _____ The final phase of the budgeting process is to:
   A. set personal and financial goals.
   B. compare your budget to what you have actually spent.
   C. review financial progress.
   D. monitor current spending patterns.

7. _____ An example of a long-term goal would be:
   A. an annual vacation.
   B. saving for retirement.
   C. buying a used car.
   D. completing college within the next six months.

8. _____ A clearly written financial goal would be:
   A. “To save money for college for the next five years”
   B. “To pay off credit card bills in 12 months”
   C. “To invest in an international mutual fund for retirement”
   D. “To establish an emergency fund of $4,000 in 18 months”

9. _____ An example of a fixed expense is:
   A. clothing.
   B. auto insurance.
   C. an electric bill.
   D. educational expenses.

10. _____ is commonly considered a flexible expense.
    A. Rent
    B. A mortgage payment
    C. Home insurance
    D. Entertainment

case application

Each month Mary and Brad Johnson have lengthy discussions about their household spending. They do not understand why they are continually short of money even though they both have good salaries. What actions might be taken to avoid personal and financial difficulties?
Lesson Four

Living On Your Own
Students can greatly improve the experience of living on their own and renting an apartment by learning about important financial and legal aspects including leases, insurance, budgeting, credit, and more.

For related links and resources on this lesson, visit:
practicalmoneyskills.com/teens/4
overview
As young people grow up, a common goal is to live on their own. However, the challenges of independent living are often quite different from their expectations. This lesson provides a reality check for students as they investigate the costs associated with moving, obtaining furniture and appliances, and renting an apartment.

In preparation for living on their own, students are reminded of the budgeting process. In this lesson, we will encourage students to carefully consider various fixed and flexible expenses. In addition, they’ll learn budgeting strategies for both flexible expenses (variable costs that change depending on level of consumption), such as entertainment, restaurants, and vacations, and fixed expenses (those that need to be paid every month), such as rent and apartment insurance.

As students start the apartment selection process, many factors will be considered. Where to live, how much to pay for rent, whether to share an apartment with a roommate, and what type of lease to sign, are just a few topics that will be addressed.

Many students are probably not aware of the many important elements of a lease. In this section of the lesson, various information sections and clauses of an apartment lease are discussed. This material can help to create awareness and caution among students before signing a lease (or other contracts).

goals
Help students understand the costs of living on their own, provide practice in setting up budgets that include such costs, and develop the skills and knowledge necessary to interpret and evaluate lease and rental agreements.

lesson objectives
- Set up a budget that includes rent, moving expenses, and the expenses associated with setting up a household
- Understand the rights and legal responsibilities of a tenant
- Understand the rights and legal responsibilities of a landlord
- Read and interpret various clauses in a lease

presentation slides

4-A the cost of moving
4-B preparing a budget
4-C budgeting to move
4-D a lease agreement
4-E rights and responsibilities of tenants
4-F rights and responsibilities of landlords
living on your own lesson outline

student activities

4-1 Estimate the Cost of Your Bedroom Furnishings

Based on one of these situations:

- A teenager living at home.
- A young adult living on his/her own.
- Ask students to estimate the total cost of the furniture, linens, and creature comforts in their bedrooms.
- Discuss their findings. Was the total more than they expected? What items did they include?

4-2 Calculate the Cost of Setting Up an Apartment or Redecorating a Home

- Ask each team member to choose a room in an apartment. Choices include kitchen, dining room, bedroom, living room, and bathroom.
- Ask each team member to research how much it would cost to furnish and equip that room. Encourage students to look at various alternatives, including secondhand stores, garage sales, donations from relatives, etc.
- Ask all teams to prepare a summary of their findings, including an itemized list of what they would buy, the estimated cost of each item, the source for each item, and the total cost of furnishing and equipping “their” apartments. Have all teams present their findings to the class.
- As a class, discuss some students’ findings, and brainstorm ways to cut costs.

4-3 Set Up a Budget to Begin Living on Your Own or Upgrade Your Lifestyle

- Divide students into teams of two or three people. These teams are now “roommates” or “married.”
- Assign a realistic income to each student, and give each student a budget sheet.
- Ask each person to set up a budget that includes the fixed and flexible expenses associated with leaving home and living on one’s own.
- As a class, discuss the budgets prepared by each team. How much money would the team need to move? How long would it take them to save the money? What types of items did they include in their budget? Given their income and their personal lifestyle preferences, how long could they stay within their budget? How many included savings in their budget? How many took into consideration unforeseen events? How many took into consideration their personal and financial goals?
- Using the blank budget sheets, help the class design a budget that includes the costs of leaving home and moving into an apartment, that allows for unforeseen events, and that takes into consideration personal and financial goals.
4-4  Read and Interpret a Lease/Rental Agreement
   ■ Divide students into teams of three or four people.
   ■ Ask each team to answer the questions about various terms and clauses in the leases.
   ■ As a class, discuss the teams’ findings. Are there clauses they would want to change?
     Are there clauses they would add? Would they sign the lease?

4-5  Create an Apartment Handbook
   Have students interview family and friends about:
   ■ How much it costs to rent an apartment
   ■ How costs are divided up among roommates
   ■ The pros and cons of having roommates
   ■ How to read and interpret a lease
   ■ What it costs to furnish an apartment
   ■ Setting up and sticking to a budget
   Have students compile findings in a handbook for first-time apartment dwellers.

4-6  Select an Apartment
   Have students compare rental units based on the following:
   ■ Location
   ■ Building exterior
   ■ Building interior
   ■ Apartment layout and facilities
   ■ Financial aspects

4-7  Lesson Four Quiz

For more information, please refer to the Appendix.
Learning activities appropriate to varied target audiences for lesson four

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<th>activity</th>
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<th>young adults (19-25)</th>
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</table>
### Costs of Living on Your Own

1. Typical fixed monthly expenses (a review).
   - Rent
   - Car payment
   - Car insurance

2. Typical flexible monthly expenses (a review).
   - Food
   - Utilities
   - Transportation (gas, oil, bus fare, etc.)
   - Clothing
   - Entertainment
   - Personal items

### Budgeting to Live on Your Own

1. How much will your bedroom furnishings cost?
   - Furniture
   - Rugs
   - Linens
   - Electronics
   - Other

2. How much would it cost to set up and furnish a two-bedroom apartment?
   - Kitchen
   - Living room
   - Dining room
   - Bedroom 1
   - Bedroom 2
   - Bathroom
   - Creature comforts

3. Ways to cut costs
   - Used equipment and furniture
   - Secondhand stores
   - Donations from relatives
   - Used items advertised online and in local newspaper
   - Other
### The Costs of Moving

1. **Moving-in Costs**
   - Rent for first month
   - Rent for last month
   - Cleaning deposit
   - Security deposit
   - Utilities deposit
   - Telephone deposit

2. **Moving Costs**
   - Renting a truck
   - Hiring movers
   - Packing supplies

### Roommates?

1. **Pros and Cons**

2. **Issues to Consider**
   - Lifestyles
   - How to split expenses
   - How to divide chores
   - House rules
   - Legal obligations if someone moves out

### Preparing a Budget

1. **Personal and Financial Goals**
   - Short-term
   - Medium-term
   - Long-term

2. **Needs and Wants**
   - Personal (e.g., nice view)
   - Professional (e.g., proximity to work)

3. **Income**
   - Current
   - Expected income in the next few months
   - Expected income in the next year

4. **Practice Setting Up a Budget**
   - Rent
   - Moving costs
   - Moving-in costs
   - Costs of setting up an apartment
a lease
1. What a lease looks like and what it usually contains
   ■ Length of lease
   ■ Amount of rent per month
   ■ Date rent must be paid
   ■ Name of lessor and lessee
   ■ Address where rent is to be sent
2. Clauses to be aware of
   ■ Confession of judgment clause
   ■ Inability to sue clause
   ■ Arbitrary clauses
3. Clauses you might want to add
   ■ List of appliances that come with the apartment
   ■ What facilities you may use
   ■ Any verbal promises made by landlord
   ■ Amount charged if you break the lease
   ■ List of extras you want to install and take with you when you leave
   ■ Any damages that exist when you move in
4. The rights and responsibilities of tenants
5. The rights and responsibilities of landlords

would you sign this lease or this rental agreement?
1. For each example:
   ■ What is the length of lease?
   ■ What is the amount of rent?
   ■ When is the rent due?
   ■ Are there any clauses you disagree with?
   ■ Are there any clauses you would like to add?
create a handbook for a first apartment
1. Have students interview family and friends about:
   - How much it costs to rent an apartment
   - How costs are divided up among roommates
   - The pros and cons of having roommates
   - How to read and interpret a lease
   - What it costs to furnish an apartment
   - Setting up and sticking to a budget
2. Have students compile findings in a handbook for first-time apartment dwellers.
3. Have students compare rental units based on the following:
   - Location
   - Building exterior
   - Building interior
   - Apartment layout and facilities
   - Financial aspects

lesson four quiz
directions
Use the attached lease form to answer the following questions.

1. For which utilities, if any, does the landlord pay?
   According to the lease, the landlord doesn't pay for any of the utilities.

2. If you were to fall down a wet flight of stairs and break your leg while in the apartment building, could you hold the landlord legally responsible for your medical bills?
   Only if you could prove the landlord was “wilfully and grossly” negligent.

3. If you break any provision of the lease, what recourse does the landlord have?
   “The landlord, after giving proper notice required by law, may enter the Premises and remove any property and any persons therefrom in the manner allowed by law.”

4. What terms and conditions apply if you choose to stay after the lease has expired?
   Tenancy becomes month-to-month at a rental in the amount of the last month’s rent. All other terms and conditions remain the same.

5. If the landlord changes (or waives) any provision in the lease, how are the other provisions affected?
   All other provisions of the lease stay the same.

6. If you want to let the landlord know you are moving out, what must you do?
   Notify the landlord, in writing, at least 30 days before you plan to move out.

7. Is there anything in this lease you would change?

8. Would you add any provisions to this lease?
would you sign this rental agreement?

answer key

directions
Use the attached rental agreement form to answer the following questions.

1. Except in an emergency, how much notice must the landlord give you before entering your apartment?
   24 hours.

2. What must you do if you want to alter the apartment in any way?
   Obtain written consent from the Owner.

3. Under what circumstances may the landlord withhold your security deposit?
   A landlord can withhold a “reasonable and necessary” amount to remedy the following defaults: nonpayment of rent, or to repair damages to the premises caused by Residents.

4. After you move out of the apartment, how long does the landlord have to return your security deposit (assuming you leave the apartment clean and in good condition)?
   No more than two weeks.

5. What recourse, if any, does the landlord have if you sublease the apartment without prior consent?
   The landlord can terminate your lease.

6. You rent the apartment with a friend, and you both sign the rental agreement. Then, you decide to move out but do not notify the landlord. At a later date, your former roommate defaults on the rent. Can the landlord hold you legally responsible?
   Yes. There is a clause that states: “the undersigned Resident(s) whether or not in actual possession of the premises, are jointly and severally liable for all obligations under this rental agreement.”

7. Is there anything in this rental agreement you would change?

8. Is there anything you would want to add to this rental agreement?
true-false
1. _f_ An electric bill is commonly considered a fixed living expense.
2. _f_ A security deposit covers the rent for the first month when moving into an apartment.
3. _t_ A roommate may reduce the financial burden of renting an apartment.
4. _f_ Saving money for a down payment to buy a house is usually considered a short-term goal.
5. _t_ A lease is designed to protect the rights of both a tenant and a landlord.

multiple choice
6. _C_ A common flexible expense associated with apartment renting is:
   A. a security deposit
   B. apartment insurance
   C. electricity
   D. rent
7. _B_ A _____ deposit refers to money held to cover possible damage in an apartment.
   A. cleaning
   B. security
   C. telephone
   D. utilities
8. _B_ A common moving-in cost for an apartment would be:
   A. a down payment
9. _D_ A long-term goal would be to:
   A. rent an apartment
   B. own an apartment building
   C. move to a larger apartment
   D. buy additional furniture
10. _C_ The agreement between a renter and a landlord is a:
    A. security deposit
    B. mortgage
    C. lease
    D. deed

case application
Ruth recently completed high school. She is working full time and taking courses in the evening and on weekends at a local community college. Since she is making a good income, Ruth wants to get an apartment. She believes this would give her more privacy to study, resulting in higher grades and a better chance to transfer to a top four-year college or university. What would you recommend in this situation? While an apartment may be an appropriate decision, Ruth must also consider other factors. Since she works and goes to school, the apartment may not be used much. Also, by living at home, she would be able to save more money for future educational costs.
Lesson Four
Living On Your Own
estimate the cost of your bedroom furnishings

directions
On a sheet of paper, prepare an itemized list of every major object in your bedroom, including furniture, linens, and creature comforts. Then, estimate the cost of each item and answer the questions below.

1. What items did you include?

2. How did the total compare to what you expected?

3. What items did you underestimate the cost of?

4. What items did you overestimate the cost of?
calculate the cost of setting up an apartment or redecorating a home

directions
Each team member should pick one room (choices include kitchen, dining room, bedroom, living room, and bathroom). Research how much it would cost to furnish and equip the room. Consider various alternatives, including secondhand stores, garage sales, donations from relatives, etc.

1. What items did you include?

2. What was your source for each item?

3. What was the total cost?

4. How did the total compare to what you expected?
Use this form to set up a budget that would allow you and your teammates to rent and furnish an apartment.

**income**

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<thead>
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<th>Job #1</th>
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<td>Job #2</td>
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<td>Other</td>
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<td><strong>total monthly income</strong></td>
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**fixed expenses**

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<tr>
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<td>Car payment</td>
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**flexible expenses**

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<td>Utilities (gas, electric, water)</td>
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<td>Transportation</td>
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<td><strong>total monthly expenses</strong></td>
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budgeting to live on your own (continued)

Continue to calculate what you and your teammates would pay to rent and furnish an apartment.

### moving-in costs

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**total cost to move in**

$  

### cost of furnishing and equipping an apartment

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<td>Living room</td>
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<td>Dining room</td>
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<td>Kitchen</td>
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<td>Bathroom</td>
<td>$</td>
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**total cost**

$  

### summary

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<tbody>
<tr>
<td>total cost for first month (1+2+3)</td>
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would you sign this lease?

directions
Use the attached lease form to answer the following questions.

1. For which utilities, if any, does the landlord pay?

2. If you were to fall down a wet flight of stairs and break your leg while in the apartment building, could you hold the landlord legally responsible for your medical bills?

3. If you break any provision of the lease, what recourse does the landlord have?

4. What terms and conditions apply if you choose to stay after the lease has expired?

5. If the landlord changes (or waives) any provision in the lease, how are the other provisions affected?

6. If you want to let the landlord know you are moving out, what must you do?

7. Is there anything in this lease you would change?

8. Would you add any provisions to this lease?
lease agreement

lease

1. Parties/Premises:
   This Lease is made this 27th of August, 2008, by and between Alice Chan (herein referred to as “Landlord”) and Tim Baker (herein referred to as “Tenant”). Landlord hereby leases to Tenant certain real property situated in the City of San Francisco, State of California, commonly known as 123 Main Street and described as Two Bedroom Apartment (hereinafter called the “Premises”).

2. Term:
   The term of this Lease shall be for one year commencing on September 1, 2008, and ending on September 1, 2009.

3. Rent:
   Tenant shall pay to Landlord as rent for the Premises the sum of $850.00 dollars per month, on the first day of each month. Rent shall be payable without notice or demand at the address as the Landlord may designate to Tenant in writing.

4. Utilities:
   Tenant shall make all arrangements and pay for all gas, heat, light, power, telephone, and other utility services supplied to the Premises and for all connection charges.

5. Hold Harmless:
   Tenant shall hold Landlord harmless from any and all claims arising from Tenant’s use of the Premises. Except for Landlord’s willful or grossly negligent conduct, Tenant assumes all risk of damage to property or injury to persons in or about the Premises.

6. Default:
   If Tenant shall default and breach any covenant or provision of the Lease, then the Landlord, after giving the proper notice required by law, may re-enter the Premises and remove any property and any and all persons therefrom. The undersigned Resident(s) whether or not in actual possession of the premises, are jointly and severally liable for all obligations under this rental agreement.

7. Holding Over:
   If Tenant, with the Landlord’s consent, remains in possession of the Premises after expiration of this Lease, such possession shall be a tenancy from month-to-month at a rental in the amount of the last month’s rent. Tenant must notify Landlord in writing at least thirty days prior to evacuating the Premises. All other provisions remain the same.

8. Waivers:
   No waiver by Landlord of any provision hereof shall be deemed a waiver of any other provision hereof.

Landlord By: Alice Chan
Tenant By: Tim Baker

signature
signature
would you sign this rental agreement?

**directions**
Use the following rental agreement form to answer the following questions.

1. Except in an emergency, how much notice must the landlord give you before entering your apartment?

2. What must you do if you want to alter the apartment in any way?

3. Under what circumstances may the landlord withhold your security deposit?

4. After you move out of the apartment, how long does the landlord have to return your security deposit (assuming you leave the apartment clean and in good condition)?

5. What recourse, if any, does the landlord have if you sublease the apartment without prior consent?

6. You rent the apartment with a friend, and you both sign the rental agreement. Then, you decide to move out but do not notify the landlord. At a later date, your former roommate defaults on the rent. Can the landlord hold you legally responsible?

7. Is there anything in this rental agreement you would change?

8. Is there anything you would want to add to this rental agreement?
rental agreement

This agreement is entered into this 23rd day of January, 2008, by and between Jim Cook “Owner” (Landlord) and Sarah White “Resident” (Tenant), hereafter referred to as “the parties.”

IN CONSIDERATION OF THEIR MUTUAL PROMISES THE PARTIES AGREE AS FOLLOWS:

1. Owner rents to Residents(s) and Resident(s) rents from Owner, for residential use only, the following “premises” known as: 325 Shady Lane, Fremont, California.

2. Rent is due in advance of the first day of each and every month, at $500.00 per month, beginning on the first day of February 2008. If any rent shall be due and unpaid five (5) or more days after the due date, or if default shall be made by Resident(s) in any of the other covenants herein contained, then Owner, at his option, may terminate the tenancy by law.

3. Owner is given the right to enter and/or inspect the apartment for the following purposes:
   (a) In case of emergency.
   (b) To make necessary repairs or improvements, supply necessary services, or exhibit the dwelling unit to prospective or actual purchasers, tenants, or contractors.
   (c) When Resident(s) has abandoned or surrendered the premises. Except in cases of emergency, or if it is impractical to do so, Owner shall give Resident(s) reasonable notice of his intent to enter. Twenty-four hours shall be presumed to be reasonable notice.

4. No pets, barbecues, or dangerous items shall be kept or allowed in or about the premises without Owner’s written permission.

5. No alterations or decorations shall be made by Resident(s) without Owner’s prior written consent. Any improvements to the premises shall become property of Owner at the end of the tenancy.

6. Resident(s) shall pay for any damage or injury to any portion of the premises, common areas, furnishings, fixtures, or appliances, or for personal injury caused by Resident(s).

7. Resident(s) shall pay for all utilities, services, and charges, if any, made payable by or predicated upon occupancy of Resident(s), except monthly water and garbage bills.

8. Resident(s) shall deposit with Owner, as a security deposit, the sum of $500.00. Owner may claim and withhold from the security deposit only such amounts as are reasonably necessary to remedy Resident’s defaults as follows:
   (a) in the payment of rent; or
   (b) to repair damages to the premises, if necessary, upon termination of the tenancy. No later than two weeks after Resident(s) has vacated the premises, Owner shall furnish Resident(s) with an itemized written statement of the basis and the amount of any security and shall return any remaining portion of such security to Resident(s).

9. Resident(s) shall neither assign nor sublet these premises or any part thereof or otherwise permit others to occupy the apartment without written consent of Owner. This clause is a special consideration for this contract and its violation shall result in termination of this contract.

10. The undersigned Resident(s), whether or not in actual possession of the premises, are jointly and severally liable for all obligations under this rental agreement.

The undersigned Resident(s) acknowledges having read and understood the foregoing.

Owner
Jim Cook

Resident
Sarah White

signature
signature

www.practicalmoneyskills.com living on your own

student activity 4-4d
create an apartment handbook

1. Interview your family and friends about:
   - How much it costs to rent an apartment
   - How costs are divided up among roommates
   - The pros and cons of having roommates
   - How to read and interpret a lease
   - What it costs to furnish an apartment
   - Setting up and sticking to a budget

2. Write up your findings. As a class, collate your findings and create a handbook.
select an apartment

Compare two or three different rental units based on the following factors:

**location**
Place of employment, schools, churches, synagogues, shopping, public transportation, recreation

**building exterior**
Condition of building, grounds, parking availability, recreation facilities

**building interior**
Exits, security, hall maintenance, condition of elevators, access to mailboxes

**apartment layout and facilities**
Condition, size, closets, carpeting, appliances, type of heat, air conditioning, plumbing, water pressure, storage area, room size, doors, locks, windows

**financial aspects**
Rent amount, length of lease, security deposit, utilities, other costs
true-false

1. ___ An electric bill is commonly considered a fixed living expense.

2. ___ A security deposit covers the rent for the first month when moving into an apartment.

3. ___ A roommate may reduce the financial burden of renting an apartment.

4. ___ Saving money for a down payment to buy a house is usually considered a short-term goal.

5. ___ A lease is designed to protect the rights of both a tenant and a landlord.

multiple choice

6. ___ A common flexible expense associated with apartment renting is:
   A. a security deposit
   B. apartment insurance
   C. electricity
   D. rent

7. ___ A _____ deposit refers to money held to cover possible damage in an apartment.
   A. cleaning
   B. security
   C. telephone
   D. utilities

8. ___ A common moving-in cost for an apartment would be:
   A. a down payment
   B. building insurance
   C. real estate taxes
   D. a security deposit

9. ___ A long-term goal would be to:
   A. rent an apartment
   B. own an apartment building
   C. move to a larger apartment
   D. buy additional furniture

10. ____ The agreement between a renter and a landlord is a:
    A. security deposit
    B. mortgage
    C. lease
    D. deed

case application

Ruth recently completed high school. She is working full time and taking courses in the evening and on weekends at a local community college. Since she is making a good income, Ruth wants to get an apartment. She believes this would give her more privacy to study, resulting in higher grades and a better chance to transfer to a top four-year college or university.
Lesson Five

Buying a Home
Buying a Home is a major life milestone that requires some thoughtful planning and know-how. Students need to understand all aspects of the home-buying process - everything from mortgages and credit to financing and insurance.

For related links and resources on this lesson, visit: 
practicalmoneyskills.com/teens/5
overview
For many, buying a home is the single most important financial decision they will make in their lifetime.

However, the process of becoming a first-time homebuyer can be overwhelming, and requires a foundation for basic home-buying knowledge.

This lesson will provide students with information on buying a home and where and how to begin the process. After comparing the differences between renting and buying, students will be introduced to a five-step process for home buying. This framework provides an overview for the activities involved with selecting and purchasing a home.

“What type of mortgage should I select?” This common question will be covered, as well as what lenders look for when qualifying an applicant for a home loan. Next, the costs associated with finalizing a real estate purchase, or “closing costs,” are discussed.

Finally, students are put on the other side of the real estate transaction—as a seller. Several suggestions are offered for selling a home.

goal
Give students a basic understanding of the process and costs involved with home buying.

lesson objectives
— Compare benefits and drawbacks of renting vs. buying a home
— Develop a knowledge of the home-buying process
— Understand steps involved in applying for a mortgage
— Understand and compare various types of mortgages
— Identify actions to take when selling a home

presentation slides

5-A the home-buying process
5-B qualifying for a mortgage
5-C types of mortgages
5-D closing costs
5-E selling your home
activities

5-1 Should They Buy or Rent?
- Divide students into teams of two or three people. Have students make decisions regarding the housing-decision situations on the activity sheet. As a class, discuss student answers for the situations. What differences exist among the teams? What are some reasons for those differences?

5-2 Conducting a Home Inspection
- Ask students to list items that should be considered when evaluating the condition of a home for purchase. Discuss their findings. What items were noted by most students? What items were only noted by a few students?

5-3 Shopping for a Mortgage
- Using the Internet or by contacting a mortgage broker, obtain information on the costs and rates for a mortgage. Discuss the differences that may be present among different financial institutions.

5-4 Computing Mortgage Payments
- Using the exercise sheet, have students compute the monthly mortgage payment for the situations on the activity sheet. As a follow-up, discuss the following: What factors affect changing mortgage rates in our economy? What are the advantages of a 15-year mortgage over a 30-year mortgage? What are the disadvantages?

5-5 Lesson Five Quiz

For more information, please refer to the Appendix.
Learning activities appropriate to varied target audiences for lesson five

<table>
<thead>
<tr>
<th>activity</th>
<th>teenagers (14-18)</th>
<th>young adults (19-25)</th>
<th>adults (26+)</th>
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<tbody>
<tr>
<td>Survey/Interview</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Student Activity 5-1</td>
<td>●</td>
<td>●</td>
<td></td>
</tr>
<tr>
<td>Student Activity 5-2</td>
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<td>●</td>
<td>●</td>
</tr>
<tr>
<td>Oral Presentation</td>
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<td>●</td>
<td></td>
</tr>
<tr>
<td>Web Activity</td>
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<td>Student Activity 5-3</td>
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<td>Field Activity</td>
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</tr>
<tr>
<td>Lesson Five Quiz 5-5</td>
<td>●</td>
<td>●</td>
<td>●</td>
</tr>
</tbody>
</table>
### Comparing Renting and Buying

1. **Main advantages of renting are:**
   - Ease of mobility
   - Fewer responsibilities
   - Lower initial costs

2. **Common disadvantages of renting are:**
   - Few financial benefits in the form of tax deductions
   - Restricted lifestyle, decorating, having pets, and other activities
   - Legal concerns
   - No opportunity to have value of a home

3. **Key benefits of buying your housing are:**
   - Tax savings
   - Pride of ownership
   - Potential economic gain

4. **Disadvantages of buying your house may include:**
   - Financial risks related to having down payment funds, obtaining a mortgage, fluctuating property values and mortgage caps
   - Limited mobility if a home is difficult to sell
   - Higher living costs due to repairs and maintenance

### The Home-Buying Process

<table>
<thead>
<tr>
<th>Phase 1</th>
<th>Determine home ownership needs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phase 2</td>
<td>Locate and evaluate a home</td>
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<tr>
<td>Phase 3</td>
<td>Price the property</td>
</tr>
<tr>
<td>Phase 4</td>
<td>Obtain financing</td>
</tr>
<tr>
<td>Phase 5</td>
<td>Close the purchase transaction</td>
</tr>
</tbody>
</table>

### Survey/Interview:

Have students talk to various people about the reason they rent or own a home.

### Student Activity 5-1

### Student Activity 5-2

### Slide 5-A
applying for a mortgage

- Determine an estimated value of the house
- Obtain funds for a down payment
- Reduce debts or improve your credit score, if necessary
- Compare fees, services, and mortgage rates for different lenders
- Prepare the mortgage application

![discussion]

oral presentation:

Have students present in class (or on video) examples of actions that could improve or reduce their ability to obtain a mortgage.

![slide 5-B]

types of mortgages

- A conventional mortgage has equal payments, typically over 15, 30, or 40 years based on a fixed interest rate
- Government-guaranteed financing programs include loans from the Federal Housing Authority (FHA) and the Veterans Administration (VA)
- A balloon mortgage has fixed monthly payments and a very large final payment, usually after three, five, or seven years
- The adjustable rate mortgage (ARM), also referred to as a flexible rate mortgage or a variable rate mortgage, has an interest rate that increases or decreases during the life of the loan based on changes in market interest rates
- A graduated payment mortgage has payments rising to different levels during the term of the loan
- A growing equity mortgage has increases in payments for the loan to be paid off more quickly
- A buy down is an interest rate subsidy from a real estate developer that reduces the mortgage payments during the first few years of the loan
- A shared appreciation mortgage (SAM) is an arrangement in which the borrower agrees to share the increased value of the home with the lender when the home is sold
- An interest-only mortgage consists of interest-only payments for a specified period, usually five to ten years

![discussion]

web activity:

Have students locate information on current mortgage rates using a web search.

![slide 5-C]
### Types of Mortgages (continued)
- Reverse mortgages provide an elderly homeowner with tax-free income in the form of a loan that is paid back (with interest) when the home is sold or the homeowner dies.
- Refinancing refers to obtaining a new mortgage on your current home at a lower interest rate.

### Selecting a Mortgage
- Shop around for mortgages through multiple lenders.
- Estimate a mortgage payment based on different factors including interest rates and different terms of the loan.

### Closing Costs
The common costs associated with the settlement of a real estate transaction may include:
- Attorney or escrow fees
- Title insurance
- Property taxes
- Appraisal fee
- Recording fees, transfer taxes
- Loan discount points
- Inspections
- Lender’s origination fee
- Reserves for home insurance and property taxes
- Interest (paid from date of closing to 30 days before first monthly payment)
- Real estate agent commission
**selling your home**

1. Prepare your home for selling to increase appeal and market value
2. Determine the selling price, based on an appraisal, the location, features, age of the home, current mortgage rates, and market demand
3. Decide if you will do a “sale by owner”
4. Consider using the services of a real estate agent

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**lesson five quiz**

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**field activity:**

Have students talk to someone who recently sold a home to obtain information on that experience.

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**discussion**

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**slide 5-E**

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**quiz 5-5**

---
should they rent or buy?

answer key

directions
For each of the following situations, circle RENT, BUY, or DEPENDS to indicate your opinion related to this person’s housing decision. Also, give reasons for your response.

1: Marla, age 22, plans to work full time while completing her college degree in a nearby city.

RENT  BUY  DEPENDS

2: Bill, age 44, travels out of town frequently for his sales job. His company may transfer him to another sales territory within a year or two.

RENT  BUY  DEPENDS

3: Craig, age 32, recently completed his master’s degree in business while working at the same company for the past six years. He has also been able to save nearly $8,000 over this time period.

RENT  BUY  DEPENDS

4: Jess, age 19, has just taken her first job as a sales representative trainee for a computer software company.

RENT  BUY  DEPENDS

5: Barb and Frank, ages 54 and 57, are planning to retire within the next few years.

RENT  BUY  DEPENDS
Using the following mortgage payment factors, calculate the monthly mortgage payment for the following situations.

**mortgage payment factors**  
(principal and interest factors per $1,000 of loan amount)

<table>
<thead>
<tr>
<th>Term Rate</th>
<th>30 Years</th>
<th>25 Years</th>
<th>20 Years</th>
<th>15 Years</th>
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<tbody>
<tr>
<td>6.0%</td>
<td>$6.00</td>
<td>$6.44</td>
<td>$7.16</td>
<td>$8.43</td>
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<tr>
<td>6.5</td>
<td>6.32</td>
<td>6.67</td>
<td>7.45</td>
<td>8.71</td>
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<td>7.06</td>
<td>7.75</td>
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<td>6.99</td>
<td>7.39</td>
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<td>15.0</td>
<td>12.64</td>
<td>12.81</td>
<td>13.17</td>
<td>14.00</td>
</tr>
</tbody>
</table>

**Example:** A 30-year mortgage at 9 percent for $80,000.  
Calculations: $8.05 from table times 80 (for $80,000) equals $644

1. A 15-year mortgage at 8.5 percent for $75,000. \[ \text{\$9.85 \times 75 = \$738.75} \]
2. A 30-year mortgage at 8 percent for $95,000. \[ \text{\$7.34 \times 95 = \$697.30} \]
3. A 20-year mortgage at 7 percent for $155,000. \[ \text{\$7.75 \times 155 = \$1,201.25} \]
4. A 30-year mortgage at 7.5 percent for $60,000. \[ \text{\$6.99 \times 60 = \$419.40} \]
lesson five quiz: buying a home

answer key

ture-false

1. ___ t ___ A main advantage of buying is pride of ownership.
2. ___ f ___ Buying a home will usually have fewer costs than renting.
3. ___ t ___ The home-buying process ends with closing the purchase transaction.
4. ___ t ___ A larger down payment will reduce the amount of the mortgage needed.
5. ___ f ___ Conventional mortgages usually have a rate that changes as market interest rates change.

multiple choice

6. ___ B ___ A common disadvantage of buying a home is:
   A. few financial benefits
   B. limited mobility
   C. restrictions on decorating and having pets
   D. conditions in the lease

7. ___ C ___ The home-buying process starts with:
   A. locating and evaluating a home
   B. pricing the property
   C. determining homeownership needs
   D. obtaining an appraisal of the property

8. ___ B ___ The amount of a mortgage a person can afford is affected by:
   A. the location of the house
   B. her or his income
   C. the cost of insurance
   D. his or her age

9. ___ D ___ A _____ mortgage has a very large final payment.
   A. conventional
   B. graduated-payment
   C. shared-appreciation
   D. balloon

10. ___ B ___ The charges for settling a real estate transaction are also called ____ costs.
    A. mortgage
    B. closing
    C. possession
    D. selling


Case application

Roberto and Shelly have been able to save $7,000 for a down payment on a house. Roberto would like to buy a large home that is a long drive from their jobs. Shelly would like a small townhouse near their work. What factors should they consider when buying a home? They should start with how much they are able to afford. Next, they should consider the location where they would like to live. In addition, they should investigate various sources and types of mortgages.
should they rent or buy?

directions
For each of the following situations, circle RENT, BUY, or DEPENDS to indicate your opinion related to this person’s housing decision. Also, give reasons for your response.

1. Marla, age 22, plans to work full time while completing her college degree in a nearby city.

RENT  BUY  DEPENDS

2. Bill, age 44, travels out of town frequently for his sales job. His company may transfer him to another sales territory within a year or two.

RENT  BUY  DEPENDS

3. Craig, age 32, recently completed his master’s degree in business while working at the same company for the past six years. He has also been able to save nearly $8,000 over this time period.

RENT  BUY  DEPENDS

4. Jess, age 19, has just taken her first job as a sales representative trainee for a computer software company.

RENT  BUY  DEPENDS

5. Barb and Frank, ages 54 and 57, are planning to retire within the next few years.

RENT  BUY  DEPENDS
conducting a home inspection

Based on your personal observations of homes, interviews with homeowners and real estate agents, and internet research, list several items to consider when conducting an inspection before deciding to buy a home.

exterior facilities:

1. 

2. 

3. 

exterior construction:

1. 

2. 

3. 

interior construction:

1. 

2. 

3. 

interior design:

1. 

2. 

3.
shopping for a mortgage

Use the following form to compare two or more sources of home mortgages:

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<th><strong>Type of mortgage:</strong></th>
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<tr>
<td>(conventional, adjustable rate)</td>
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<table>
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<tr>
<th><strong>Length:</strong> (# years)</th>
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<tr>
<th><strong>Mortgage amount:</strong></th>
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<thead>
<tr>
<th><strong>Financial institution:</strong></th>
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<td>(address, phone)</td>
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<th><strong>Application fee:</strong></th>
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<th><strong>Credit report:</strong></th>
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<th><strong>Appraisal fee:</strong></th>
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<tr>
<th><strong>Points:</strong></th>
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</table>

<table>
<thead>
<tr>
<th><strong>Other fees, charges (prepaid interest):</strong></th>
<th></th>
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</table>

<table>
<thead>
<tr>
<th><strong>Other information:</strong></th>
<th></th>
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</table>

**computing mortgage payments**

Using the following mortgage payment factors, calculate the monthly mortgage payment for the following situations.

**mortgage payment factors**  
(principal and interest factors per $1,000 of loan amount)

<table>
<thead>
<tr>
<th>Term Rate</th>
<th>30 Years</th>
<th>25 Years</th>
<th>20 Years</th>
<th>15 Years</th>
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<tr>
<td>6.0%</td>
<td>$6.00</td>
<td>$6.44</td>
<td>$7.16</td>
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<tr>
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<tr>
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<td>8.68</td>
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<td>10.67</td>
<td>10.90</td>
<td>11.36</td>
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<td>12.64</td>
<td>12.81</td>
<td>13.17</td>
<td>14.00</td>
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</table>

**Example:** A 30-year mortgage at 9 percent for $80,000.  
Calculations: $8.05 from table times 80 (for $80,000) equals $644

1. A 15-year mortgage at 8.5 percent for $75,000.  
2. A 30-year mortgage at 8 percent for $95,000.  
3. A 20-year mortgage at 7 percent for $155,000.  
4. A 30-year mortgage at 7.5 percent for $60,000.
lesson five quiz: buying a home

true-false
1. ____ A main advantage of buying is pride of ownership.
2. ____ Buying a home will usually have fewer costs than renting.
3. ____ The home-buying process ends with closing the purchase transaction.
4. ____ A larger down payment will reduce the amount of the mortgage needed.
5. ____ Conventional mortgages usually have a rate that changes as market interest rates change.

multiple choice
6. ____ A common disadvantage of buying a home is:
   A. few financial benefits
   B. limited mobility
   C. restrictions on decorating and having pets
   D. conditions in the lease

7. ____ The home-buying process starts with:
   A. locating and evaluating a home
   B. pricing the property
   C. determining homeownership needs
   D. obtaining an appraisal of the property

8. ____ The amount of a mortgage a person can afford is affected by:
   A. the location of the house
   B. her or his income
   C. the cost of insurance
   D. his or her age

9. ____ A _____ mortgage has a very large final payment.
   A. conventional
   B. graduated-payment
   C. shared-appreciation
   D. balloon

10. ____ The charges for settling a real estate transaction are also called _____ costs.
    A. mortgage
    B. closing
    C. possession
    D. selling

case application
Roberto and Shelly have been able to save $7,000 for a down payment on a house. Roberto would like to buy a large home that is a long drive from their jobs. Shelly would like a small townhouse near their work. What factors should they consider when buying a home?
Lesson Six
Banking Services
Students will make wise choices about their banking services once they understand such fundamentals as: selecting and managing a bank account; using debit cards; and safeguarding personal information against identity theft.

For related links and resources on this lesson, visit: practicalmoneyskills.com/teens/6
overview

If the fee for an ATM transaction to withdraw money is $1 and a person withdraws money twice a week, the banking fees for that person will be $104 a year. Over a five-year period, those fees invested at five percent would grow to more than $570.

Most students know that banks and other financial institutions (credit unions, savings and loan associations) offer a variety of services. However, few people know how to make wise choices when using financial services. In this lesson, students will learn about the different types of financial service products available and the features of each.

When selecting a checking account, remind students to consider the required balance, monthly fees, interest earned, cost of printing checks, and charges for other fees and services.

goals

Provide practice in comparing and evaluating various banking services, including checking and savings accounts, debit cards/ATM, and online banking. Perform the tasks associated with maintaining checking and savings accounts.

lesson objectives

- Understand the services offered by banks, savings and loans, and credit unions
- List some of the factors to consider when shopping for bank services
- Understand the responsibilities of having a checking account
- Write checks and keep a running balance in a checkbook
- Describe how to deposit a check
- Read and interpret a checking account statement
- Reconcile a checking account using a checking account statement and a check register
- Describe what an ATM card is and explain how it is used
- Describe what a debit card is and explain how it is used

presentation slides

6-A beware of these high-cost financial services
6-B comparing checking accounts
6-C opening a checking account
6-D making a deposit
6-E endorsing a check
6-F writing a check
banking services lesson outline

6-G keeping a running balance: check transaction, ATM card transaction, debit card transaction
6-H reading a bank statement
6-I reconciling a checking account
6-J electronic banking services
6-K smart cards

student activities
6-1 Choosing a Checking Account
   ■ Using the guidelines provided in class, have students shop for a checking account
   ■ Discuss what they found. Which bank or credit union would they choose? Why?
6-2 Keeping a Running Balance in a Check Register
   ■ Using the examples provided, have students keep a running balance in a check register
6-3 Reading and Interpreting a Bank Statement
   ■ Have students answer the questions regarding the sample bank statement
6-4 Reconciling an Account
   ■ Using the examples provided, have students reconcile the example account
6-5 Lesson Six Quiz

supplemental materials
■ Banking Terms
■ A Primer on Debit and ATM Cards

For more information, please refer to the Appendix.
Learning activities appropriate to varied target audiences for lesson six

<table>
<thead>
<tr>
<th>activity</th>
<th>teenagers (14-18)</th>
<th>young adults (19-25)</th>
<th>adults (26+)</th>
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<td>Student Activity 6-3</td>
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<tr>
<td>Student Activity 6-4</td>
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<td>Web Activity</td>
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<tr>
<td>Lesson Six Quiz 6-5</td>
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<td>●</td>
<td>●</td>
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</tbody>
</table>
financial institutions and services

1. Bank services
   - Checking and savings accounts
   - Interest
   - Automatic deposit and payment
   - Storage of valuables
   - Transfer of money
   - Overdraft checking
   - Traveler's checks
   - FDIC (Federal Deposit Insurance Corporation)
   - Credit and debit cards
   - Certificates of Deposit (CDs)
   - ATMs

2. Savings & loans (S&Ls)

3. Credit unions

4. How banks differ from savings & loans and credit unions

advantages/disadvantages of having a checking account

choosing a checking account

1. Monthly fees
2. Per-check charges
3. Balance requirements
4. Interest rate
5. How rates are calculated
6. How soon you can draw against a deposit
7. Bounced check charges
   - On your check
   - On a check you deposited
8. ATM charges
9. Debit card charge
10. Stop payment fees
11. Charges for printed checks
12. Locations/number of branches
13. Bank hours
14. Online banking option
15. Bill pay option
# banking services teaching notes

## shopping for a checking account
- student activity 6-1

## opening a checking account
1. Signature authorization card
2. The contract and what it means
3. Initial deposit
- discussion
- slide 6-C

## making a deposit
1. Writing a deposit slip
2. Endorsing a check
   - Blank endorsement
   - Restrictive endorsement
   - Special (or full) endorsement
3. Depositing a check
   - Direct deposit
   - Manual deposit
- slides 6-D & 6-E

## writing a check and keeping a running balance
1. Writing a check
2. Entering information about a check in your check register
3. Keeping a running balance in your check register
- discussion
- student activity 6-2
- slides 6-F & 6-G
**using an ATM card and keeping a running balance**

Students may wish to visit a local bank to find this information on their own.

1. What it is
2. What it looks like
3. Advantages of using
4. Disadvantages of using
5. How to use:
   - Choosing a personal identification number (PIN)
6. What it costs
7. Entering information about an ATM transaction in your check register
8. Keeping a running balance in your check register

**using a debit card and keeping a running balance**

Because debit cards are widely used, a local bank officer would be a good guest speaker for this topic.

1. What it is
2. What it looks like
3. Advantages of using
4. Disadvantages of using
5. Difference from a credit card
6. How to use it
7. What it costs
8. Where it is accepted
9. What it replaces
10. Entering information about a debit card transaction in your check register
11. Keeping a running balance in your check register
interpreting a bank statement and reconciling an account

1. Reading a bank statement
2. Reconciling an account
   ■ Checking the bank statement
   ■ Verifying checks in the check register
   ■ Verifying deposits and ATM transactions
   ■ Verifying debit card transactions
   ■ Correcting entry errors in the check register
   ■ Correcting deposit or ATM transaction amounts in the check register
   ■ Correcting debit card transaction amounts in the check register
   ■ Correcting errors of omission in the check register
   ■ Finding outstanding transactions

3. Practice reading a bank statement
4. Practice reconciling an account
   ■ Have students supplement this activity by balancing their parents' accounts

online and electronic banking

■ 24/7 account access
■ Direct deposit
■ Automated bill payments
■ Money transfers

lesson six quiz
1. On May 26, your balance is $527.96.
2. On May 27, you write check #107 to your landlord, Mrs. Wilson, for $226.00.
3. On May 28, you use your check card at Foodland for $22.52.
4. On June 1, you write a check for $156.32 to Bank of Illinois for your car payment.
5. On June 1, you realize your check to the Bank of Illinois should have been for $165.23, so you void the first check and write a new check for $165.23.
6. On June 2, you write a check to Interstate Phone Service for $62.77.
7. On June 2, you use your ATM card to withdraw $20.00.
8. On June 15, your paycheck for $425.00 is automatically deposited.
10. On June 15, you write a check for $246.45 to State Ranch to cover car insurance premium.
11. On June 22, you transfer $100.00 online from your checking account to your savings account.
12. On June 24, you use your check card at Gas Up to fill up your car. You spend $12.88.
13. On June 28, you use your ATM card to withdraw $30.00 from your checking account.
use the check register you just completed to answer the following questions:

1. What was your account balance on May 30?
   $279.44

2. Could you have paid your car insurance payment on June 1 instead of June 15? If not, why?
   No—the payment was $246.45 but the account balance on June 1 was only $114.21

3. The love of your life has been in a bad mood lately, and you think an expensive present might help. You’ve found a leather jacket on sale for $189.00. Can you afford to buy the jacket on June 8? What will your account balance be if you do?
   No—the account will be overdrawn by $157.56

4. The hottest new band in town has just released a CD. It costs $21.99. Can you afford to buy the CD on June 2? What will your account balance be if you do?
   Yes—$9.45

5. What was your account balance after you withdrew $30.00 on June 28?
   $48.12

6. What was the amount of check #111, to whom did you write it, and for what?
   $246.45 to State Ranch for a car insurance payment
using the bank statement information on the next page, answer the following questions:

1. What period does this statement cover?
   5/20/09–6/18/09

2. What is the account number of this statement?
   0471-678

3. How many deposits were made and what were the amounts?
   *Three, for the amounts of $1,200, $521.78, and $258.90*

4. How many checks cleared and what was the total dollar amount of the checks that cleared?
   *Six, for a total amount of $1,590.25*

5. Were there any ATM withdrawals? If so, how many were there and what was the total amount?
   *Yes—three for a total amount of $80.00*

6. What is the total of all withdrawals (checks, ATM transactions, check card transactions, service charges)?
   $1,670.25

7. What is the new balance of the account?
   $922.47

8. Did check #182 clear?
   *Yes*

9. What was the amount of check #183?
   $217.54

10. Did check #185 clear?
    *No*

11. What was the amount of check #181?
    $15.00
reconciling an account

| ITEMS OUTSTANDING |
|-------------------|----------------|
| NUMBER | AMOUNT |
|        |        |
|        |        |
|        |        |
|        |        |
|        |        |
| TOTAL  |        |

**enter**
The **New Balance** shown on your statement $103.69

**add**
Any deposits or transfers listed in your register that are not shown on your statement

- $253.17
- 
- 

**total**
+$253.17

**calculate the subtotal**
$356.86

**subtract**
Your total outstanding checks and withdrawals -$36.31

**calculate the ending balance**
This amount should be the same as the current balance in your check register $320.55

---

**use the check register you just completed to answer the following questions:**

1. What is the new balance shown on the statement? $103.69

2. What is the total amount of deposits listed in the check register but not shown on the statement? $253.17

3. What is the sum of the new balance and the deposits not shown on the statement? $356.86

4. What is the total amount of outstanding checks and withdrawals? $36.31

5. What is the ending balance? $320.55
true-false

1. A pawnshop offers loans to people starting their own business.

2. Opening a checking account requires completing a signature card.

3. A blank endorsement allows anyone to cash a check.

4. A “smart card” stores a person’s bank balance right on the plastic card.

5. An outstanding check refers to one written on an account with a very low balance.

multiple choice

6. The highest loan rates usually occur when borrowing from a:
   A. bank
   B. credit-card company
   C. pawnshop
   D. credit union

7. A ______ is used to add funds to a bank account.
   A. check
   B. deposit slip
   C. signature card
   D. withdrawal slip

8. Obtaining cash from an ATM is similar to:
   A. writing a check
   B. making a deposit
   C. opening a new account
   D. earning interest on your account

9. A service charge on your bank statement will result in:
   A. a higher balance
   B. a lower balance
   C. earning more interest
   D. more outstanding checks

case application

A recent bank statement for Tracy Gray revealed various service charges and fees of over $10. How might Tracy reduce her costs for banking fees? *Tracy should start by analyzing her financial services habits. For example, if she uses an ATM often, the fees could be high. Or, if her checking account goes low she may have to pay a monthly fee or other charges for overdrawn accounts. If her fees are still high after careful use of banking services, she should compare the costs at other banks or a credit union and consider moving her account.*
lesson six
banking services

supplemental materials
account
Money deposited with a financial institution for investment and/or safekeeping purposes.

assets
Items of monetary value (e.g., house, land, car), owned by an individual or a company.

atm
Acronym for automated teller machine.

balance
An outstanding amount of money. In banking, balance refers to the amount of money in a particular account. In credit, balance refers to amount owed.

bank
An establishment for lending, issuing, borrowing, exchanging, and safeguarding money.

bond
An IOU issued by a corporation, the U.S. government, or a city and held by the lender as receipt that the business or institution has borrowed a specific amount of money. All bonds pay interest yearly and are payable in full at a specified date written on the bond.

bounced check
A check that a bank has refused to cash or pay because there are no funds to cover it in the account.

canceled check
A “used” check that has been paid and subtracted from the check-writer’s account. Canceled checks have extra data on them from the bank.

capital
A stock of accumulated wealth used or available for producing more wealth.

cash
Money in the form of paper and coins (e.g., U.S. dollars and cents). In banking, the act of paying a check.

cashier’s check
A check issued by a bank, drawn on its own funds rather than on one of its depositors.

certificate of deposit
A savings account in which an individual promises to deposit the money for a set period of time, for which the bank typically pays higher interest than a regular savings account.

charge card
A plastic card that gives access to a line of credit. The line of credit is theoretically limitless, but users are expected to repay their balance in full every month.

check
Any written document instructing a bank to pay money from the writer’s account.

check card
See debit card

checking account
An account for which the holder can write checks. Checking accounts pay less interest than savings accounts, or none at all.

clear
A check “clears” when its amount is debited (subtracted) from the payer’s account and credited (added) to the payee’s account.
collateral
Anything that a bank accepts as security against the debtor’s not repaying a loan. If the debtor fails to repay the loan, the bank is allowed to keep the collateral. Collateral is most commonly in the form of real estate (e.g., a home).

commercial bank
Nongovernmental financial institutions. Sometimes called full-service banks because they provide a wide range of services, such as checking and savings accounts, credit and loan arrangements, and safety deposit box rentals. Commercial banks also sell and redeem U.S. savings bonds.

compound interest
Interest calculated not only on the original principal, but also on the interest already accrued.

credit
In business, buying or borrowing on the promise to repay at a later date. In any credit arrangement there is a creditor (a person, bank, store, or company to whom money is owned) and a debtor (the person who owes money). In bookkeeping, a sum of money due to an individual or institution.

credit bureau
An agency that checks credit information and keeps a complete file on people who apply for and use credit.

credit card
A plastic card that gives access to a line of credit. Users are limited in how much they can charge, but they are not required to repay the full amount each month. Instead the balance (or “revolve”) accrues interest like a loan. No interest is owed if the balance is paid in full each month.

credit score
A credit score is a rating of your use of credit based on: your payment history; amount owed; the length of your credit history; new credit; and the types of credit you use. Scores can range from 300 to 850, and the higher the score, the better your rating. Scores affect the terms and interest rates on the loans you receive.

credit union
A member-owned financial institution, either state or federally chartered.

currency
Money—anything used as a common medium of exchange. In practice, currency means cash, particularly paper money. Bankers often use the phrase “coin and currency” to refer to cents and dollars.

debit
A bookkeeping term for a sum of money owed by an individual or institution; a charge deducted from an account.

debit card
(also known as check card)
A banking card enhanced with ATM (automated teller machine) and point-of-sale (POS) features that can be used to purchase goods and services electronically. Transactions are deducted from the cardholder’s checking account either immediately or within one to three days. Depending upon the type of card, a debit card may require a signature or entering a PIN.
demand deposit
A checking account.

deposit slip
An itemized slip showing the exact amount of paper money, coin, and checks being deposited to a particular account.

depositor
An individual or company that puts money in a bank account.

endorse
To write the payee's own signature on the back of a check before cashing, depositing, or giving it to someone else. The first endorsement must be made by the payee to authorize the transaction. Later endorsements may be made by whoever receives the check.

federal reserve system
A governmental agency established by Congress to organize and regulate banking throughout the United States. The twelve reserve banks keep paper and currency reserves for affiliated banks.

interest
The fee paid for the use of money. Interest may be paid, for example, by an individual to a bank for a credit card loan, or by a bank to an individual for holding a savings account; interest is expressed in terms of annual percentage rate (APR).

joint account
A savings or checking account established in the names of more than one person (e.g., parent/child, wife/husband).

liabilities
Money owed to individuals, businesses, or institutions.

line of credit
An authorized amount of credit given to an individual, business, or institution.

market economy
An economic system permitting an open exchange of goods and services between producers and consumers, such as is found in the United States.

money
Anything generally recognized as a medium of exchange.

mortgage
A legal agreement that creates an interest in real estate between a borrower and a lender. Commonly used to purchase homes, mortgages specify the terms by which the purchaser borrows from the lender (usually a bank), using his or her title to the house as security for the unpaid balance of the loan.

overdraft
A check written for more money than is currently in the account. If the bank refuses to cash the check, it’s said to have bounced.

passbook
A booklet given by the bank to the depositor to record deposits, withdrawals, and interest earned on a savings account.

payee
An individual or company to whom a check is written; one who receives money as payment.

payer
An individual or company who writes a check; one who gives money as payment.
principal
The original amount of money borrowed, deposited, or invested before interest accrues.

refinance
To revise a loan agreement to make the terms of payment more suitable to a borrower’s present income and ability to repay.

savings account
A bank account that accrues interest in exchange for use of the money on deposit.

savings and loan association
State-chartered or federally chartered financial intermediary that accepts deposits from the public and invests those funds primarily in residential mortgage loans.

service charge
A monthly fee a bank charges for handling a checking account.

stop payment
A request made to a bank to not pay a specific check. If requested soon enough, the check will not be debited from the payer's account. Normally there is a charge for this service.

terms
The period of time and the interest rate arranged between creditor and debtor to repay a loan.

withdrawal
An amount of money taken out of an account.
The following information has been gathered in order to assist you as you introduce your students to the usage and features of debit cards.

**what is a debit card?**
A debit card is a service provided by a bank. It is a banking card enhanced with automated teller machine (ATM) and point-of-sale features to become a debit card. It can be used for purchases at merchants. Debit cards are linked to an individual's checking account, allowing funds to be withdrawn at the ATM and point-of-sale without writing a check.

**what is an example of a debit card?**
A debit card is a financial institution's ATM card with point-of-sale features that incorporates a specific acceptance mark (like Visa). Payment is completed by signing a sales draft or by entering a PIN, and then the amount of the sale is deducted from the cardholder's checking account within one to three days.

A regular ATM card doesn't have a Visa logo, but instead is good only where the merchant accepts those brands or at an ATM.

**what does it do?**
A debit card enables the cardholder to pay for purchases via a bank card linked to their checking account.

**how is a debit card used?**
When using a debit card to pay for goods and services, the purchase amount is deducted from the cardholder's checking account. Depending on the type of card, processing a debit card transaction requires the cardholder either to sign a sales draft, or to enter a PIN into special terminal, just like at an ATM.

**benefits of using a debit card:**
- Convenience. The payment process at the checkout counter is made quicker and more convenient. No need to fill out a check or to present identification and wait while the identification is written down or verified.
- Eliminates the need to carry a checkbook and a lot of cash.
- Useful budgeting tool to track purchases.
- Doesn't deplete the available cash in your wallet.
- Can be used out of town or at locations where personal checks are not accepted.
- Reduces the possibility of loss or theft of cash.
- Is not a loan, no interest accrues on purchases.
disadvantages of using debit cards:
- The cardholder must be certain of his or her checking account balance as it might be possible to make purchases beyond the funds available, resulting in fees.
- Can encourage impulse spending.

where are debit cards accepted?
Debit cards can be used at merchant locations wherever the card logo is displayed.

what does it cost?
Banks determine if there are any fees for each card and/or transaction.

how do you keep track of your debit card transactions?
Debit card holders receive a receipt at each ATM or merchant location. Users typically record debit card purchases in the registers of their checking accounts provided by their financial institutions or track their account activity online. By deducting debit card transactions from an account on a regular basis, a debit card holder will be able to maintain the most up-to-date available balance. Making debit card purchases and ATM withdrawals that exceed your account balance can lead to overdraft charges, although a new law that went into effect July 1, 2010 requires consumers to opt in to overdraft services in order to be charged.
Lesson Six
Banking Services
choosing a checking account

name of bank:

branch information
■ Branch nearest your home:
■ Branch nearest your work:
■ Number of branches:

number of ATMs:

bank hours:

are your funds insured?

types of accounts:

fees:
■ Must maintain a minimum daily balance of:
■ Must maintain an average daily balance of:
■ Monthly maintenance charge:

interest:
■ How much interest do you earn on your account?
■ How is it calculated?

charges:

checks: balance inquiries:
Printing checks At teller window
Bouncing checks At ATMs
Stopping checks By phone
Certifying checks

withdrawals at: special services:
Teller window Fund transfer by phone
Bank-owned ATMs Pre-authorized bill payment
Regional network ATMs Signature guarantee
National network ATMs Bill payment by phone
International network ATMs Check card

Overdraft protection

deposits:
keeping a running balance

record deposits and keep a running balance in the checkbook register below.

1. On May 26, your balance is $527.96.
2. On May 27, you write check #107 to your landlord, Mrs. Wilson, for $226.00.
3. On May 28, you use your check card at Foodland for $22.52.
4. On June 1, you write a check for $156.32 to Bank of Illinois for your car payment.
5. On June 1, you realize your check to the Bank of Illinois should have been for $165.23, so you void the first check and write a new check for $165.23.
6. On June 2, you write a check to Interstate Phone Service for $62.77.
7. On June 2, you use your ATM card to withdraw $20.00.
8. On June 15, your paycheck for $425.00 is automatically deposited.
10. On June 15, you write a check for $246.45 to State Ranch to cover your car insurance premium.
11. On June 22, you transfer $100.00 online from your checking account to your savings account.
12. On June 24, you use your check card at Gas Up to fill up your car. You spend $12.88.
13. On June 28, you use your ATM card to withdraw $30.00 from your checking account.
use the check register you just completed to answer the following questions:

1. What was your account balance on May 30?

2. Could you have paid your car insurance payment on June 1 instead of June 15? If not, why?

3. The love of your life has been in a bad mood lately, and you think an expensive present might help. You've found a leather jacket on sale for $189.00. Can you afford to buy the jacket on June 8? What will your account balance be if you do?

4. The hottest new band in town has just released a CD. It costs $21.99. Can you afford to buy the CD on June 2? What will your account balance be if you do?

5. What was your account balance after you withdrew $30.00 on June 28?

6. What was the amount of check #111, to whom did you write it, and for what?
reading a bank statement

using the bank statement on the next page, answer the following questions:

1. What period does this statement cover?

2. What is the account number of this statement?

3. How many deposits were made and what were the amounts?

4. How many checks cleared and what was the total dollar amount of the checks that cleared?

5. Were there any ATM withdrawals? If so, how many were there and what was the total amount?

6. What is the total of all withdrawals (checks, ATM transactions, check card transactions, service charges)?

7. What is the new balance of the account?

8. Did check #182 clear?

9. What was the amount of check #183?

10. Did check #185 clear?

11. What was the amount of check #181?
**Checking Account** 0471-578

<table>
<thead>
<tr>
<th>Date</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>5/20</td>
<td>612.04</td>
</tr>
</tbody>
</table>

Total of 3 Deposits For 1,980.68 +

Total of 9 Withdrawals For 1,670.25 -

New Balance 922.47 +

<table>
<thead>
<tr>
<th>CHECK</th>
<th>DATE PAID</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>181</td>
<td>5/24</td>
<td>15.00</td>
</tr>
<tr>
<td>182</td>
<td>6/04</td>
<td>17.00</td>
</tr>
<tr>
<td>183</td>
<td>5/26</td>
<td>217.54</td>
</tr>
</tbody>
</table>

Withdrawal #00281 at ATM #423A
Withdrawal #02629 at ATM #423A
Withdrawal #06744 at ATM #430E

<table>
<thead>
<tr>
<th>CHECK</th>
<th>DATE PAID</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>184</td>
<td>5/17</td>
<td>1232.27</td>
</tr>
<tr>
<td>186</td>
<td>5/30</td>
<td>54.47</td>
</tr>
<tr>
<td>187</td>
<td>6/03</td>
<td>53.97</td>
</tr>
</tbody>
</table>

Transfer from 4039-557 at ATM #423C
Customer Deposit at ATM #423A on 5/12
Direct Deposit from #05323 on 5/17

<table>
<thead>
<tr>
<th>DATE POSTED</th>
<th>AMOUNT</th>
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<tbody>
<tr>
<td>5/27</td>
<td>1200.00</td>
</tr>
<tr>
<td>6/14</td>
<td>521.78</td>
</tr>
<tr>
<td>6/18</td>
<td>258.90</td>
</tr>
</tbody>
</table>

**ATM Locations Used**

- 423A: 2500 Centre Plaza, Anytown, USA
- 423C: 3600 Centre Plaza, Anytown, USA
- 430E: 945 Hamilton Avenue, Big City, USA
reconciling an account

use the bank statement, check register, and reconciliation worksheet on this and the following page to balance this checkbook.
Reconciling an Account (continued)

Enter

- The **New Balance** shown on your statement: $ __________

Add

- Any deposits or transfers listed in your register that are not shown on your statement: $ ________ + $ ________ + $ ________ = $ __________

Subtract

- Your total outstanding checks and withdrawals: -$ ________

Calculate the ending balance

- This amount should be the same as the current balance in your check register: $ __________

### Items Outstanding

<table>
<thead>
<tr>
<th>NUMBER</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>TOTAL</th>
</tr>
</thead>
</table>

Use the information on this and the previous page to answer the following questions:

1. What is the new balance shown on the statement?
2. What is the total amount of deposits listed in the check register but not shown on the statement?
3. What is the sum of the new balance and the deposits not shown on the statement?
4. What is the total amount of outstanding checks and withdrawals?
5. What is the ending balance?
true-false

1. ___ A pawnshop offers loans to people starting their own business.
2. ___ Opening a checking account requires completing a signature card.
3. ___ A blank endorsement allows anyone to cash a check.
4. ___ A “smart card” stores a person’s bank balance right on the plastic card.
5. ___ An outstanding check refers to one written on an account with a very low balance.

multiple choice

6. ___ The highest loan rates usually occur when borrowing from a:
   A. bank
   B. credit-card company
   C. pawnshop
   D. credit union

7. ___ A _______ is used to add funds to a bank account.
   A. check
   B. deposit slip
   C. signature card
   D. withdrawal slip

8. ___ Obtaining cash from an ATM is similar to:
   A. writing a check
   B. making a deposit
   C. opening a new account
   D. earning interest on your account

9. ___ A service charge on your bank statement will result in:
   A. a higher balance
   B. a lower balance
   C. earning more interest
   D. more outstanding checks

case application
A recent bank statement for Tracy Gray revealed various service charges and fees of over $10. How might Tracy reduce her costs for banking fees?
Teacher's Guide

Lesson Seven
Credit
Consumers may use credit frequently, but many struggle to manage it wisely. To optimize credit and make sound financial decisions, students need to: understand their credit; assess their credit scores; and manage their budget.

For related links and resources on this lesson, visit:
practicalmoneyskills.com/teens/7
overview
In today's world, credit is integrated into everyday life. From renting a car to reserving an airline ticket or hotel room, credit cards have become a necessary convenience. However, using credit wisely is critical to building a solid credit history and maintaining fiscal fitness. While most students have a general idea about the advantages and disadvantages of credit, this lesson provides an opportunity to discuss these issues in more detail.

Young people and others commonly wonder how to establish credit. In this chapter, students will learn about the creditworthiness factors of character, capital, and capacity in order to help them gain an understanding of how to start and maintain a credit record.

This chapter will also introduce students to different types of credit: single-payment credit, installment credit, and revolving credit. Finally, this section will educate students about how much credit might be appropriate for their situation.

goals
Provide an awareness and understanding of what credit is and the rights and responsibilities of using credit.

lesson objectives
■ Understand some of the reasons for getting credit
■ Understand some of the advantages and disadvantages of using credit
■ Understand why banks issue credit
■ List and understand some of your rights and responsibilities as a consumer
■ Understand creditworthiness
■ List some of the reasons for establishing a credit history and understand how a credit history is built
■ List and understand the three principal types of consumer credit
■ Determine a safe debt load

presentation slides

7-A advantages and disadvantages of using credit
7-B the three Cs
7-C your responsibilities
7-D your rights
7-E building a credit history
7-F a credit report
student activities

7-1 Should They Use Credit?

7-2 Test Your Credit Knowledge

- Distribute the test and give students approximately 15 minutes to complete it. When they are finished, discuss their answers. Reinforce facts and concepts of credit.

7-3 How Much Can They Safely Carry?

- Students plan and calculate safe debt loads for other consumers.
- Distribute the exercise, giving students about 20 minutes to complete it. When they are finished, discuss the answers, writing their calculations on the board.

7-4 Lesson Seven Quiz

For more information, please refer to the Appendix.
Learning activities appropriate to varied target audiences for lesson seven

<table>
<thead>
<tr>
<th>activity</th>
<th>teenagers (14-18)</th>
<th>young adults (19-25)</th>
<th>adults (26+)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Student Activity 7-1</td>
<td>🟢</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Web Activity</td>
<td>🟢</td>
<td>🟢</td>
<td>🟢</td>
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<tr>
<td>Oral Presentation</td>
<td>🟢</td>
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<tr>
<td>Student Activity 7-3</td>
<td>🟢</td>
<td></td>
<td>🟢</td>
</tr>
<tr>
<td>Lesson Seven Quiz 7-4</td>
<td>🟢</td>
<td>🟢</td>
<td>🟢</td>
</tr>
</tbody>
</table>
### what is consumer credit?
1. Definition
2. Brief history

### why get credit?
1. Establish a credit history
2. Advantages of having credit
   - Buying needed or wanted services and goods using anticipated future income
   - Having a record of purchases
   - Consolidating bills
3. Disadvantages of having credit
   - Interest payments
   - Overspending becomes too easy
   - Financial trouble may arise if card is not managed properly

### why banks issue credit
1. To make money
2. To offer service to customers

### creditworthiness
1. Character
2. Capital
3. Capacity
your responsibilities
1. Not to run up more debt than you can comfortably repay
2. Not to exceed the credit limit established by your creditor
3. Not to re-sell merchandise before completely paying the creditor, if the creditor has retained the title or has a lien against it
4. To notify the creditor immediately if your credit card is lost or stolen

your rights
1. Truth in Lending Act
2. Fair Credit Reporting Act
3. Equal Opportunity Act
4. Fair Credit Billing Act
5. Fair Debt Collection Practices Act
6. State Statutes
   - Restricting the amount of interest that can be charged (usury laws)
   - To obtain more extensive information
### Building a Credit History

1. Credit bureaus—what they are and how they work
2. How to establish a good credit history
   - Pay bills on time
   - Get a low-limit credit card or other loan and pay bills promptly

### A Credit Report

1. What a credit report covers and what it looks like
   - Identification and employment data
   - Payment history
   - Inquiries
   - Public record information
2. Credit scoring, manner of payment codes
   - How you can get a black mark
   - What creditors look for—the three Cs
3. What to do if you have a bad credit report
4. How time affects your credit report
5. How to handle mistakes

---

**Web Activity:**
- Have students visit one or more of the websites of major credit reporting companies: equifax.com, experian.com, transunion.com

**Discussion:**
- Have students present in class (or on video) several positive and negative actions that would affect a person’s credit history.

**Oral Presentation:**
- Have students present in class (or on video) several positive and negative actions that would affect a person’s credit history.

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[www.practicalmoneyskills.com](http://www.practicalmoneyskills.com) **credit**

**Teacher’s Guide 7-vii**
**types of credit**

1. Noninstallment credit
   - Regular
   - 30-day charge accounts
   - Travel and entertainment cards
   - How to use and best time to use (paid off every month)

2. Regular installment credit
   - Car loan
   - How to use and best time to use

3. Revolving credit
   - Department store cards
   - Bank cards
   - How to use and best time to use

**test your credit knowledge**

1. Multiple choice, fill-in-the-blank, and matching test

**how much can you afford?**

1. The 20-10 rule
   - What it means
   - Examples

2. Exercises

**lesson seven quiz**
should they use credit?

answer key

directions
For each of the following situations, circle YES, NO, or DEPENDS to indicate your opinion on whether these people should use credit. Also, give reasons for your response.

Answers may vary

1: Marge, age 18, plans to buy a car on credit so that she is able to drive to school.

YES  NO  DEPENDS

2: Fran and Bud recently took out a loan for a new roof.

YES  NO  DEPENDS

3: Edgar, age 20, recently used his credit card to pay for textbooks for his new semester of classes.

YES  NO  DEPENDS

4: Marcia, age 28, charges all her groceries on her credit card.

YES  NO  DEPENDS

5: Sandy and Carla, age 24 and 27, are planning on buying a boat on credit for use during summers. Carla will be the main signer for the loan, with Sandy being the co-signer.

YES  NO  DEPENDS
The following questions are designed to help you remember the credit information just covered in class.

**directions**
In the spaces provided, answer each of the following questions about credit:

**List five things you can do to build a credit history.**
1. Establish a steady work record.
2. Pay all bills promptly.
3. Open a checking account and don't bounce checks.
4. Open a savings account and make regular monthly deposits.
5. Apply for a small loan using your savings account for collateral and then pay it back as agreed.
6. Get a co-signer for a loan and pay back the loan as agreed.

When a prospective creditor evaluates a credit application, they look for the three Cs: Character, Capital, and Capacity. For each of the following statements, write the letter that corresponds to each statement's specific characteristic.

<table>
<thead>
<tr>
<th>a) Character</th>
<th>b) Capital</th>
<th>c) Capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>7. _____ Do you have a savings account?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. _____ Have you used credit before?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9. _____ How long have you lived at your present address?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10. _____ Do you have a steady job?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11. _____ Do you pay your bills on time?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12. _____ What are your current debts and your current living expenses?</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**List four things you can do to build a credit history.**
Any of these answers are correct:
- Establish a steady work record.
- Pay all bills promptly.
- Open a checking account and don't bounce checks.
- Open a savings account and make regular deposits.
- Apply for a local store credit card and make regular monthly payments.
- Apply for a small loan using your savings account as collateral.
- Get a co-signer on a loan and pay back the loan as agreed.
In the space provided, write the letter of the type of credit each statement represents.

a) Single payment credit  b) Installment credit  c) Revolving credit

13. $b$ Monthly payment on a car loan
14. $a$ Monthly telephone bill
15. $a$ Monthly heating bill
16. $c$ Using a credit card to buy a new jacket from a department store and then paying the charge off over several months
17. $a$ Using a major credit card to buy a pair of shoes and then paying the total amount of the credit card balance within a month

For each of the following statements, write a T in the space provided if the statement is true, and F in the space provided if the statement is false.

18. $f$ It is legal for a creditor to deny an applicant credit based on marital status or age.
19. $f$ If you are denied credit, the creditor is not legally obligated to explain why.
20. $t$ When creditors evaluate your income, they can't legally refuse to consider income from public assistance in the same manner as other income.
21. $t$ If you are refused credit because of a credit report, upon request from you, the lender must give you the name and address of the credit bureau that issued the report.
22. $f$ Your credit report is available to anyone, regardless of the reason.
23. $f$ A debt collector has the right to contact you at any time of day or night.
24. $t$ To be within a safe debt load, your total credit should not exceed 20% of your net pay after subtracting rent.

25. What should you do if you find there is inaccurate information on your credit report?
   Contact the credit bureau. Under the Fair Credit Reporting Act, the credit bureau must investigate your report.

26. Generally, how long can a consumer reporting agency report unfavorable information?
   7 years

27. How long can bankruptcy information be reported by a consumer reporting agency?
   Up to 10 years
Most people can afford a certain amount of credit and stay within a safe budget. This amount is called a “safe debt load.” The following exercises will give you practice determining safe debt loads based on various incomes and fixed expenses.

**directions**

Read each of the following scenarios and determine the largest amount of debt each person can safely carry. **Write your answers in the blanks provided. Use the space below each question to show how you arrived at each answer.**

**1.** David has a monthly net income of $1,360. His fixed monthly expenses consist of a rent payment of $450. He is paying off a student loan of $116 per month.

David would like to buy a new television set using a credit card. What is the largest monthly payment David can afford for the television set so that his credit card payments and student loan keep him within a safe debt load of 20%?

$20.00

$1,360 x 10% = $136

$136 - $116 = $20

**2.** Marsha and Michael have a combined monthly net income of $3,500. Their fixed monthly expenses consist of $675 for rent. They also have an outstanding student loan balance of $6,000 and a balance of $1,000 for the stereo they bought last month.

How much more debt can they take on and still be within a safe debt load?

$1,400.00

$3,500 x 12 = $42,000

$42,000 x 20% = $8,400

$8,400 - $6,000 - $1,000 = $1,400

**3.** Juanita has a monthly net income of $2,500. Her fixed monthly expenses consist of $500 for rent. She also pays a car insurance premium of $68 and a car payment of $167. Are these payments within Juanita’s safe debt load?

Yes

$2,500 x 10% = $250

$250 - $167 - $68 = $15
true-false

1. **t**  A disadvantage of using credit is impulse buying.
2. **t**  Capital refers to a person's assets.
3. **t**  A steady employment record helps a person's credit history.
4. **f**  Installment credit usually allows a person to make additional purchases on an account.
5. **t**  Using the 20-10 rule, a person making $40,000 a year after taxes should have no more than $8,000 of outstanding debt.

multiple choice

6. **C** A common advantage of using credit is:
   
   A. less impulse buying  
   B. lower cost for items purchased  
   C. ability to obtain needed items now  
   D. lower chance of overspending

7. **D** A person's regular income is referred to as:
   
   A. character  
   B. capital  
   C. collateral  
   D. capacity

8. **A** To build a credit history, a person could:
   
   A. establish a steady employment record  
   B. file his or her federal income taxes on time

9. **B** Utility companies and medical service organizations commonly offer ______ credit.
   
   A. revolving  
   B. single-payment  
   C. installment  
   D. retail

10. **A** Using the 20-10 rule, a person earning $1,500 a month should not have monthly credit payments that exceed:
   
   A. $300  
   B. $150  
   C. $20  
   D. $30

---

case application

Ana Gonzalez is considering a loan to finance her college education. She currently owes money on several charge accounts and credit cards. What actions would you recommend? While this is a valid reason for using credit, Ana might consider paying off some of her other debts before taking on this new loan. She might delay starting school full time until she has paid off her other accounts.
Lesson Seven
Credit

Practical Money Skills for Life™
should they use credit?

directions
For each of the following situations, circle YES, NO, or DEPENDS to indicate your opinion on whether these people should use credit. Also, give reasons for your response.

1. Marge, age 18, plans to buy a car on credit so that she is able to drive to school.
   
   YES                      NO                      DEPENDS

2. Fran and Bud recently took out a loan for a new roof.
   
   YES                      NO                      DEPENDS

3. Edgar, age 20, recently used his credit card to pay for textbooks for his new semester of classes.
   
   YES                      NO                      DEPENDS

4. Marcia, age 28, charges all her groceries on her credit card.
   
   YES                      NO                      DEPENDS

5. Sandy and Carla, age 24 and 27, are planning on buying a boat on credit for use during summers. Carla will be the main signer for the loan, with Sandy being the co-signer.
   
   YES                      NO                      DEPENDS
test your credit knowledge

The following questions are designed to help you remember the credit information just covered in class.

directions
In the spaces provided, answer each of the following questions about credit:

List five things you can do to build a credit history.
1. 
2. 
3. 
4. 
5. 

When a prospective creditor evaluates a credit application, they look for the three Cs: Character, Capital, and Capacity. For each of the following statements, write the letter that corresponds to each statement’s specific characteristic.

a) Character  b) Capital  c) Capacity

6. _____ Do you have a savings account?
7. _____ Have you used credit before?
8. _____ How long have you lived at your present address?
9. _____ Do you have a steady job?
10. _____ Do you pay your bills on time?
11. _____ What are your current debts and your current living expenses?

List four things you can do to build a credit history.
12. 
13. 
14. 
15.
In the space provided, write the letter of the type of credit each statement represents.

a) Single payment credit  b) Installment credit  c) Revolving credit

16. _____ Monthly payment on a car loan
17. _____ Monthly telephone bill
18. _____ Monthly heating bill
19. _____ Using a credit card to buy a new jacket from a department store and then paying the charge off over several months
20. _____ Using a major credit card to buy a pair of shoes and then paying the total amount of the credit card balance within a month

For each of the following statements, write a T in the space provided if the statement is true, and F in the space provided if the statement is false.

21. _____ It is legal for a creditor to deny an applicant credit based on marital status or age.
22. _____ If you are denied credit, the creditor is not legally obligated to explain why.
23. _____ When creditors evaluate your income, they can't legally refuse to consider income from public assistance in the same manner as other income.
24. _____ If you are refused credit because of a credit report, upon request from you, the lender must give you the name and address of the credit bureau that issued the report.
25. _____ Your credit report is available to anyone, regardless of the reason.
26. _____ A debt collector has the right to contact you at any time of day or night.
27. _____ To be within a safe debt load, your total credit should not exceed 20% of your net pay after subtracting rent.

28. What should you do if you find there is inaccurate information on your credit report?
29. Generally, how long can a consumer reporting agency report unfavorable information?
30. How long can bankruptcy information be reported by a consumer reporting agency?
Most people can afford a certain amount of credit and stay within a safe budget. This amount is called a “safe debt load.” The following exercises will give you practice determining safe debt loads based on various incomes and fixed expenses.

**directions**
Read each of the following scenarios and determine the largest amount of debt each person can safely carry. Write your answers in the blanks provided. Use the space below each question to show how you arrived at each answer.

1. David has a monthly net income of $1,360. His fixed monthly expenses consist of a rent payment of $450. He is paying off a student loan of $116 per month.

   David would like to buy a new television set using a credit card. What is the largest monthly payment David can afford for the television set so that his credit card payments and student loan keep him within a safe debt load of 20%?

2. Marsha and Michael have a combined monthly net income of $3,500. Their fixed monthly expenses consist of $675 for rent. They also have an outstanding student loan balance of $6,000 and a balance of $1,000 for the stereo they bought last month.

   How much more debt can they take on and still be within a safe debt load?

3. Juanita has a monthly net income of $2,500. Her fixed monthly expenses consist of $500 for rent. She also pays a car insurance premium of $68 and a car payment of $167. Are these payments within Juanita’s safe debt load?
true-false

1. ____ A disadvantage of using credit is impulse buying.
2. ____ Capital refers to a person’s assets.
3. ____ A steady employment record helps a person’s credit history.
4. ____ Installment credit usually allows a person to make additional purchases on an account.
5. ____ Using the 20-10 rule, a person making $40,000 a year after taxes should have no more than $8,000 of outstanding debt.

multiple choice

6. ____ A common advantage of using credit is:
   A. less impulse buying
   B. lower cost for items purchased
   C. ability to obtain needed items now
   D. lower chance of overspending

7. ____ A person’s regular income is referred to as:
   A. character
   B. capital
   C. collateral
   D. capacity

8. ____ To build a credit history, a person could:
   A. establish a steady employment record
   B. file his or her federal income taxes on time
   C. use an ATM several times a month
   D. request to view her or his credit file

9. ____ Utility companies and medical service organizations commonly offer ______ credit.
   A. revolving
   B. single-payment
   C. installment
   D. retail

10. ____ Using the 20-10 rule, a person earning $1,500 a month should not have monthly credit payments that exceed:
    A. $300
    B. $150
    C. $20
    D. $30

case application
Ana Gonzalez is considering a loan to finance her college education. She currently owes money on several charge accounts and credit cards. What actions would you recommend?
Lesson Eight
Credit Cards
Before students use credit cards, it's important that they familiarize themselves with: the advantages and disadvantages of credit cards; card options and percentage rates; as well as the true cost of credit.

For related links and resources on this lesson, visit: practicalmoneyskills.com/teens/8
overview
What is APR? What is a grace period? What are transaction fees?

These and other questions will be answered in this lesson as students learn about credit cards, and the different types of cards available and features of each, such as bank cards, store cards, and travel and entertainment cards.

As students start to shop for their first (or next) credit card, this lesson will make them aware of various costs and features. Included in this section is a discussion of the methods for calculating finance charges.

Various federal laws protect our rights as we apply for and use credit cards, such as procedures for disputes and protection from card theft and fraud. In this lesson, students will also be given an opportunity to analyze the information contained on a credit card statement.

To assist students with making wise decisions related to credit cards, several shopping tips are offered. Finally, once again, students are reminded of guidelines related to determining safe debt loads.

goals
Develop skills to compare and evaluate the terms and conditions of various credit cards, the differences between credit cards, and the legal and financial responsibilities involved.

lesson objectives
- List three types of credit card accounts, and explain the uses and payment methods of each
- Understand how to shop for a credit card
- Read and interpret a credit card statement
- Understand how to deal with billing errors
- Understand the long-term results of overextending your credit uses
- Determine safe personal debt loads

presentation slides
8-A applying for a credit card
8-B calculating finance charges
8-C examples of finance charges
8-D comparing credit cards
8-E what to do if you're denied credit
8-F reading a credit card statement
student activities

8-1 Shopping for Credit
- Discuss how costs and features can vary between credit cards, and have students apply their findings by making a decision about which kind of card they would use to purchase a popular electronic device.
- Using the form provided, ask teams of students to shop for three credit cards (two major credit cards and one from a local department store). When they've finished their research, ask them to answer a series of questions about their findings.
- When all the teams have finished their research and completed the questions, have each team explain to the class how they determined which credit card they would recommend for purchasing the electronic device (question 9). Have the class critique the logic each team used to arrive at their decision.

8-2 What Does Your Statement Tell You?
- Students can take a close look at a credit card statement and see what kind of information it contains.
- Using the credit card statement provided, have students answer the questions attached to the statement.

8-3 How Much Does It Really Cost?
- Have students calculate the total cost of items bought on credit and what the eventual cost of those items will be if only the minimum payment is made and interest charges accrue.
- Have students answer the questions. Discuss their answers. Was anyone surprised at their answers? Would they have made different choices about buying the items?
- This can be a good time to talk about values, needs versus wants, budgeting, and the pros and cons of using credit.

8-4 How Deep Can They Go?
- Students determine safe debt loads for several consumers.
- Have students answer the questions and document how they arrived at each answer. When they're done, review the answers and the formulas used.

8-5 Lesson Eight Quiz

For more information, please refer to the Appendix.
Learning activities appropriate to varied target audiences for lesson eight

<table>
<thead>
<tr>
<th>activity</th>
<th>teenagers (14-18)</th>
<th>young adults (19-25)</th>
<th>adults (26+)</th>
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<tr>
<td>Web Activity</td>
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<td>CD-ROM Activity</td>
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<td>Class Speaker</td>
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<td>Written Presentation</td>
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<td>Student Activity 8-3</td>
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<td>Student Activity 8-4</td>
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<tr>
<td>Lesson Eight Quiz 8-5</td>
<td>•</td>
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<td>•</td>
</tr>
</tbody>
</table>
types of credit card accounts
1. Bank card
   - Examples (Visa, MasterCard)
   - Best use of
   - Sample cost/method of payment
2. Store card
   - Examples (Macy’s, Chevron)
   - Best use of
   - Sample cost/method of payment
3. Travel and entertainment card
   - Examples (American Express)
   - Best use of
   - Sample cost/method of payment

shopping for a credit card
1. Determining the best use of a card as a personal money management device
   - Pay bill in full each month and avoid interest charges
   - Repay bill over time and pay interest charges
2. Costs and features of credit cards
   - Annual Percentage Rate (APR)
   - Grace period
   - Annual fee
   - Late payment fee
   - Over-limit fee
   - Balancing computation method for finance charge
   - Credit limit
   - How widely card is accepted
   - What services and features are available
3. Calculating finance charges (APR)
   - Average daily balance
   - Adjusted balance
   - Previous balance
   - Past due balance
   - Examples
4. Comparing the costs and features of credit cards
shopping for a credit card (continued)

5. Reading a credit application
   ■ Interpreting features and costs
   ■ Examples

6. Before signing
   ■ Know the details of the contract
   ■ Ask, if you are not sure

7. Shopping for a credit card
   ■ Compare costs and features
   ■ What did you find?

8. What to do if you’re denied credit

reading a credit card statement

1. What it looks like

2. How to read one

dealing with billing errors

1. Fair Credit Billing Act

2. Steps to take
other credit card protections
1. Prompt credit reporting
   ■ Your account must be credited on the day your payment is received.
2. Refunds of credit balances
   ■ If requested, card issuer must send refund within seven business days of receiving your request.
3. Unauthorized charges
   ■ If you are the victim of identity theft or card fraud, you will typically not be held responsible for the charges under the card's zero-liability program.
4. Disputes about merchandise or services
   ■ In some circumstances, you have the right to dispute payment for merchandise or services.

how you can protect yourself
1. Keep records of:
   ■ Card number
   ■ Phone number to call if card is lost or stolen
   ■ Until bill arrives, receipts for purchases and returns
   ■ Receipts for merchandise ordered that has not yet arrived but appears on your bill
   ■ Record of telephone orders and confirmation numbers
2. Protect yourself against fraud
   ■ When using your card, keep your card in sight.
   ■ Never give card number over the phone if you did not initiate the call.
   ■ Report lost or stolen cards immediately.
   ■ Carefully read the bills before paying. Compare amount on receipts to amounts on bill. Don't always assume the bill is correct.
   ■ Keep receipts; shred when not needed.
   ■ Destroy unused credit card solicitations.
   ■ Shop only on secure websites.
   ■ Don't write down your pin and carry it with your card.

Have a security person from a financial institution or a law enforcement official talk to class about credit card fraud and theft.
### Summary of Credit Card Dos and Don'ts

1. Shop around.
2. Look at various sources.
3. Read the contract carefully.
4. Don't rush into signing anything.
5. Once signed, get copy of contract.
6. Know the penalties for missed payments.
7. Figure out total price when paying with credit.
8. Pay bills in full or at least make the largest payments you comfortably can.
9. Don't be misled into thinking small payments will be easy.

### Advantages of Using Credit Cards

1. Ability to obtain needed items
2. Use of card builds credit history
3. Quick source of funds in an emergency
4. No extra charge if bill is paid in full each month
5. Consumer protection

### Disadvantages of Using Credit Cards

1. Credit cards are loans that charge interest if not paid in full
2. Fees might be charged for late payments or going over spending
3. Can encourage impulse buying and unnecessary purchases
4. Need to establish creditworthiness before getting card

**Written Presentation:**

Have students create a newsletter, blog or website with suggestions for selecting and using a credit card. This presentation can include websites and links available to obtain card information.
how much does it really cost?
1. How to calculate the total cost of an item bought on credit and paid for over time with interest
2. Exercises

determining maximum credit load
1. Explaining the 20-10 rule of limiting debt
2. Exercises

lesson eight quiz

student activity 8-3
student activity 8-4
slide 8-J
quiz 8-5
what does your statement tell you?

A credit card statement provides information such as how and when you’ve used your credit card, how much you owe, how much interest you’re paying to use the card, how much your minimum payment is, and how much credit you have left.

Knowing how to read your credit card statement can also help you catch unauthorized charges and/or billing errors.

So, it can pay to know how to read the statement!

directions
Use the credit card statement below to answer these questions:

1. What is the date of the statement? 2/13/08

2. What is the Annual Percentage Rate (APR)? 19.8%

3. What is the corresponding periodic rate? 1.65%

4. What is the new balance? $125.24

5. What was the previous balance? $168.80

6. How many charges were made during the billing cycle? Five

7. How many credits and payments were made during the billing cycle? One

8. Were there any charges for late payments? No
   If so, how much were the charges? None

9. What is the total amount of the credit line? $1,200

10. What is the total amount of available credit? $1,074.76

11. What is the total amount of charges made during the current billing period? $125.24

12. Was there a finance charge for the current billing cycle? No
   If so, how much were the charges? None

13. What is the account number on the statement? 4125-239-412

14. Where should the payment be sent? Box 1234, Anytown, USA

15. What is the periodic rate for cash advances? 0.54%

www.practicalmoneyskills.com credit cards

student activity key 8-2
Use the Cost of Credit calculator at practicalmoneyskills.com to answer the following questions.

José wants to buy a stereo for $650 and pay for it using a credit card that has an Annual Percentage Rate of 19.85%.

If José pays the minimum monthly payment of $21.45:
1. How long will it take him to pay for the stereo? 43 months
2. What is the total amount José will pay for the stereo? $909.54
3. What is José’s total cost of using credit? $259.54

If José makes monthly payments of $60:
4. How many months will it take for José to pay off the stereo? 13 months
5. What is the total amount José will pay for the stereo? $722.20
6. What is José’s total cost of using credit? $72.20

Patty took a cash advance of $1,500. Her new credit card charges an Annual Percentage Rate of 21%. The transaction fee for cash advances is 3% of the cash advance, with a maximum fee of $35. This fee is added to the total cash advance, and accrues interest.

If Patty makes monthly payments of $65:
7. How long will it take Patty to pay for the cash advance? 31 months*
8. What is the total amount Patty will end up paying for the cash advance? $1,997.70
9. What is the total finance charge Patty will pay? $462.70

If Patty pays the cash advance back at a rate of $130 per month:
10. How long will it take Patty to pay for the cash advance? 14 months*
11. What is the total amount Patty will end up paying for the cash advance? $1,734.50
12. What is the total finance charge Patty will pay? $199.50

*Based on a total advance of $1,535 ($1,500 + $35 transaction fee).
how much does it really cost? answer key

Marie just used her new credit card to buy a bike for $400. Her budget allows her to pay no more than $25 each month on her credit card. Marie has decided not to use the credit card again until the bike is paid off. The credit card she used has an Annual Percentage Rate of 21%.

If Marie pays $25 each month on her credit card:
13. How long will it take Marie to pay for the bike? 19 months
14. What is the total amount Marie will end up paying for the bike? $473.39*
15. How much interest will Marie pay for using her credit card to buy the bike? $73.39*

If Marie pays the minimum payment of $14 each month:
16. How long will it take Marie to pay for the bike? 40 months
17. What is the total amount Marie will end up paying for the bike? $559.36
18. How much interest will Marie pay for using her credit card to buy the bike? $159.36

Gary has just used his credit card to buy a new watch. He got the watch on sale for $235. The regular price was $290. He used a credit card that has an Annual Percentage Rate of 20%.

If Gary makes the minimum monthly payment each month of $10:
19. How much will Gary end up paying for his new watch? $300.70*
20. How long will it take Gary to pay for his watch? 31 months
21. What is the total amount of interest Gary will end up paying? $65.70*

If Gary pays $25 each month, instead of the minimum monthly payment of $10 each month:
22. How much will Gary end up paying for his new watch? $257.71*
23. How long will it take Gary to pay for his watch? 11 months
24. What is the total amount of interest Gary will end up paying? $22.71*

*Note: These answers are due to approximate rounding.
directions
Read each of the following scenarios and determine if the purchase can be made and how the
decision will affect the credit load.

Write your answers in the blanks provided. Use the space below each problem to show how you
arrived at your answer. (Use the other side of this paper if you need more room.)

1. Nancy and Thomas have a combined monthly net income of $1,200.
   What is the most they can afford to pay for installment and credit card debt?
   $120.00
   $1,200 x 10% = $120

2. Jessie has a monthly net income of $800. His fixed monthly expenses consist of $150 for rent.
   He currently pays $80 each month for a credit card bill, and now he wants to buy a car.

   What does Jessie have left in his budget for a car payment to stay within his safe debt load?
   $0
   $800 x 10% = $80
   $80 - $80 = $0

3. Carla has a monthly net income of $450. She wants to buy a new bike and pay for it using a
   credit card. What is the largest monthly payment she can commit to making?
   $45
   $450 x 10% = $45

4. Jorge has a monthly net income of $640. His fixed monthly expense consists of a rent payment
   of $120. (A) Right now, how much can he afford to borrow to stay within his safe debt load?

   He also has a car payment of $125 per month. Jorge wants to buy new tires for his car. The tires
   will cost him $40 each month on his credit card.

   (B) With his car payment and the new tires, will he still be within his safe debt load?
   (C) What percentage of his net income, after rent, will he now have committed to debt
   payments?
   (A) $640 x 12 = $7,680
   $7,680 x 20% = $1,536
   (B) $640 x 10% = $64
   $125 + $40 = $165
   $165 / $640 = 26%
   No - 26% is over safe debt load.
true-false

1. **t** A proprietary credit card is usually accepted by one type of store or company.

2. **f** The average daily balance method of calculating interest is based on the opening balance of the account for the previous month.

3. **f** The annual fee for a credit card is set by the government.

4. **t** APR measures the interest rate charged by a credit card.

5. **t** If someone uses your lost or stolen credit card, you are liable for no more than $50.

multiple choice

6. **A** A credit card issued through a credit union would be an example of a _______ card.
   A. bank
   B. travel and entertainment
   C. store
   D. proprietary

7. **B** The grace period refers to the time:
   A. taken to process a credit card application
   B. for paying an account without an interest charge
   C. allowed to notify a creditor of a billing error
   D. used for calculating interest

8. **C** Comparing the APR among several credit cards allows you to obtain the:
   A. lowest grace period
   B. lowest annual fee
   C. lowest interest rate
   D. least expensive method of calculating interest

9. **B** If a billing error occurs on a credit statement, a consumer has ____ days to notify the creditor.
   A. 30
   B. 60
   C. 90
   D. 120

case application

Jack uses his credit card for almost all purchases. He charges gas purchases, clothing, food, and other living expenses. What is your opinion of this money management habit? If Jack pays off his balances each month, his use of credit cards may be a convenient money management technique that provides complete records of all of his spending. However, if this habit results in overspending and paying more, due to interest, Jack needs to assess his financial activities.
Lesson Eight
Credit Cards
shopping for credit

Credit card costs and features can vary greatly. This exercise will give you a chance to shop for and compare the costs and features of three credit cards.

directions
Using the attached form, research the costs and features of:
- Two major credit cards; and
- One credit card from a department store.

When you're done, answer the following questions.

what did you find?

1. Which credit card has the highest annual percentage rate and how much is it?

2. What method is used to calculate the monthly finance charge for the first major credit card?

3. When does the finance charge begin to accrue on the credit card from the local department store?

4. Do any of the cards have annual fees? If so, which one(s) and how much is the fee?

5. Is there a transaction fee on any card? If so, how much is it?

6. Is there a minimum finance charge on either of the major credit cards? If so, how much is it?

7. Does the first major credit card charge a fee for late payments? If so, how much is it?

8. What is the grace period on the credit card from the local department store?

9. Rafael wants to buy a new CD player that costs $450. According to his budget, he can afford payments up to $62.00 per month. Which of the three credit cards you’ve found would you recommend that Rafael use to purchase the CD player? Why?
use the following form to compare two or more credit cards:

<table>
<thead>
<tr>
<th></th>
<th>card one</th>
<th>card two</th>
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</thead>
<tbody>
<tr>
<td><strong>Type of account:</strong></td>
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<tr>
<td>Credit card</td>
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<tr>
<td>Charge card</td>
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<td><strong>Company name, address, phone</strong></td>
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<td><strong>Website</strong></td>
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<tr>
<td><strong>Locations where card is accepted</strong></td>
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<td><strong>Annual fee (if any)</strong></td>
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<td><strong>Grace period</strong></td>
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<td><strong>Annual Percentage Rate (APR)</strong></td>
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<td><strong>Finance charge calculation method</strong></td>
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<tr>
<td><strong>Other features</strong></td>
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</tr>
</tbody>
</table>
A credit card statement provides information such as how and when you've used your credit card, how much you owe, how much interest you're paying to use the card, how much your minimum payment is, and how much credit you have left.

Knowing how to read your credit card statement can also help you catch unauthorized charges and/or billing errors.

So, it can pay to know how to read the statement!

directions
Use the credit card statement below to answer these questions:

1. What is the date of the statement?

2. What is the Annual Percentage Rate (APR)?

3. What is the corresponding periodic rate?

4. What is the new balance?

5. What was the previous balance?

6. How many charges were made during the billing cycle?

7. How many credits and payments were made during the billing cycle?

8. Were there any charges for late payments? If so, how much were the charges?

9. What is the total amount of the credit line?

10. What is the total amount of available credit?

11. What is the total amount of charges made during the current billing period?

12. Was there a finance charge for the current billing cycle? If so, how much were the charges?

13. What is the account number on the statement?

14. Where should the payment be sent?

15. What is the periodic rate for cash advances?
what does your statement tell you? (continued)

<table>
<thead>
<tr>
<th>CREDIT CARD STATEMENT</th>
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<tbody>
<tr>
<td><strong>ACCOUNT NUMBER</strong></td>
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<tr>
<td><strong>NAME</strong></td>
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<tr>
<td><strong>STATEMENT DUE</strong></td>
</tr>
<tr>
<td><strong>PAYMENT DUE DATE</strong></td>
</tr>
</tbody>
</table>

| **CREDIT LINE** | $1200.00 |
| **CREDIT AVAILABLE** | $1074.76 |
| **NEW BALANCE** | $125.24 |
| **MINIMUM PAYMENT DUE** | $20.00 |

<table>
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<tr>
<th><strong>REFERENCE</strong></th>
<th><strong>SOLD</strong></th>
<th><strong>POSTED</strong></th>
<th><strong>ACTIVITY SINCE LAST STATEMENT</strong></th>
<th><strong>AMOUNT</strong></th>
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<td>463GE7382</td>
<td>1/25</td>
<td></td>
<td>PAYMENT THANK YOU</td>
<td>-168.80</td>
</tr>
<tr>
<td>32F349ER3</td>
<td>1/12</td>
<td>1/15</td>
<td>RECORD RECYCLER ANYTOWN, USA</td>
<td>14.83</td>
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<tr>
<td>89102DIS2</td>
<td>1/13</td>
<td>1/15</td>
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<td>1/21</td>
<td>DINO-GEL GASOLINE ANYTOWN, USA</td>
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<td>973DWS321</td>
<td>2/09</td>
<td>2/09</td>
<td>SHIRTS 'N SUCH TINYVILLE, USA</td>
<td>40.10</td>
</tr>
</tbody>
</table>

| **Previous balance** | (+) 168.80 |
| **Purchases**         | (+) 125.24 |
| **Cash Advances**      | (+)       |
| **Payments**           | (-) 168.80 |
| **Credits**            | (+)       |
| **FINANCE CHARGES**    | (+)       |
| **Late Charges**       | (+)       |
| **NEW BALANCE**        | (=) 125.24 |

<table>
<thead>
<tr>
<th><strong>FINANCE CHARGE SUMMARY</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Periodic Rate</strong></td>
</tr>
<tr>
<td><strong>Annual Percentage Rate</strong></td>
</tr>
</tbody>
</table>

| **PURCHASES** | 19.80% |
| **ADVANCES**  | 6.48%  |

<table>
<thead>
<tr>
<th>For Customer Service Call:</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-800-xxx-xxxxx</td>
</tr>
<tr>
<td>For Lost of Stolen Card, Call:</td>
</tr>
<tr>
<td>1-800-xxx-xxxxx</td>
</tr>
<tr>
<td>24Hour Telephone Numbers</td>
</tr>
</tbody>
</table>

Please make check or money order payable to Your First Bank. Include account number on front.
directions
Use the Cost of Credit calculator at practicalmoneyskills.com to answer the following questions.

directions
José wants to buy a stereo for $650 and pay for it using a credit card that has an Annual Percentage Rate of 19.85%.

If José pays the minimum monthly payment of $21.45:
1. How long will it take him to pay for the stereo?
2. What is the total amount José will pay for the stereo?
3. What is José’s total cost of using credit?

If José makes monthly payments of $60:
4. How many months will it take for José to pay off the stereo?
5. What is the total amount José will pay for the stereo?
6. What is José’s total cost of using credit?

Patty took a cash advance of $1,500. Her new credit card charges an Annual Percentage Rate of 21%. The transaction fee for cash advances is 3% of the cash advance, with a maximum fee of $35. This fee is added to the total cash advance, and accrues interest.

If Patty makes monthly payments of $65:
7. How long will it take Patty to pay for the cash advance?
8. What is the total amount Patty will end up paying for the cash advance?
9. What is the total finance charge Patty will pay?

If Patty pays the cash advance back at a rate of $130 per month:
10. How long will it take Patty to pay for the cash advance?
11. What is the total amount Patty will end up paying for the cash advance?
12. What is the total finance charge Patty will pay?
Marie just used her new credit card to buy a bike for $400. Her budget allows her to pay no more than $25 each month on her credit card. Marie has decided not to use the credit card again until the bike is paid off. The credit card she used has an Annual Percentage Rate of 21%.

If Marie pays $25 each month on her credit card:
13. How long will it take Marie to pay for the bike?
14. What is the total amount Marie will end up paying for the bike?
15. How much interest will Marie pay for using her credit card to buy the bike?

If Marie pays the minimum payment of $14 each month:
16. How long will it take Marie to pay for the bike?
17. What is the total amount Marie will end up paying for the bike?
18. How much interest will Marie pay for using her credit card to buy the bike?

Gary has just used his credit card to buy a new watch. He got the watch on sale for $235. The regular price was $290. He used a credit card that has an Annual Percentage Rate of 20%.

If Gary makes the minimum monthly payment each month of $10:
19. How much will Gary end up paying for his new watch?
20. How long will it take Gary to pay for his watch?
21. What is the total amount of interest Gary will end up paying?

If Gary pays $25 each month, instead of the minimum monthly payment of $10 each month:
22. How much will Gary end up paying for his new watch?
23. How long will it take Gary to pay for his watch?
24. What is the total amount of interest Gary will end up paying?
how deep can they go?

directions
Read each of the following scenarios and determine if the purchase can be made and how the decision will affect the credit load.

Write your answers in the blanks provided. Use the space below each problem to show how you arrived at your answer. (Use the other side of this paper if you need more room.)

1. Nancy and Thomas have a combined monthly net income of $1,200.
   What is the most they can afford to pay for installment and credit card debt?

2. Jessie has a monthly net income of $800. His fixed monthly expenses consist of $150 for rent.
   He currently pays $80 each month for a credit card bill, and now he wants to buy a car.

   What does Jessie have left in his budget for a car payment to stay within his safe debt load?

3. Carla has a monthly net income of $450. She wants to buy a new bike and pay for it using a credit card. What is the largest monthly payment she can commit to making?

4. Jorge has a monthly net income of $640. His fixed monthly expense consists of a rent payment of $120. (A) Right now, how much can he afford to borrow to stay within his safe debt load?

   He also has a car payment of $125 per month. Jorge wants to buy new tires for his car. The tires will cost him $40 each month on his credit card.

   (B) With his car payment and the new tires, will he still be within his safe debt load?
   (C) What percentage of his net income, after rent, will he now have committed to debt payments?
true-false

1. ____ A proprietary credit card is usually accepted by one type of store or company.
2. ____ The average daily balance method of calculating interest is based on the opening balance of the account for the previous month.
3. ____ The annual fee for a credit card is set by the government.
4. ____ APR measures the interest rate charged by a credit card.
5. ____ If someone uses your lost or stolen credit card, you are liable for no more than $50.

multiple choice

6. ____ A credit card issued through a credit union would be an example of a _______ card.
   A. bank
   B. travel and entertainment
   C. store
   D. proprietary

7. ____ The grace period refers to the time:
   A. taken to process a credit card application
   B. for paying an account without an interest charge
   C. allowed to notify a creditor of a billing error
   D. used for calculating interest

8. ____ Comparing the APR among several credit cards allows you to obtain the:
   A. lowest grace period
   B. lowest annual fee
   C. lowest interest rate
   D. least expensive method of calculating interest

9. ____ If a billing error occurs on a credit statement, a consumer has ____ days to notify the creditor.
   A. 30
   B. 60
   C. 90
   D. 120

case application
Jack uses his credit card for almost all purchases. He charges gas purchases, clothing, food, and other living expenses. What is your opinion of this money management habit?
Being prepared is the best way to keep car-buying choices and decisions on the right track. Students need to examine all aspects of the car-buying process including: understanding the differences between buying and leasing; evaluating used cars; financing; applying for loans; and finding the best auto insurance.

For related links and resources on this lesson, visit:
practicalmoneyskills.com/teens/9
overview

“Should I buy a new car or a used car?”

“Where is the best place to finance my automobile purchase?”

“Is it better to take the rebate or the low-rate financing plan?”

These are typical questions asked by people buying vehicles. In this lesson, students are asked to identify costs associated with owning and operating a motor vehicle. Since these costs are commonly underestimated, guidelines are provided on how much to spend when buying vehicles.

The material provided in this lesson will address the many factors and decisions involved in purchasing and financing a vehicle. In addition to comparing used and new cars, we also cover warranties, service contracts, and financing the purchase. Other issues related to using credit for buying a car include the information required by the Truth-in-Lending law, use of a co-signer, and repossession.

Finally, various aspects of auto insurance are discussed. Students will learn about types of coverages, factors affecting insurance costs, and comparing insurance companies.

goals

Investigate the legal and financial responsibilities of buying, maintaining, insuring, and operating a car, and translate those responsibilities into a monthly budget.

lesson objectives

- List some of the costs of owning and operating a car
- Given a budget, decide how much you can afford to pay for a car
- List some of the things you should research and some decisions you should make before you begin to shop for a car
- Understand the differences between various kinds of warranties and service contracts
- List some steps you can take to resolve warranty and service contract disputes
- List some of the factors to consider when shopping for a car loan
- Calculate the total cost of various car loans
- Understand what a co-signer is, and describe when one is necessary
- List the responsibilities of a co-signer and of the person getting the loan
- List some of the factors to consider when shopping for car insurance
- List some of the factors used to set car insurance rates
- Understand the circumstances under which a vehicle can be repossessed, and list the legal rights and responsibilities of the creditor and of the debtor
- Given a budget, decide how much money can safely be spent each month to own, operate, and maintain a car
- Know the advantages and disadvantages of leasing a motor vehicle
presentation slides

9-A costs of owning and operating a motor vehicle
9-B how much can you afford? (the 20-10 rule)
9-C consumer decision making
9-D shopping for a used car
9-E sources of used cars
9-F shopping for a new car
9-G warranties
9-H service contracts
9-I shopping for a car loan
9-J how to calculate the total cost of a loan
9-K the Truth-in-Lending act
9-L types of auto insurance coverage
9-M how insurance rates are set
9-N repossession
9-O leasing a motor vehicle

student activities

9-1 Operating Costs of a Motor Vehicle
- Have students estimate various costs associated with owning and operating a motor vehicle.

9-2 Warranties and Service Contracts
- Have students collect examples of automobile warranties and service contracts.
- Discuss how various warranties and service contracts differ.

9-3 Shopping for a Car Loan
- Have students shop for and compare the costs of car loans.
- Discuss the factors that influence the total cost of a loan.

9-4 Shopping for Insurance
- Have students research the cost of car insurance based on their age, gender, marital status, frequency of car use, where they live, driving record, types of cars they want, and the amount of insurance they think they need vs. what may be required by the state.
Discuss their findings—would the cost of insurance alter their budgets or change their plans about the types of cars they want? Can they still afford cars?

9-5  How Much Would You Spend

Using the scenarios provided, have students decide how much can be spent safely each month to own, operate, and maintain a car.

9-6  Lesson Nine Quiz

For more information, please refer to the Appendix.
Learning activities appropriate to varied target audiences for lesson nine

<table>
<thead>
<tr>
<th>activity</th>
<th>teenagers (14-18)</th>
<th>young adults (19-25)</th>
<th>adults (26+)</th>
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<tbody>
<tr>
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<td>Lesson Nine Quiz 9-6</td>
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</tr>
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</table>
### costs of owning a car
1. Initial purchase price
2. Registration and title costs
3. Sales tax
4. Financing costs
5. Depreciation
6. Insurance
7. Scheduled maintenance
8. Storage (renting garage space)

### costs of operating a car
1. Unscheduled repairs and maintenance
2. Gasoline
3. Oil and other fluids
4. Parking and tolls
5. Tickets

### how much can you afford?
1. The 20-10 rule
2. Working with a budget

Have students obtain information from several people about the factors that influence their selection of a motor vehicle.
shopping for a car

1. Consumer decision making
   - Deciding to spend your money
   - Deciding on the right purchase

2. A used car from a dealer
   - Consider costs, reliability, dealer reputation
   - Read the “Buyer’s Guide” sticker
   - Consider the warranty and the service contract
   - What to do if you have problems

3. A used car from a private party
   - Sometimes includes manufacturer’s warranty
   - Difference in price compared to a dealer

4. A new car
   - Read about new car features and prices
   - Shop around
   - Plan to negotiate price
   - Learn the terms
   - Consider the service contract

field activity:

Compare prices and services at various sources of used cars.

web activity:

Go to edmunds.com or kbb.com for information on current prices for motor vehicles.

slides 9-C, 9-D, 9-E & 9-F
### About Warranties and Service Contracts

1. **Types of Warranties**
   - As-is warranty
   - Implied warranty
   - Dealer warranty
   - Manufacturer's warranty
2. **Service Contracts**
3. **Preventing Problems**
4. **Resolving Disputes**
5. **Comparing Promises of Warranties and Service Contracts**

### Shopping for a Car Loan

1. **APR**
2. **Length of Loan**
3. **Monthly Payments**
4. **Total Finance Charge**
5. **Total to be Repaid**
6. **Shop around for a car loan and compare the costs**

### How Much Does It Really Cost?

1. **How to Approximate the Total Cost of a Loan**
2. **How to Approximate Monthly Payments**
the truth-in-lending act
1. What it covers
2. How it protects you, the consumer

do you need a loan co-signer?
1. What a co-signer is
2. When you need one
3. Responsibilities
   ■ Yours
   ■ Co-signer’s

about auto insurance
1. Importance of and legal requirements
2. Types of coverage
   ■ Bodily injury liability
   ■ Property damage liability
   ■ Collision
   ■ Comprehensive
   ■ Medical payments
   ■ Uninsured motorist
   ■ Rental reimbursement
   ■ Towing and labor
3. How insurance rates are set
   ■ Age
   ■ Sex
   ■ Marital status
   ■ Personal habits (e.g., smoking)
   ■ Type of use
   ■ Frequency of use
   ■ Location
   ■ Driving record deductible
   ■ Type of car
   ■ Value and age of car

Talk to someone who has co-signed a loan to learn more about this situation.

Have students prepare a video or in-class presentation with suggestions for reducing the cost of auto insurance.
about auto insurance (continued)
4. Investigate the cost of car insurance in your area
   ■ Type of coverage
   ■ Type of car
   ■ Cost factors

how much would you spend?
1. Cost of driving off lot
   ■ Down payment
   ■ Tax
   ■ License
   ■ Other
2. Car payment
3. Monthly operating costs
4. Monthly maintenance costs
5. Monthly insurance premium
6. Unplanned maintenance and operating costs

about repossession
1. Reasons for
2. Creditor rights
   ■ Seizing the car
   ■ Reselling the car
3. Your rights
   ■ Buying the car back
4. Your legal responsibilities
   ■ Paying the deficiency
5. What you can do

leasing a motor vehicle

lesson nine quiz
<table>
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<th>10%</th>
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<tr>
<td>APR:</td>
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<td>14%</td>
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<tr>
<td>Length of Loan:</td>
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## how much would you spend? answer key

### car for $10,000 (Amount of loan: $10,000)

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<td>Total Cost of Loan: $12,748.23</td>
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<td>Monthly Payment: $212.47</td>
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### APR: 14%  
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<td>Total Finance Charge: $4,590.83</td>
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1. Which car can Manuel afford?  
   *The car for $6,000*

2. What are the terms of the loan that would allow Manuel to buy a car and still stay within his budget?  
   *A 60-month loan with an APR of 10%*

3. Using the column “How You'd Do It” on Manuel's budget worksheet, figure how you would set up a budget if you had Manuel's income and expenses.

4. What were the main differences between the budget you set up using Manuel's income and expenses and the budget that was provided?
### how much would you spend? answer key

#### car for $4,000 (Amount of loan: $3,000)

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#### car for $6,000 (Amount of loan: $5,000)

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5. Which car can Rose afford?
   The car for $4,000

6. What are the terms of the loan that would allow Rose to buy a car and still stay within her budget?
   A 36-month loan with an APR up to 16%

7. Using the column “How You'd Do It” on Rose’s budget worksheet, figure how you would set up a budget if you had Rose’s income and expenses.

8. What were the main differences between the budget you set up using Rose’s income and expenses, and the budget that was provided?
true-false

1. ❌ Most used cars sold by private parties have a one-year warranty.
2. ✔ A service contract is designed to avoid costly repairs as a motor vehicle gets older.
3. ✔ The Truth-in-Lending law requires that a borrower be informed of the total finance charge.
4. ❌ Bodily-injury liability covers the damage to another person's car for which you were at fault.
5. ❌ Collision insurance covers damage caused to a motor vehicle by vandalism or floods.

multiple choice

6. C The most reliable source for buying a used car is usually:
   A. a rental car company
   B. a police auction
   C. a car dealer
   D. private party sales

7. B ________ warranty refers to the fact that a product will do what it is designed to do.
   A. An extended
   B. An implied
   C. A dealer
   D. An unexpired manufacturer's

8. A The Truth-in-Lending law requires that borrowers be informed of the:
   A. amount financed
   B. cost of auto insurance

9. D The auto insurance coverage for damage to your vehicle as a result of an accident is called:
   A. property damage
   B. comprehensive
   C. liability
   D. collision

10. C Doctor costs for injuries to others resulting from an accident are covered by ________ liability.
    A. medical
    B. collision
    C. bodily injury
    D. comprehensive

case application

Angelina drives a seven-year-old car that recently needed $1,300 in repairs. Each day, she drives 46 miles to and from her job. What actions should she take to decide if she should (1) keep this car, (2) buy a newer used car, or (3) buy a new car? Many factors go into this decision. First, Angelina must consider her financial situation. Based on a realistic budget, what amount can she afford to spend for buying a different vehicle? Next, will her current car (after the recent repairs) give her reliable transportation? In addition, how do the expected operating costs of the various vehicles compare?
Student Activities

Lesson Nine
Cars and Loans
# operating costs of a motor vehicle

**model year**

**make, size, model**

## fixed costs

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<th>Description</th>
<th>Calculation</th>
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<tr>
<td><strong>Depreciation:</strong></td>
<td>Purchase price $ _______ divided by estimated life _____ years $</td>
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<tr>
<td><strong>Annual interest on auto loan</strong></td>
<td>(if applicable) $</td>
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<tr>
<td><strong>Annual insurance costs</strong></td>
<td>$</td>
</tr>
<tr>
<td><strong>License, registration, taxes</strong></td>
<td>$</td>
</tr>
</tbody>
</table>

## variable costs

<table>
<thead>
<tr>
<th>Description</th>
<th>Calculation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gasoline:</strong></td>
<td>estimated miles per year _______ divided by _____ miles per gallon times the average price of $_____ per gallon $</td>
</tr>
<tr>
<td><strong>Oil changes</strong></td>
<td>for the year $</td>
</tr>
<tr>
<td><strong>Tires</strong></td>
<td>$</td>
</tr>
<tr>
<td><strong>Maintenance, repairs</strong></td>
<td>$</td>
</tr>
<tr>
<td><strong>Parking and tolls</strong></td>
<td>$</td>
</tr>
</tbody>
</table>

## total costs

<table>
<thead>
<tr>
<th>Calculation</th>
</tr>
</thead>
<tbody>
<tr>
<td>$</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>divided by miles per year</th>
<th>equals</th>
<th>cost per mile $</th>
</tr>
</thead>
</table>

## part 2...
Based on business visits, phone calls, advertisements, and the internet, obtain information for the cost of (a) an oil change, (b) a tune-up, (c) new brakes, (d) tires.
Find an example of a motor vehicle warranty and of a service contract. Then, answer the following questions.

1. What is the warranty for?

2. What type of warranty is it (as-is, implied, dealer, manufacturer's)?

3. List the basic terms of the warranty.

4. What is the service contract for?

5. List the basic terms of the service contract.
shopping for a car loan

<table>
<thead>
<tr>
<th>Financial institution</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>APR</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Length of loan</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Monthly payment</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Total finance charge</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Total to be repaid</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
</table>

**directions**

Pretend that you have decided to purchase a new car. Select the model you would like and find out what it costs. Then, shop around for the best car loan terms. Try several different institutions, such as a bank, a credit union, and a private moneylender.

When you have finished, look at your chart. Which loan would you take? What features make it more appealing than the others? Which institutions offered the best rates, and why do you think they did so?
# shopping for insurance

## minimum coverage required by state

<table>
<thead>
<tr>
<th></th>
<th>Company 1</th>
<th></th>
<th>Company 2</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Agent</td>
<td></td>
<td></td>
<td>Agent</td>
<td></td>
</tr>
<tr>
<td>Address</td>
<td></td>
<td></td>
<td>Address</td>
<td></td>
</tr>
<tr>
<td>Phone</td>
<td></td>
<td></td>
<td>Phone</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Coverage</th>
<th>Company 1</th>
<th>Premiums for Company 1</th>
<th>Company 2</th>
<th>Premiums for Company 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bodily injury liability</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property damage</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personal injury protection</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(no-fault insurance states)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Uninsured motorist</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

## coverage you desire

<table>
<thead>
<tr>
<th>Coverage</th>
<th>Company 1</th>
<th>Premiums for Company 1</th>
<th>Company 2</th>
<th>Premiums for Company 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bodily injury liability</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medical</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property damage</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personal injury protection</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(no-fault insurance states)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Uninsured motorist</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Collision— $250 deductible</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Collision— $500 deductible</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Towing and labor</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

## which company best suits your needs?

www.practicalmoneyskills.com  cars and loans  student activity 9-4
How much would you spend?

Scenario 1
Manuel wants to buy a car. But before he goes shopping, he wants to know exactly how much he can afford to spend each month on owning, operating, and maintaining a car.

Manuel’s net monthly income is $1,280. His fixed expenses are:
- $350 for rent

His flexible monthly expenses are:
- $75 for savings
- $25 for utilities
- $185 for food
- $35 for transportation (bus fare)
- $150 for tuition and books
- $40 for entertainment
- $20 for personal items
- $29 for household items

If Manuel gets a car, he expects to spend about $40 a month on gas and oil, and about $20 on parking and bridge tolls.

Manuel needs to have car insurance. He has shopped around and expects that a car insurance premium for the type and year of car he wants will cost about $225 a month.

directions
Use the attached budget sheet and loan calculator (practicalmoneyskills.com/calculators) to complete the following chart and answer the following questions.
**how much would you spend? (continued)**

<table>
<thead>
<tr>
<th>car for $6,000 (Amount of loan: $6,000)</th>
<th>car for $8,000 (Amount of loan: $8,000)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>APR:</strong> 10%</td>
<td><strong>APR:</strong> 12%</td>
</tr>
<tr>
<td><strong>Length of Loan:</strong> 60 months</td>
<td><strong>Length of Loan:</strong> 60 months</td>
</tr>
<tr>
<td><strong>Total Cost of Loan:</strong></td>
<td><strong>Total Cost of Loan:</strong></td>
</tr>
<tr>
<td><strong>Monthly Payment:</strong></td>
<td><strong>Monthly Payment:</strong></td>
</tr>
<tr>
<td><strong>Total Finance Charge:</strong></td>
<td><strong>Total Finance Charge:</strong></td>
</tr>
<tr>
<td><strong>APR:</strong> 14%</td>
<td><strong>APR:</strong> 16%</td>
</tr>
<tr>
<td><strong>Length of Loan:</strong> 60 months</td>
<td><strong>Length of Loan:</strong> 60 months</td>
</tr>
<tr>
<td><strong>Total Cost of Loan:</strong></td>
<td><strong>Total Cost of Loan:</strong></td>
</tr>
<tr>
<td><strong>Monthly Payment:</strong></td>
<td><strong>Monthly Payment:</strong></td>
</tr>
<tr>
<td><strong>Total Finance Charge:</strong></td>
<td><strong>Total Finance Charge:</strong></td>
</tr>
</tbody>
</table>
car for $10,000 (Amount of loan: $10,000)

<table>
<thead>
<tr>
<th>APR:</th>
<th>10%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Length of Loan:</td>
<td>60 months</td>
</tr>
<tr>
<td>Total Cost of Loan:</td>
<td></td>
</tr>
<tr>
<td>Monthly Payment:</td>
<td></td>
</tr>
<tr>
<td>Total Finance Charge:</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>APR:</th>
<th>12%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Length of Loan:</td>
<td>60 months</td>
</tr>
<tr>
<td>Total Cost of Loan:</td>
<td></td>
</tr>
<tr>
<td>Monthly Payment:</td>
<td></td>
</tr>
<tr>
<td>Total Finance Charge:</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>APR:</th>
<th>14%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Length of Loan:</td>
<td>60 months</td>
</tr>
<tr>
<td>Total Cost of Loan:</td>
<td></td>
</tr>
<tr>
<td>Monthly Payment:</td>
<td></td>
</tr>
<tr>
<td>Total Finance Charge:</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>APR:</th>
<th>16%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Length of Loan:</td>
<td>60 months</td>
</tr>
<tr>
<td>Total Cost of Loan:</td>
<td></td>
</tr>
<tr>
<td>Monthly Payment:</td>
<td></td>
</tr>
<tr>
<td>Total Finance Charge:</td>
<td></td>
</tr>
</tbody>
</table>

1. Which car can Manuel afford?

2. What are the terms of the loan that would allow Manuel to buy a car and still stay within his budget?

3. Using the column “How You’d Do It” on Manuel's budget worksheet, figure how you would set up a budget if you had Manuel's income and expenses.

4. What were the main differences between the budget you set up using Manuel's income and expenses and the budget that was provided?
manual's budget

<table>
<thead>
<tr>
<th>income</th>
<th>scenario</th>
<th>how you'd do it</th>
<th>difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job #1</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Job #2</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Other</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td><strong>Total Income</strong></td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

fixed expenses

| Rent         | $        | $               | $          |
| Car insurance| $        | $               | $          |
| Installment payments | $       | $               | $          |
| Car loan payment | $       | $               | $          |
| Credit card 1 | $        | $               | $          |
| Credit card 2 | $        | $               | $          |
| **Total installment debt** | $    | $               | $          |
| **Percentage of net income** | %     | %               | %          |

flexible expenses

| Savings      | $        | $               | $          |
| Utilities    | $        | $               | $          |
| Food         | $        | $               | $          |
| Transportation | $      | $               | $          |
| Bus fare     | $        | $               | $          |
| Gas and oil  | $        | $               | $          |
| Parking and tolls | $    | $               | $          |
| Repairs      | $        | $               | $          |
| Tuition      | $        | $               | $          |
| School expenses | $    | $               | $          |
| Clothing     | $        | $               | $          |
| Entertainment| $        | $               | $          |
| Household items | $     | $               | $          |
| Personal items (toothpaste, etc.) | $    | $               | $          |
| **Total Monthly Expenses** | $    | $               | $          |
| **Total income - total expenses** | $     | $               | $          |
scenario 2
Rose is thinking about buying a car. She has $1,000 saved for a down payment. Before she goes shopping, she wants to know how much she can afford to spend each month on a car.

Rose brings home $926 each month from her first job, and $974 from her second job.
Her fixed expenses include:

- $250 for rent
- $34 for a credit payment on some furniture she bought several months ago that has a total outstanding balance of $540

Her flexible monthly expenses are:

- $100 for savings
- $20 for telephone
- $175 for food
- $45 for transportation (bus fare)
- $70 for tuition
- $20 for school supplies
- $40 for clothing
- $40 for entertainment
- $20 for household supplies
- $20 for personal items

If Rose gets a car, she expects to spend about $60 a month on gas and oil, and about $30 on parking and bridge tolls.

If Rose gets a car, she will need car insurance. She has done some research, and she expects her car insurance premium to be about $175 a month.

directions
Using the attached budget sheet and the online calculator (practicalmoneyskills.com/calculators), complete the following chart.
### car for $4,000 (Amount of loan: $3,000)

<table>
<thead>
<tr>
<th>APR</th>
<th>10%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Length of Loan:</td>
<td>36 months</td>
</tr>
<tr>
<td>Total Cost of Loan:</td>
<td></td>
</tr>
<tr>
<td>Monthly Payment:</td>
<td></td>
</tr>
<tr>
<td>Total Finance Charge:</td>
<td></td>
</tr>
<tr>
<td>APR:</td>
<td>14%</td>
</tr>
<tr>
<td>Length of Loan:</td>
<td>36 months</td>
</tr>
<tr>
<td>Total Cost of Loan:</td>
<td></td>
</tr>
<tr>
<td>Monthly Payment:</td>
<td></td>
</tr>
<tr>
<td>Total Finance Charge:</td>
<td></td>
</tr>
</tbody>
</table>

### car for $6,000 (Amount of loan: $5,000)

<table>
<thead>
<tr>
<th>APR</th>
<th>10%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Length of Loan:</td>
<td>36 months</td>
</tr>
<tr>
<td>Total Cost of Loan:</td>
<td></td>
</tr>
<tr>
<td>Monthly Payment:</td>
<td></td>
</tr>
<tr>
<td>Total Finance Charge:</td>
<td></td>
</tr>
<tr>
<td>APR:</td>
<td>14%</td>
</tr>
<tr>
<td>Length of Loan:</td>
<td>36 months</td>
</tr>
<tr>
<td>Total Cost of Loan:</td>
<td></td>
</tr>
<tr>
<td>Monthly Payment:</td>
<td></td>
</tr>
<tr>
<td>Total Finance Charge:</td>
<td></td>
</tr>
</tbody>
</table>
5. Which car can Rose afford?

6. What are the terms of the loan that would allow Rose to buy a car and still stay within her budget?

7. Using the column “How You’d Do It” on Rose’s budget worksheet, figure how you would set up a budget if you had Rose’s income and expenses.

8. What were the main differences between the budget you set up using Rose’s income and expenses, and the budget that was provided?
### How Much Would You Spend? (Continued)

#### Rose's Budget

<table>
<thead>
<tr>
<th>Income</th>
<th>Scenario</th>
<th>How You'd Do It</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job #1</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Job #2</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Other</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td><strong>Total Income</strong></td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

#### Fixed Expenses

<table>
<thead>
<tr>
<th></th>
<th>Scenario</th>
<th>How You'd Do It</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rent</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Car insurance</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Installment Payments</td>
<td></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Car loan payment</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Credit card 1</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Credit card 2</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td><strong>Total Installment Debt</strong></td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

**Percentage of Net Income**

#### Flexible Expenses

<table>
<thead>
<tr>
<th>Expenses</th>
<th>Scenario</th>
<th>How You'd Do It</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Savings</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Utilities</td>
<td>$</td>
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<td>$</td>
</tr>
<tr>
<td>Food</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Transportation</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Bus fare</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Gas and oil</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Parking and tolls</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Repairs</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Tuition</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>School expenses</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Clothing</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Entertainment</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Household items</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Personal items (toothpaste, etc.)</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td><strong>Total Monthly Expenses</strong></td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

**Total Income - Total Expenses**

---

www.practicalmoneyskills.com  cars and loans  student activity 9-5h
lesson nine quiz: cars and loans

true-false

1. ____ Most used cars sold by private parties have a one-year warranty.

2. ____ A service contract is designed to avoid costly repairs as a motor vehicle gets older.

3. ____ The Truth-in-Lending law requires that a borrower be informed of the total finance charge.

4. ____ Bodily-injury liability covers the damage to another person’s car for which you were at fault.

5. ____ Collision insurance covers damage caused to a motor vehicle by vandalism or floods.

multiple choice

6. ____ The most reliable source for buying a used car is usually:
   A. a rental car company
   B. a police auction
   C. a car dealer
   D. private party sales

7. ____ Warranty refers to the fact that a product will do what it is designed to do.
   A. An extended
   B. An implied
   C. A dealer
   D. An unexpired manufacturer’s

8. ____ The Truth-in-Lending law requires that borrowers be informed of the:
   A. amount financed
   B. cost of auto insurance
   C. features of an extended warranty
   D. reasons a person has been denied credit

9. ____ The auto insurance coverage for damage to your vehicle as a result of an accident is called:
   A. property damage
   B. comprehensive
   C. liability
   D. collision

10. ____ Doctor costs for injuries to others resulting from an accident are covered by ______ liability.
    A. medical
    B. collision
    C. bodily injury
    D. comprehensive

case application

Angelina drives a seven-year-old car that recently needed $1,300 in repairs. Each day, she drives 46 miles to and from her job. What actions should she take to decide if she should (1) keep this car, (2) buy a newer used car, or (3) buy a new car?
Lesson Ten
The Influence of Advertising
We're bombarded with advertising and messaging in our lives these days. Students need to be able to make sound, practical decisions about their money in light of complex and sometimes confusing consumer messages and choices.

For related links and resources on this lesson, visit:
practicalmoneyskills.com/teens/10
overview

In today’s modern world, advertising seems to be everywhere we look; online, television, billboards, magazines, newspapers, on buses, grocery carts, even cell phones.

In addition, some forms of advertising can be subliminal, such as the strategically-placed soda can in a movie. We can’t help but be influenced and manipulated as consumers. In this lesson, students will become aware of the various techniques and appeals used to influence consumer behavior.

Warnings must also be sounded. Unethical selling techniques such as “bait and switch,” as well as common deceptive promotions like “get rich quick schemes” are discussed here. This is followed by information on program-length commercials, also called “infomercials.”

Finally, students are asked to develop guidelines for viewing and evaluating advertising. This skill will prepare them to make rational decisions in our very complex and evolving marketplace.

goal

Recognize how and when advertising techniques can influence buying decisions.

lesson objectives

■ Understand and identify basic advertising techniques and appeals
■ Understand and identify deceptive or questionable advertising techniques
■ Give examples of commonly seen misleading advertisements, and identify the deceptive or questionable appeals and techniques used in each
■ Discriminate between facts and unsupported claims in print advertisements and in television commercials

presentation slides

10-A commonly used advertising techniques
10-B sales techniques
10-C unethical techniques
10-D examples of misleading advertisements
10-E program-length commercials (infomercials)
10-F rules for evaluating advertisements
student activities

10-1 What Appeals to You? What Doesn’t?
- Two weeks before giving this lesson, ask students to collect examples of ads they like and dislike. Ask students also to pay attention to TV and web ads.
- Ask students to pay particular attention to facts versus unsupported claims in ads.
- Ask students to tape up their print ads around the classroom.
- Discuss what students like and dislike about the ads they’ve collected or watched.

10-2 Examples of Fraudulent or Misleading Advertisements
- Ask students to look for and bring to class print ads that they think are fraudulent or misleading.
- Ask students to tape up the print ads they have collected around the classroom.
- Discuss what fraudulent or misleading techniques and appeals are used in each ad.

10-3 What Techniques Are Used in Ads You Like and Dislike?
- Discuss advertising techniques and appeals used in the print advertisements taped up around the classroom.
- If you have examples of television commercials, discuss the advertising techniques and appeals found in them.

10-4 Try It—Make a Commercial
- Divide the class into groups. Have each group research a product or a service.
- Ask each group to prepare a “commercial” for its product or service, using some of the techniques and appeals discussed in class.
- Have each group present its commercial to the class. Ask the class to identify the appeals and techniques each group is using.
- Review how to spot various advertising techniques and appeals that have been discussed in this lesson.
- Emphasize how to spot the difference between facts and unsupported claims.

10-5 Test Your Advertising Knowledge
- Have students complete the written activity to learn about various advertising techniques.

10-6 Lesson Ten Quiz

For more information, please refer to the Appendix.
Learning activities appropriate to varied target audiences for lesson ten

<table>
<thead>
<tr>
<th>activity</th>
<th>teenagers (14-18)</th>
<th>young adults (19-25)</th>
<th>adults (26+)</th>
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</table>
the influence of advertising teaching notes

what appeals to you and what doesn’t
1. Print ads
   - Examples (from ads brought in by students)
   - What do you like?
   - What don’t you like?
   - Would you buy the product or service?
2. TV commercials
   - Examples (from ads brought in by students)
   - What do you like?
   - What don’t you like?
   - Would you buy the product or service?
3. Other (e.g., online/email advertising, billboards, radio)
   - Examples
   - What do you like?
   - What don’t you like?
   - Would you buy the product or service?

common advertising techniques and appeals
For each method, discuss what it is and find an example in the ads brought in by students. Also discuss which techniques tend to be most effective for teenagers.
1. Information
2. Status
3. Peer approval
4. Hero endorsement
5. Physical attraction to others
6. Entertainment
7. Intelligence
8. Independence
9. Unfinished comparison

Have students talk to several friends or relatives to obtain information about their uses of advertisements.
Questions could include:
Do ads help you obtain price information?
What brand do you see advertised most often?

Have students collect examples of various advertising techniques from newspapers, magazines or videos.

www.practicalmoneyskills.com the influence of advertising teacher's guide 10-v
### the influence of advertising

#### sales techniques

For each technique, discuss what it is and find an example in the ads brought in by students. Also discuss which techniques tend to be most effective.

1. Guarantees
2. Scarcity
3. Perceptual contrast
4. Scientific or numerical claims
5. Negative option

#### unethical techniques

For each practice, discuss what it is and find an example in the ads brought in by students. Also discuss which techniques tend to be most effective.

1. “Bait and switch”
2. Exploitation of fears and misgivings
3. Subliminal advertising
4. Overstated claims

#### common misleading advertisements

For each type of ad, discuss what it is, which techniques it tends to use, and warning signs to look for.

1. “Get rich quick” schemes
2. Health fraud
3. Credit repair
4. Product misrepresentations

#### what techniques appeal to you?

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Go to fraud.org to obtain information on common consumer frauds.
### the influence of advertising teaching notes

#### about program-length commercials (infomercials)
1. What they are
2. How to spot one
3. Appeals and techniques used

#### basic rules for evaluating advertisements
1. Does the ad appeal to your emotions? Try to look beyond the appeal to your vanity and find out what the ad is really saying (or isn’t saying) about the product or service.
2. What are the special features of the product? Do you need those features?
3. Search for fraud and deception in the ad.
4. Be alert to ads that are misleading (those that make unreasonable claims about the product or service).
5. Read the fine print or listen carefully.

#### try it — make a commercial!
1. Group project
2. Class presentations
3. Class discussion

#### test your knowledge of advertising
1. Written quiz

#### lesson ten quiz
1. Written quiz
In the space provided, write the letter of the advertising technique or appeal the statement represents.

- a) Join the gang
- b) Hero endorsement
- c) Unfinished comparison
- d) Independence
- e) “Get rich quick”
- f) Exploiting fears and misgivings
- g) Physical attraction appeal
- h) Negative option
- i) Credit repair
- j) Numerical claims
- k) Guarantees
- l) Bargain appeals
- m) Scientific claims
- n) Catch phrases and slogans

1. **b** Return this card today and begin receiving three CDs every month. If, at any time, you decide you don’t want a CD, just return it within ten days.

2. **d** If you’re the type of person who can think and act for yourself, drive one of our cars and you’ll be convinced you can’t buy a smoother ride.

3. **k** We promise your new battery will last a lifetime, or your money back.

4. **c** This detergent works better on grease and stains.

5. **j** Three-out-of-four dentists recommend this toothpaste.

6. **a** Everyone else is using this product. Why aren’t you?

7. **l** At this price for a limited time only! So buy now, because you won’t see a value like this again.

8. **m** After years of research by leading physicians, we’ve formulated a pill that, taken one hour before each meal, allows you to eat anything you want without gaining weight.

9. **n** You find yourself unconsciously singing the tune to the commercial.

10. **b** If Mr./Ms. Famous Athlete wears this type of underwear, shouldn’t you?

11. **g** Just one spray of our cologne, and you’ll never have to spend another Saturday alone!

12. **e** Work in your home, part-time, and earn up to $10,000 per week.

13. **i** No matter how bad your credit is, for one small fee, we can help you get that car or van you’ve always wanted.

14. **f** Our complete-at-home course, which comes with a supplemental videotape and a workbook, is designed to increase your chances of getting better grades regardless of the subject.
15. Explain and give an example of the “bait and switch” advertising technique.
   Designed to get you into the store by advertising a bargain. Once you’re in the store, you’re told the item is unavailable. Then you’re shown a similar item of higher quality that costs more.

16. Explain and give an example of the “supermarket special” advertising technique.
   Advertisement of products that aren’t in stock, or aren’t readily available to consumers at the advertised price.

17. Explain and give an example of an advertisement that uses “scientific claims.”
   Claims of “scientific proof” that are made without the substantiation required by law.

18. Explain and give an example of an advertisement that uses “bargain appeals.”
   Plays on human tendency to want a bargain. Lots of so-called “bargains” aren’t really bargains at all.

19. List three ways to spot program-length commercials.
   Look for commercials that are similar to the program content.
   
   Check for sponsor identification.
   
   Be wary of programs where one product is represented as “better” than others.

20. List two things you can do to protect yourself if you buy something from a program-length commercial.
   Use a credit card to pay for the item.
   
   Order or pay by mail.
true-false

1. ___ t ___ An “unfinished comparison” in an advertisement provides consumers with incomplete information.

2. ___ t ___ Out-of-stock advertised specials are considered to be an unethical technique.

3. ___ t ___ Credit repair service advertisements may be misleading due to the promises made to consumers in credit trouble.

4. ___ f ___ An infomercial is a type of “bait and switch.”

5. ___ f ___ Comments from buyers of a product in a commercial usually provide useful information.

multiple choice

6. ___ D ___ Advertisements using a well-known person are examples of the ______ advertising technique.

   A. peer approval
   B. unfinished comparison
   C. status
   D. endorsement

7. ___ D ___ Books, tapes, and music CDs are commonly sold using:

   A. a perceptual contrast
   B. numerical claims
   C. unfinished comparisons
   D. a negative option

8. ___ B ___ ______ would be an example of an unethical action.

   A. An infomercial
   B. An out-of-context quote

9. ___ C ___ A program-length commercial is commonly called:

   A. “bait and switch”
   B. a perceptual contrast
   C. an infomercial
   D. an action guarantee

10. ___ A ___ The most useful information in an advertisement would be:

    A. the price
    B. comments from production users
    C. a list of product accessories
    D. an endorsement from a well-known person

case application

Recent television programs and commercials have provided information on a new method of cooking to save money, reduce fat, and improve the flavor. This cooking equipment seems to be quite good. What actions should a person take before spending money on this type of product? Before making such a purchase, several types of research should be conducted. Contact local or state consumer agencies to determine if there are complaints against the company. Talk to others who have purchased this item or similar products. Conduct library research or an internet search to gather additional information.
Lesson Ten

The Influence of Advertising
what appeals to you? what doesn't?

directions
Collect examples of ads you like and dislike. Also pay attention to TV and online ads and commercials. If possible, bring videos to class. Pay particular attention to facts versus unsupported claims in ads.

When you're done collecting ads, answer the questions below.

1. What do you like about the ads you've collected?

2. What do you dislike about the ads you've collected?

3. What do you like about the TV or online commercials you've seen?

4. What do you dislike about the TV or online commercials you've seen?
examples of fraudulent or misleading advertisements

directions
Bring to class print ads you think are fraudulent or misleading. Tape up the ads around the classroom.

1. Describe your example of a fraudulent or misleading ad.

2. List the fraudulent or misleading techniques and appeals used in your favorite ad.

3. List the fraudulent or misleading techniques and appeals used in your least favorite ad.

4. What actions could consumers take to avoid these deceptions?
what techniques are used in ads you like and dislike

After you’ve talked about various advertising appeals and techniques, answer the following questions for your favorite ad and your favorite TV or online commercial.

1. Describe your favorite ad.

2. What advertising techniques and appeals are used in your favorite ad?

3. Describe your favorite TV or online commercial.

4. What advertising techniques and appeals are used in your favorite TV or online commercial?
try it—make a commercial

directions
Divide into groups. Each group is responsible for researching a product or a service.

Prepare a commercial for the product or service your group has been assigned or has chosen. When preparing your commercial, be sure to use some of the techniques and appeals discussed in class. Each group will present its commercial to the class. At the end of your presentation, be prepared to answer the following questions.

1. To whom are you trying to sell your product or service?

2. What specific techniques and/or appeals did you use to try to sell your product?

3. Were any of the techniques or appeals you used fraudulent or misleading?
test your advertising knowledge

In the space provided, write the letter of the advertising technique or appeal the statement represents.

a) Join the gang  h) Negative option
b) Hero endorsement  i) Credit repair
c) Unfinished comparison  j) Numerical claims
d) Independence  k) Guarantees
e) “Get rich quick”  l) Bargain appeals
f) Exploiting fears and misgivings  m) Scientific claims
g) Physical attraction appeal  n) Catch phrases and slogans

1. ______ Return this card today and begin receiving three CDs every month. If, at any time, you decide you don’t want a CD, just return it within ten days.

2. ______ If you’re the type of person who can think and act for yourself, drive one of our cars and you’ll be convinced you can’t buy a smoother ride.

3. ______ We promise your new battery will last a lifetime, or your money back.

4. ______ This detergent works better on grease and stains.

5. ______ Three-out-of-four dentists recommend this toothpaste.

6. ______ Everyone else is using this product. Why aren’t you?

7. ______ At this price for a limited time only! So buy now, because you won’t see a value like this again.

8. ______ After years of research by leading physicians, we’ve formulated a pill that, taken one hour before each meal, allows you to eat anything you want without gaining weight.

9. ______ You find yourself unconsciously singing the tune to the commercial.

10. ______ If Mr./Ms. Famous Athlete wears this type of underwear, shouldn’t you?

11. ______ Just one spray of our cologne, and you’ll never have to spend another Saturday alone!

12. ______ Work in your home, part-time, and earn up to $10,000 per week.

13. ______ No matter how bad your credit is, for one small fee, we can help you get that car or van you’ve always wanted.

14. ______ Our complete-at-home course, which comes with a supplemental videotape and a workbook, is designed to increase your chances of getting better grades regardless of the subject.
Answer each of the following questions in the space provided.

15. Explain and give an example of the “bait and switch” advertising technique.

16. Explain and give an example of the “supermarket special” advertising technique.

17. Explain and give an example of an advertisement that uses “scientific claims.”

18. Explain and give an example of an advertisement that uses “bargain appeals.”

19. List three ways to spot program-length commercials.

20. List two things you can do to protect yourself if you buy something from a program-length commercial.
true-false

1. ____ An “unfinished comparison” in an advertisement provides consumers with incomplete information.

2. ____ Out-of-stock advertised specials are considered to be an unethical technique.

3. ____ Credit repair service advertisements may be misleading due to the promises made to consumers in credit trouble.

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multiple choice

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   D. a negative option

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   C. an infomercial
   D. an action guarantee

10. ____ The most useful information in an advertisement would be:
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    B. comments from production users
    C. a list of product accessories
    D. an endorsement from a well-known person

case application
Recent television programs and commercials have provided information on a new method of cooking to save money, reduce fat, and improve the flavor. This cooking equipment seems to be quite good. What actions should a person take before spending money on this type of product?
Lesson Eleven
Consumer Awareness
Consumer awareness offers students a leg up on financial literacy, decision-making and money management. Students need to become informed and aware money managers by understanding their purchasing options; risks of scams and fraud; as well as options for resolving a consumer problem.

For related links and resources on this lesson, visit: practicalmoneyskills.com/teens/11
overview
Decisions, decisions. With so many choices available to us, how can we be sure we're making the right decision?

Wise consumer buying starts with a plan. Using a systematic purchasing strategy will provide students with an ability to make more effective purchases. Comparative shopping techniques will be discussed to encourage students to carefully consider price, product attributes, warranties, and store policies. Next, this lesson covers a variety of buying methods, such as buying clubs, shopping by phone, catalogs, online, and door-to-door selling.

Consumer buying makes a person a target for various consumer scams. While fraud in the marketplace is not new, the methods used have kept up with technology. Telemarketing fraud and deceptive internet promotions result in consumers losing billions of dollars each year.

What actions should a person take to resolve a consumer problem? This question is answered with several suggestions in the next section of this lesson. Finally, students will learn about sources of help available to them through government agencies and other organizations.

goals
Combine decision-making methods with comparative shopping techniques, recognize common consumer scams, and provide the knowledge and skills necessary to effectively handle consumer complaints.

lesson objectives
- Use decision-making methods before purchasing a product or service
- Customize and use a comparative-shopping chart
- Identify alternative buying plans, and list the advantages and disadvantages of each
- Identify various consumer scams, describe how they work, and explain what you can do if you find yourself caught in one
- Understand how to handle a consumer complaint effectively
- Understand how and why to keep records of your purchases
- Identify federal and private sources for consumer information and consumer help

presentation slides

11-A deciding to buy
11-B comparative shopping chart 1
11-C comparative shopping chart 2
11-D the real cost of a garment
consumer awareness lesson outline

11-E buying clubs
11-F shopping by phone, mail, or online
11-G layaway purchase plans
11-H the cooling-off rule
11-I telemarketing fraud
11-J email/internet scams
11-K federal trade commission telemarketing sales rules
11-L common (and not-so-common) fraud
11-M “900” numbers
11-N contest cons
11-O work-at-home schemes
11-P how to handle a consumer problem
11-Q how to write a complaint letter

student activities

11-1 What Would You Choose?

- Have students bring in pictures of four purchases that reflect different values, activities, or interests in their lives.
- Have students complete “Why I Make the Choices I Do.”
- Discuss how personal values and attitudes influence clothing choices and how values are reflected in these choices.
- Discuss how personal values and attitudes affect other purchasing decisions such as buying music or cars and dining out.

11-2 Practice Comparative Shopping

- Divide the class into groups. Have each group choose an item for which to shop using comparative-shopping techniques. (There are comparative-shopping charts for an item of clothing and for an electronic entertainment device in the print materials for this activity.) If your students aren’t interested in either of these items, choose two other items.
- Have each group customize a decision-making chart to comparison shop for the item (keeping certain criteria in mind as comparisons are made).
- After students have located an item they want to purchase, have each group develop a chart that compares the costs and benefits of the item, and evaluates and prioritizes the factors they used to make their purchase decisions (this would include things listed on their comparative-shopping chart, as well as factors such as what need it fills, cost in terms of hours worked, values the item reflects, etc.).
Comparing Shopping Sources
- Select an item that could be bought from a variety of sources.
- Obtain information to compare buying this item at two or more sources.

Solving Consumer Problems
- Have students decide what actions to take for these consumer concerns.
- Discuss their answers, which may vary based on student analysis of the situation.

Lesson Eleven Quiz

For more information, please refer to the Appendix.
Learning activities appropriate to varied target audiences for lesson eleven

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consumer awareness teaching notes

deciding to buy
1. Wants versus needs
2. Smart-shopper strategies
   ■ What do you want?
   ■ What quality do you need?
   ■ How much can you spend?
   ■ Where will you shop?

going shopping
1. Why I make the choices I do
   ■ Values
   ■ Needs
   ■ Resources
   ■ Relative importance of various clothing goals
2. About quality
   ■ What it is
   ■ How to spot it
3. Smart-shopper strategies
   ■ Planning
   ■ Budgeting
   ■ Pros and cons of different stores
   ■ Emotional factors in purchasing
4. Comparative-shopping techniques (all items)
   ■ Price
   ■ Features
   ■ Benefits
   ■ Warranties and guarantees
   ■ Store policies
5. Examples of comparative-shopping charts
   ■ For electronic entertainment devices and home appliances
   ■ For clothing
   ■ The real price of a garment
6. Practice comparative shopping
   ■ Pick an item
   ■ Customize a comparative-shopping chart
   ■ Share the results (class presentations)

Go to consumerreports.org to obtain consumer-buying information.

student activity 11-1
discussion
student activity 11-2
student activity 11-3
slides 11-B, 11-C & 11-D
alternative types of buying

1. Buying clubs
   - What they are
   - Hidden costs

2. Shopping by phone, mail, or online
   - The mail-order rule
   - Fair Credit Billing Act
   - Precautions
   - Contact for resolving problems

3. Layaway purchase plans
   - How they work
   - How to avoid problems

4. The cooling-off rule (door-to-door sales)
   - What it is
   - Exceptions
   - How to cancel a sale
   - Seller’s responsibilities if you cancel
   - What to do if you have a problem

consumer scams

1. Telemarketing fraud
   - Examples (travel, telemarketing fraud, magazine telephone scams)
   - How scams work
   - How to protect yourself
   - What to do if you have problems

2. Email/Internet and other common frauds

3. “900” numbers
   - What they are
   - What to watch out for
   - How to protect yourself
   - If you’re caught in a “900” number scam

4. Contest cons
   - What they are
   - What to be aware of
   - What to do if you need help
consumer awareness teaching notes

consumer scams (continued)
5. Work-at-home schemes
   ■ Common schemes
   ■ Precautions against fraudulent schemes
6. Where to complain

handling a consumer problem
1. Types of problems
   ■ Defective merchandise or service
   ■ Consumer scams
2. Steps to take (based on order of magnitude)
   ■ Collecting records
   ■ Filing a complaint with the seller
   ■ Contacting the company
   ■ Contacting an industry dispute program, the Better Business Bureau, or a local or state office such as the Attorney General
   ■ Contacting a trade association or federal agency
   ■ Filing a claim in a small-claims court or hiring a private lawyer
3. Examples
   ■ Student experiences
   ■ Experiences of friends or relatives
4. How to write a complaint letter
   ■ Where to write
   ■ What to write

slide 11-O
discussion
survey/interview:
Talk to several people about how they have handled consumer complaints.
survey/interview:
Have students prepare a video or in-class presentation to show appropriate and inappropriate ways to handle consumer complaints.
student activity 11-4
slides 11-P & 11-Q
**Effective Record Keeping**

1. Why keep records?
2. Type of records to keep
3. How to set up a personal record-keeping system

**Sources of Help**

1. Private agencies
2. Federal agencies

**Lesson Eleven Quiz**

Go to consumer.gov for information from various federal agencies. Also, conduct a web search of information available to assist with consumer problems.
solving consumer problems

answer key

directions
For each of the following situations, put an X next to the action you would suggest to resolve these consumer concerns, and give reasons for your responses.

1. Brad has taken his new car in for the same repairs several consecutive times since he bought the car ten months ago.
   - Return to store
   - Contact company
   X Contact consumer or government agency
   - Take legal action

2. Jonie was injured and needed medical assistance when using a fan she recently purchased.
   - Return to store
   - Contact consumer or government agency
   - Contact company
   X Take legal action

3. Ellis keeps getting phone calls offering him investment opportunities, even though he’s told the company to no longer call him.
   - Return to store
   - Contact company
   X Contact consumer or government agency
   - Take legal action

4. Thomas was charged the wrong price for several items at a local discount store.
   X Return to store
   - Contact company
   - Contact consumer or government agency
   - Take legal action

5. Marla received a late payment notice for a credit account that she had paid off several months ago.
   - Return to store
   X Contact company
   - Contact consumer or government agency
   - Take legal action
true-false

1.  ❌ Buying clubs are designed to help consumers compare prices at different stores.

2.  ✔ The mail-order rule allows a person to cancel an order that is not shipped within a certain time period.

3.  ❌ Layaway purchase plans are designed to help consumers buy items at discount prices.

4.  ✔ The cooling-off period generally applies to purchases of $25 or more.

5.  ❌ Most consumer complaints require legal action to solve.

multiple choice

6.  D The most reliable source of consumer information would be from:
   - A. an advertisement
   - B. a salesperson
   - C. an executive of the company
   - D. a product label

7.  B A buying club commonly:
   - A. requires a minimum purchase
   - B. has a large initiation fee
   - C. wants the member to encourage others to join
   - D. only allows a few people in an area to be members.

8.  A The mail-order rule requires that companies:
   - A. notify customers if an item is not currently available
   - B. only sell certain items by mail
   - C. accept credit cards for mail-order purchases
   - D. allow a person to return an item for full credit

9.  B The right to cancel certain purchases of $25 or more within three business days is known as the ________ rule.
   - A. layaway
   - B. cooling-off
   - C. mail-order
   - D. telemarketing

10.  D The first step a person with a consumer complaint should take is to:
    - A. obtain legal assistance
    - B. contact a consumer agency
    - C. write to the headquarters of the company
    - D. return to the place of purchase

case application

Jim recently purchased a sweater for his wife over the telephone. When the item was received, it was slightly damaged. When he returned it he received another sweater, but also received another bill. The company says he owes for two sweaters. Jim should start by calling the company to explain the situation. Next, he should put an explanation of the situation in writing. If this doesn't work, he might contact a local or state consumer agency to assist him.
Lesson Eleven
Consumer Awareness
Purchasing decisions are made for many reasons. When deciding what to buy, you may be influenced by:

- Your personal interests
- Your activities
- Your values

You may also want to send a message to other people. Think about these things as you complete the following exercise.

**directions**

Cut out pictures of four outfits or other purchases that reflect different values, activities, or interests in your life. They should all be something you would enjoy owning. Label each picture: A, B, C, or D. In the spaces below, explain why you would choose each item, and the personal values each choice reflects. Staple the pictures to this page.

**Picture**

<table>
<thead>
<tr>
<th>I would choose this purchase because...</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
</tr>
<tr>
<td>B</td>
</tr>
<tr>
<td>C</td>
</tr>
<tr>
<td>D</td>
</tr>
</tbody>
</table>
**practice comparative shopping—chart 1**

**directions**
Customize this chart and use it when you go comparative shopping for an electronic entertainment device or home appliance.

**item**

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Store</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brand name</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Price</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Your budget limit</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic features</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Special features</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Warranty</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Store return policy</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Refund policy</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exchange policy</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
**practice comparative shopping—chart 2**

**directions**
Customize this chart and use it when you go comparative shopping for an item of clothing.

**item**

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Store</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Brand name</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Price</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Your budget limit</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Where to be worn</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Characteristics</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Quality</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Durability</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Needs alterations?</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Comfortable?</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Care requirements</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Store return policy</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Store refund policy</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Store exchange policy</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## comparing shopping choices

Select an item that could be purchased in stores, by mail, and online. Obtain the information requested below.

<table>
<thead>
<tr>
<th>item</th>
<th>brand</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Store</th>
<th>Mail Order (or TV Home Shopping)</th>
<th>Online Shopping</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Address</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Phone</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Email, website</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Price</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shipping cost</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Delivery time</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Warranty</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return policy</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other information</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
solving consumer problems

directions
For each of the following situations, put an X next to the action you would suggest to resolve these consumer concerns, and give reasons for your responses.

1. Brad has taken his new car in for the same repairs several consecutive times since he bought the car ten months ago.
   - Return to store
   - Contact company
   - Contact consumer or government agency
   - Take legal action

2. Jonie was injured and needed medical assistance when using a fan she recently purchased.
   - Return to store
   - Contact consumer or government agency
   - Contact company
   - Take legal action

3. Ellis keeps getting phone calls offering him investment opportunities, even though he’s told the company to no longer call him.
   - Return to store
   - Contact company
   - Contact consumer or government agency
   - Take legal action

4. Thomas was charged the wrong price for several items at a local discount store.
   - Return to store
   - Contact company
   - Contact consumer or government agency
   - Take legal action

5. Marla received a late payment notice for a credit account that she had paid off several months ago.
   - Return to store
   - Contact company
   - Contact consumer or government agency
   - Take legal action
true-false
1. ____ Buying clubs are designed to help consumers compare prices at different stores.
2. ____ The mail-order rule allows a person to cancel an order that is not shipped within a certain time period.
3. ____ Layaway purchase plans are designed to help consumers buy items at discount prices.
4. ____ The cooling-off period generally applies to purchases of $25 or more.
5. ____ Most consumer complaints require legal action to solve.

multiple choice
6. ____ The most reliable source of consumer information would be from:
   A. an advertisement
   B. a salesperson
   C. an executive of the company
   D. a product label
9. ____ The right to cancel certain purchases of $25 or more within three business days is known as the ________ rule.
   A. layaway
   B. cooling-off
   C. mail-order
   D. telemarketing

7. ____ A buying club commonly:
   A. requires a minimum purchase
   B. has a large initiation fee
   C. wants the member to encourage others to join
   D. only allows a few people in an area to be members
10. ____ The first step a person with a consumer complaint should take is to:
    A. obtain legal assistance
    B. contact a consumer agency
    C. write to the headquarters of the company
    D. return to the place of purchase

8. ____ The mail-order rule requires that companies:
   A. notify customers if an item is not currently available
   B. only sell certain items by mail

case application
Jim recently purchased a sweater for his wife over the telephone. When the item was received, it was slightly damaged. When he returned it he received another sweater, but also received another bill. The company says he owes for two sweaters.
Lesson Twelve
Saving and Investing
Saving and investing are cornerstones of financial management. To be effective money managers, students need to: establish and maintain a budget; set clear, specific financial goals; and understand all of their investment options.

For related links and resources on this lesson, visit: practicalmoneyskills.com/teens/12
overview

Saving just 35 cents a day will result in more than $125 in a year. Small amounts saved and invested can easily grow into larger sums. However, a person must start to save.

This lesson provides students with a basic knowledge of saving and investing. The process starts with setting financial goals. Next, a commitment to saving is discussed.

Various savings plans are available to consumers. These include regular savings accounts, money market accounts, and certificates of deposit (CD). Then, students will analyze factors to consider when selecting a savings account. These include interest rates, fees, balance requirements, and deposit insurance.

Investing takes saving one step further in a person's financial plan. Bonds, stocks, mutual funds, real estate, and retirement accounts are covered in the next section of this lesson.

Finally, students are made aware of potential investment frauds. The variety of these swindles increases each year as con artists look for new opportunities to separate people from their money.

goals

Introduce the advantages and disadvantages of common savings and investment vehicles, and show the short- and long-term effects of various savings and investment choices.

lesson objectives

■ List and prioritize some of your short- and long-term budget goals
■ List and explain some of the advantages of saving money
■ Understand the concept of “pay yourself first” and list some ways to encourage this habit
■ List and explain the differences among the most common saving methods
■ Understand the advantages and disadvantages of popular investment vehicles
■ Understand what investment fraud is, and list some of the ways you can protect yourself against investment swindlers
■ Compare and contrast the short- and long-term consequences of investment decisions

presentation slides

12-A  pay yourself first (a little can add up)
12-B  types of savings accounts
12-C  money-market deposit accounts
12-D  certificates of deposit (CDs)
12-E  how simple and compound interest are calculated
12-F  choosing a savings account
12-G  truth in savings law

www.practicalmoneyskills.com saving and investing teacher's guide 12-ii
saving and investing  lesson outline

12-H the rule of 72
12-I bonds
12-J mutual funds
12-K stocks
12-L real estate
12-M retirement plans
12-N individual retirement accounts (IRAs)—an example of return on investment
12-O comparing savings and investment plans
12-P avoiding investment fraud

student activities

12-1 Setting and Prioritizing Your Financial Goals
   - Have students complete the “Setting Financial Goals” worksheet. If your students don’t have enough income to complete this exercise, give them a theoretical income to work with.
   - Ask students to share some of their goals with the class, including estimated cost, target date, and the amount they would need to save each week to meet their goal.
   - Discuss and reemphasize the importance of goal setting and planning.
   - Have students prioritize the goals they identified.

12-2 Calculating Interest
   - Have students complete the “Calculating Interest” worksheet.
   - Review the answers and, as needed, show the calculations on the board.
   - Reemphasize how the interest rate and the method of calculation can affect how much their money grows.
   - Have students visit practicalmoneyskills.com/calculators for online help.

12-3 Selecting Mutual Funds
   - Review types of mutual funds.
   - Have students complete this exercise.
   - Ask students to explain their answers.

12-4 Test Your Knowledge of Saving and Investing
   - Have students complete this exercise.
   - Discuss their answers.

12-5 Lesson Twelve Quiz

For more information, please refer to the Appendix.
Learning activities appropriate to varied target audiences for lesson twelve

<table>
<thead>
<tr>
<th>activity</th>
<th>teenagers (14-18)</th>
<th>young adults (19-25)</th>
<th>adults (26+)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Student Activity 12-1</td>
<td>●</td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td>Survey/Interview</td>
<td>●</td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td>Student Activity 12-2</td>
<td>●</td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td>Field Activity</td>
<td>●</td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td>Web Activity</td>
<td>●</td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td>Student Activity 12-3</td>
<td>●</td>
<td>●</td>
<td></td>
</tr>
<tr>
<td>Student Activity 12-4</td>
<td>●</td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td>Oral Presentation</td>
<td>●</td>
<td>●</td>
<td></td>
</tr>
<tr>
<td>Web Activity</td>
<td>●</td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td>Lesson Twelve Quiz 12-5</td>
<td>●</td>
<td>●</td>
<td>●</td>
</tr>
</tbody>
</table>
set financial goals

1. Why save?
   - To reach financial goals
   - In case of an emergency
   - To have the option of taking advantage of unforeseen opportunities

2. Why set goals?
   - Give direction for making plans and taking actions

3. Set and prioritize your financial goals
   - The goal-setting process
   - Short-term goals (1–4 weeks)
   - Medium-term goals (2–12 months)
   - Long-range goals (1 year or longer)

pay yourself first

1. Why?
   - To make a habit of saving money to reach your financial goals

2. What it takes
   - Commitment
   - Discipline
   - Delayed gratification

3. Ways to do it
   - From each paycheck or allowance, deposit a set amount or percentage into your savings account before spending money on anything else.
   - At the end of the day, put all your change in a “savings” container. Once a month, deposit the money in a savings account.
   - Whenever you get unexpected money, put a portion of it into savings.

4. Remember
   - Amount saved isn't as important as getting into the habit.

Have students talk to several friends and relatives about the methods used to save and invest for various financial goals. For example, ask what types of savings accounts and investments are used.
### Savings Accounts

1. **Advantage**
   - Simplest way to earn interest while keeping money readily accessible
2. **Passbook and Statement Accounts**

### Other Saving Methods

1. **Money-Market Deposit Account**
2. **Certificates of Deposit**

### How to Calculate Interest

1. **Simple**
2. **Compound**
3. **Exercise**

### Choosing a Savings Account

1. **Factors to Consider**
   - Interest rate
   - Fees, charges, and penalties
   - Balance requirement
   - Balance calculation method
2. **Truth in Savings Law**
shopping for a savings account
1. Optional class activity
2. Class presentations of their findings and choices

about the rule of 72
1. What it is
   - A simple way to estimate how money can grow
   - Divide 72 by the interest rate to find how many years you need for your money to double.
   - Divide 72 by a number of years to determine the interest rate needed to double your money in that period of time.

saving vs. investing
1. Difference
   - Degree of risk
   - Rate and stability of return
   - Availability of funds for use
   - Amount of protection against inflation

field activity:
Have students compare savings rates at various financial institutions. Also see: bankrate.com

discussion
slide 12-H

discussion

web activity:
Have students obtain information from sites such as: fool.com finance.yahoo.com
some common investment vehicles
For each, discuss what it is, how it works, and what its advantages are
1. Bonds
2. Mutual funds
3. Stocks
4. Real estate
5. Retirement plans
   - IRAs—an example of return on investment

comparing savings and investment vehicles
1. Review
   - Savings accounts
   - Bonds
   - Mutual funds
   - Stocks

capital gains and losses
1. What they are
   - The profit or loss made on an investment
<table>
<thead>
<tr>
<th>saving and investing teaching notes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>test your knowledge of saving and investing</strong></td>
</tr>
<tr>
<td>1. Complete the exercise</td>
</tr>
<tr>
<td>2. Discuss the answers</td>
</tr>
<tr>
<td><strong>about investment fraud and investment swindlers</strong></td>
</tr>
<tr>
<td>1. What they are</td>
</tr>
<tr>
<td>2. How they work</td>
</tr>
<tr>
<td>3. Techniques they use</td>
</tr>
<tr>
<td>4. What you can do to protect yourself</td>
</tr>
<tr>
<td><strong>lesson twelve quiz</strong></td>
</tr>
<tr>
<td><strong>student activity 12-4</strong></td>
</tr>
<tr>
<td><strong>discussion</strong></td>
</tr>
<tr>
<td><strong>oral presentation:</strong></td>
</tr>
<tr>
<td>Have students present in class or on video various investment situations. Discuss if these are legitimate or fraudulent investment opportunities.</td>
</tr>
<tr>
<td><strong>web activity:</strong></td>
</tr>
<tr>
<td>Have students obtain investment fraud information at: ftc.gov fraud.org nasaa.org</td>
</tr>
<tr>
<td><strong>quiz 12-5</strong></td>
</tr>
</tbody>
</table>
directions
Write the answers to the following questions in the blanks provided. Use the space below each problem to show how you arrived at your answers.

1. If you put $200 in a savings account that paid 5.5% simple interest each year, how much interest would you earn in five years?
   $55
   $200 x 0.055 = $11
   $11 x 5 = $55

2. If you put $150 in a savings account that paid 6% compounded yearly, how much interest would you earn in five years?
   $50.73
   $150 x 1.06 = $159 (after 1 year)
   $159 x 1.06 = $168.54 (after 2 years)
   $168.54 x 1.06 = $178.65 (after 3 years)
   $178.65 x 1.06 = $189.37 (after 4 years)
   $189.37 x 1.06 = $200.73 (after 5 years)

3. If you put $25 each month into a savings account that paid a simple interest rate of 6.5% each year, how much would you have in your account at the end of two years?
   $639.00

<table>
<thead>
<tr>
<th>Amount of Deposit</th>
<th>Interest Rate</th>
<th>Months on Deposit</th>
<th>Periods/yr</th>
<th>Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>start of year 1</td>
<td>25</td>
<td>0.065</td>
<td>12</td>
<td>1.63</td>
</tr>
<tr>
<td>25</td>
<td>0.065</td>
<td>11</td>
<td>12</td>
<td>1.49</td>
</tr>
<tr>
<td>25</td>
<td>0.065</td>
<td>10</td>
<td>12</td>
<td>1.35</td>
</tr>
<tr>
<td>25</td>
<td>0.065</td>
<td>9</td>
<td>12</td>
<td>1.22</td>
</tr>
<tr>
<td>25</td>
<td>0.065</td>
<td>8</td>
<td>12</td>
<td>1.08</td>
</tr>
<tr>
<td>25</td>
<td>0.065</td>
<td>7</td>
<td>12</td>
<td>0.95</td>
</tr>
<tr>
<td>25</td>
<td>0.065</td>
<td>6</td>
<td>12</td>
<td>0.81</td>
</tr>
<tr>
<td>25</td>
<td>0.065</td>
<td>5</td>
<td>12</td>
<td>0.68</td>
</tr>
<tr>
<td>25</td>
<td>0.065</td>
<td>4</td>
<td>12</td>
<td>0.54</td>
</tr>
<tr>
<td>25</td>
<td>0.065</td>
<td>3</td>
<td>12</td>
<td>0.41</td>
</tr>
<tr>
<td>25</td>
<td>0.065</td>
<td>2</td>
<td>12</td>
<td>0.27</td>
</tr>
<tr>
<td>25</td>
<td>0.065</td>
<td>1</td>
<td>12</td>
<td>0.14</td>
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</table>

end of year 1
300
### 3. cont.

<table>
<thead>
<tr>
<th>Amount of Deposit</th>
<th>Interest Rate</th>
<th>Months on Periods/yr</th>
<th>Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>start of year 2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>325</td>
<td>0.065</td>
<td>12</td>
<td>19.50</td>
</tr>
<tr>
<td>25</td>
<td>0.065</td>
<td>11</td>
<td>1.49</td>
</tr>
<tr>
<td>25</td>
<td>0.065</td>
<td>10</td>
<td>1.35</td>
</tr>
<tr>
<td>25</td>
<td>0.065</td>
<td>9</td>
<td>1.22</td>
</tr>
<tr>
<td>25</td>
<td>0.065</td>
<td>8</td>
<td>1.08</td>
</tr>
<tr>
<td>25</td>
<td>0.065</td>
<td>7</td>
<td>0.95</td>
</tr>
<tr>
<td>25</td>
<td>0.065</td>
<td>6</td>
<td>0.81</td>
</tr>
<tr>
<td>25</td>
<td>0.065</td>
<td>5</td>
<td>0.68</td>
</tr>
<tr>
<td>25</td>
<td>0.065</td>
<td>4</td>
<td>0.54</td>
</tr>
<tr>
<td>25</td>
<td>0.065</td>
<td>3</td>
<td>0.41</td>
</tr>
<tr>
<td>25</td>
<td>0.065</td>
<td>2</td>
<td>0.27</td>
</tr>
<tr>
<td>25</td>
<td>0.065</td>
<td>1</td>
<td>0.14</td>
</tr>
<tr>
<td>end of year 2</td>
<td>600</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### 4. If you put $10 each week into a savings account that paid 6% interest compounded yearly, how much money would you have in your account after three years? (Hint: Use How Much Will My Savings Grow Calculator?)

$1,754.80
selecting mutual funds
answer key

directions
For each of the investment situations below, select the type of mutual fund that would be most appropriate from this list:

<table>
<thead>
<tr>
<th>Balanced Fund</th>
<th>Income Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Bond Fund</td>
<td>Industry Fund</td>
</tr>
<tr>
<td>Global Stock Fund</td>
<td>Municipal Bond Fund</td>
</tr>
<tr>
<td>Growth Fund</td>
<td>Regional Stock Fund</td>
</tr>
</tbody>
</table>

1. A person wants an international mutual fund without the risks associated with stocks.
   Global Bond Fund

2. An investor wants tax-exempt income from investments.
   Municipal Bond Fund

3. An investor is interested in investing in health-care stocks.
   Industry Fund

4. A person wants to invest in stocks from around the world.
   Global Stock Fund

5. A person is interested in long-term growth for future financial security.
   Growth Fund

6. An investor seeks to buy stock in companies located in Europe.
   Regional Stock Fund

7. A retired person desires investment earnings to provide for current living expenses.
   Income Fund

8. A person wants to invest in a blend of stocks and bonds.
   Balanced Fund

9. An investor wants to invest in debt instruments issued by state and local governments.
   Municipal Bond Fund

10. A person expects growth of companies in Latin America.
    Regional Stock Fund
**test your knowledge of saving and investing answer key**

**directions**
Write the answers to the following questions in the blanks provided. Use the space below each problem to show how you arrived at your answers.

1. How long would it take to double your money in an account that paid 6% per year?
   \[ \frac{72}{6} = 12 \text{ years} \]

2. What interest rate would double your money in 5 years?
   \[ \frac{72}{5} = 14.4\% \]

In the space provided, write the letter of the savings account or savings method the statement represents.

- a) Passbook account
- b) Statement account
- c) Interest-earning checking
- d) Time deposit (Certificate of Deposit)
- e) Money-market deposit account

3. **e** A combination of a checking and savings account. Interest rates, which are based on a complex structure, vary with the size of your balance.

4. **e** Combines the benefits of a checking and savings account. Interest is paid each month on unused money in the account.

5. **e** You can only write a limited number of checks each month.

6. **d** Bank pays a fixed amount of interest, on a fixed amount of money, for a fixed amount of time.

7. **d** Penalty is usually charged if money is withdrawn before expiration date.

8. **c** Interest rate is usually lower than passbook or statement accounts.
In the space provided, write the letter of the investment vehicle the statement represents.

a) Bonds
d) Real estate
b) Mutual funds
e) Keogh plan
c) Stocks

d
9. __d__ This type of investment offers an excellent protection against inflation.

e
10. __e__ A retirement plan for the self-employed.

a
11. __a__ Issuer agrees to pay investors a fixed interest rate for a fixed period of time.

e
12. __e__ You can contribute each year to this tax-deferred account.

13. __e__ Penalty is usually charged if money is withdrawn before expiration date.

b
14. __b__ Professionally managed portfolios made up of stocks, bonds, and other investments.

15. List the four most important factors to consider when shopping for a savings account

- Interest rates
- Balance requirement
- Fees, charges, penalties
- Balance calculation method

16. List the four main differences between saving and investing.

- Degree of risk
- Availability of funds for use
- Rate and stability of return
- Amount of protection against inflation
true-false

1. **T** A certificate of deposit must be held for a set amount of time such as six months or a year.
2. **F** Compound interest refers to money earned from buying a tax-exempt investment.
3. **T** A share of stock represents ownership in a company.
4. **F** A mutual fund is an investment issued by a state or local government agency.
5. **T** Treasury bonds are a safer investment than real estate.

multiple choice

6. **B** The lowest interest rate is usually earned on a:
   - A. money-market account
   - B. passbook account
   - C. certificate of deposit
   - D. mutual fund

7. **B** The total interest earned on $100 for two years at 10 percent (compounded annually) would be:
   - A. $2
   - B. $21
   - C. $11
   - D. $10

8. **D** Based on the rule of 72, money earning 6 percent would take about ____ years to double.

9. **A** An example of a company’s debt is a:
   - A. corporate bond
   - B. share of stock
   - C. mutual fund
   - D. municipal bond

10. **C** The investment with the most risk would be:
    - A. a savings account
    - B. U.S. Treasury bonds
    - C. corporate stocks
    - D. corporate bonds

*case application*

The Johnson family includes Marv (age 34), Gail (33), Andrew (8), and Molly (4). What are some investment goals that might be appropriate for this family? What types of investments might be used to achieve these goals? Common investment goals in this situation might be to create an emergency fund, to save for the children’s college education, and to save for retirement. The Johnsons might start their saving–investing program with a savings account, money market account, or certificates of deposit. Next, they might consider an aggressive stock mutual fund that could give them good long-term growth for the education and retirement funds. All of those are easier to implement with an automatic withdrawal each month from a bank account to the savings account or the investment company.
Lesson Twelve

Saving and Investing
**setting and prioritizing your financial goals**

### Short-range goal (within 1 month)

<table>
<thead>
<tr>
<th>Goal:</th>
<th>Objective</th>
<th>Estimated Cost</th>
<th>Target Date</th>
<th>Monthly Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
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</table>

### Medium-range goal (2–12 months)

<table>
<thead>
<tr>
<th>Goal:</th>
<th>Objective</th>
<th>Estimated Cost</th>
<th>Target Date</th>
<th>Monthly Amount</th>
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<tbody>
<tr>
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</table>

### Long-range goal (more than 1 year)

<table>
<thead>
<tr>
<th>Goal:</th>
<th>Objective</th>
<th>Estimated Cost</th>
<th>Target Date</th>
<th>Monthly Amount</th>
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<tr>
<td></td>
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</tbody>
</table>
calculating interest

directions
Write the answers to the following questions in the blanks provided. Use the space below each problem to show how you arrived at your answers.

1. If you put $200 in a savings account that paid 5.5% simple interest each year, how much interest would you earn in five years?

2. If you put $150 in a savings account that paid 6% compounded yearly, how much interest would you earn in five years?

3. If you put $25 each month into a savings account that paid a simple interest rate of 6.5% each year, how much would you have in your account at the end of two years?

4. If you put $10 each week into a savings account that paid 6% interest compounded yearly, how much money would you have in your account after three years?
   (Hint: Use How Much Will My Savings Grow Calculator?)
**selecting mutual funds**

### directions
For each of the investment situations below, select the type of mutual fund that would be most appropriate from this list:

<table>
<thead>
<tr>
<th>Balanced Fund</th>
<th>Income Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Bond Fund</td>
<td>Industry Fund</td>
</tr>
<tr>
<td>Global Stock Fund</td>
<td>Municipal Bond Fund</td>
</tr>
<tr>
<td>Growth Fund</td>
<td>Regional Stock Fund</td>
</tr>
</tbody>
</table>

1. A person wants an international mutual fund without the risks associated with stocks.

2. An investor wants tax-exempt income from investments.

3. An investor is interested in investing in health-care stocks.

4. A person wants to invest in stocks from around the world.

5. A person is interested in long-term growth for future financial security.

6. An investor seeks to buy stock in companies located in Europe.

7. A retired person desires investment earnings to provide for current living expenses.

8. A person wants to invest in a blend of stocks and bonds.

9. An investor wants to invest in debt instruments issued by state and local governments.

10. A person expects growth of companies in Latin America.
test your knowledge of saving and investing

directions
Write the answers to the following questions in the blanks provided. Use the space below each problem to show how you arrived at your answers.

1. How long would it take to double your money in an account that paid 6% per year?

2. What interest rate would double your money in 5 years?

In the space provided, write the letter of the savings account or savings method the statement represents.

a) Passbook account
d) Time deposit (Certificate of Deposit)
b) Statement account
e) Money-market deposit account
c) Interest-earning checking

3. ______ A combination of a checking and savings account. Interest rates, which are based on a complex structure, vary with the size of your balance.

4. ______ Combines the benefits of a checking and savings account. Interest is paid each month on unused money in the account.

5. ______ You can only write a limited number of checks each month.

6. ______ Bank pays a fixed amount of interest, on a fixed amount of money, for a fixed amount of time.

7. ______ Penalty is usually charged if money is withdrawn before expiration date.

8. ______ Interest rate is usually lower than passbook or statement accounts.
In the space provided, write the letter of the investment vehicle the statement represents.

a) Bonds  
b) Mutual funds  
c) Stocks  
d) Real estate  
e) Keogh plan

9. ____ This type of investment offers an excellent protection against inflation.

10. ____ A retirement plan for the self-employed.
11. ____ Issuer agrees to pay investors a fixed interest rate for a fixed period of time.

12. ____ You can contribute each year to this tax-deferred account.
13. ____ Penalty is usually charged if money is withdrawn before expiration date.

14. ____ Professionally managed portfolios made up of stocks, bonds, and other investments.

15. List the four most important factors to consider when shopping for a savings account.

16. List the four main differences between saving and investing.
true-false

1. _____ A certificate of deposit must be held for a set amount of time such as six months or a year.
2. _____ Compound interest refers to money earned from buying a tax-exempt investment.
3. _____ A share of stock represents ownership in a company.
4. _____ A mutual fund is an investment issued by a state or local government agency.
5. _____ Treasury bonds are a safer investment than real estate.

multiple choice

6. _____ The lowest interest rate is usually earned on a:
   A. money-market account
   B. passbook account
   C. certificate of deposit
   D. mutual fund

7. _____ The total interest earned on $100 for two years at 10 percent (compounded annually) would be:
   A. $2
   B. $21
   C. $11
   D. $10

8. _____ Based on the rule of 72, money earning 6 percent would take about _____ years to double.

9. _____ An example of a company’s debt is a:
   A. corporate bond
   B. share of stock
   C. mutual fund
   D. municipal bond

10. _____ The investment with the most risk would be:
    A. a savings account
    B. U.S. Treasury bonds
    C. corporate stocks
    D. corporate bonds

case application

The Johnson family includes Marv (age 34), Gail (33), Andrew (8), and Molly (4). What are some investment goals that might be appropriate for this family? What types of investments might be used to achieve these goals?
Lesson Thirteen
In Trouble
It's hard to admit and deal with debt or financial trouble. It can be a painful time, but students need to learn practical, beneficial skills to help them navigate the tough financial waters to stay afloat and succeed.

For related links and resources on this lesson, visit: practicalmoneyskills.com/teens/13
Overview
The material in this lesson will help students become aware of the warning signs of financial difficulties.

When difficulties arise, students should first contact their creditors. Next, efforts should be made to revise spending patterns. In addition, assistance from a member of the National Foundation for Consumer Credit service agencies might be considered.

What if these actions do not help? In the next sections of the lesson, students will examine other actions that might be considered, such as debt consolidation loans and bankruptcy. Students should also be aware of fair debt collection practices and wage garnishment.

goals
Analyze the behaviors and circumstances that can lead to financial trouble and identify some of the options and actions available to a person in financial trouble.

Lesson objectives
- Describe some of the ways you can get in trouble using credit
- Explain the first steps to take if you can't pay your bills on time
- Describe the debt management services provided by nonprofit credit-counseling centers
- List some of the promises made by “credit repair” companies
- Understand how to evaluate a “credit repair” company before deciding whether or not to use its services
- Understand the protections provided by the Fair Debt Collection Practices Act
- List and understand the wage garnishment and repossession rights of creditors
- Understand the difference between straight bankruptcy and the wage-earner plan
- Understand the disadvantages of using bankruptcy as a solution to debt
- List the ten types of debt that are not affected by bankruptcy

Presentation slides
13-A why consumers don't pay
13-B warning signs of trouble
13-C first steps to take if you can't pay your bills
13-D a close look at your budget
13-E credit counseling
13-F consolidating your debts
Test Your Knowledge of Trouble

- Have students complete this exercise.
- Discuss their answers.

Are They in Trouble?

- Give each student a copy of the scenarios, which contain a budget, an income, and a list of unpaid bills and/or an unexpected crisis for each character.
- Have students rework the budget and decide what other actions (if any) they should take to get the character out of financial trouble.

Lesson Thirteen Quiz

For more information, please refer to the Appendix.
Learning activities appropriate to varied target audiences for lesson thirteen

<table>
<thead>
<tr>
<th>activity</th>
<th>teenagers (14-18)</th>
<th>young adults (19-25)</th>
<th>adults (26+)</th>
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</thead>
<tbody>
<tr>
<td>Web Activity</td>
<td>●</td>
<td>●</td>
<td>●</td>
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<tr>
<td>Web Activity</td>
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<tr>
<td>Oral Presentation</td>
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<td>●</td>
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<tr>
<td>Survey/Interview</td>
<td>●</td>
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<tr>
<td>Activity 13-1</td>
<td>●</td>
<td>●</td>
<td>●</td>
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<tr>
<td>Activity 13-2</td>
<td>●</td>
<td>●</td>
<td>●</td>
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<tr>
<td>Lesson Thirteen Quiz 13-3</td>
<td>●</td>
<td>●</td>
<td>●</td>
</tr>
</tbody>
</table>
### How You Can Get in Trouble Using Credit

1. **Why consumers don't pay**
2. **Warning signs of trouble**
3. **Scenarios of trouble**
   - Overspending
   - Raising interest rates
   - Mismanaged budget
   - Increased cost of living
   - Unemployment
   - Illness or disability
   - Family emergencies

### First Steps to Take If You Can't Pay Your Bills

1. **Contact your creditors immediately**
   - Call before you get behind
   - Ask for a voluntary plan for paying debts
   - Special problems of car loans
2. **Cut living expenses**
   - Personal budgets developed in class
3. **How much credit can you handle**
   - Review the 20-10 rule

### Credit Counseling

1. **National Foundation for Consumer Credit (NFCC)**
   - Nonprofit financial counseling service
   - Arranges repayment plans that work for both debtor and creditor
   - Helps you set a realistic budget
   - Finding the office nearest to you
2. **Cooperative Extension Service**
   - County-based source of education and information on financial and consumer topics
   - Offers educational programs and/or direct guidance on budgeting and other financial management matters
   - Finding a local office

---

**Discussion**

- **Slides 13-A & 13-B**
- **Slides 13-C & 13-D**
- **Web Activity:**
  - Have students go to [nfcc.org](http://nfcc.org) for credit counseling information.
### consolidating your debts

<p>| | |</p>
<table>
<thead>
<tr>
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<tbody>
<tr>
<td><strong>1.</strong></td>
<td>Loan consolidation</td>
</tr>
<tr>
<td><strong>2.</strong></td>
<td>Credit repair companies</td>
</tr>
<tr>
<td></td>
<td>  For-profit financial counseling service</td>
</tr>
<tr>
<td></td>
<td>  Offers debt consolidation loans, debt counseling, debt reorganization plans</td>
</tr>
<tr>
<td></td>
<td>  Can't erase a poor credit history</td>
</tr>
<tr>
<td></td>
<td>  Investigate reputation and performance history before using</td>
</tr>
</tbody>
</table>

### about fair debt collection practices

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td><strong>1.</strong></td>
<td>What debts are covered</td>
</tr>
<tr>
<td><strong>2.</strong></td>
<td>What a debt collector does</td>
</tr>
<tr>
<td><strong>3.</strong></td>
<td>How debt collectors can contact you</td>
</tr>
<tr>
<td><strong>4.</strong></td>
<td>How you can stop a debt collector from contacting you</td>
</tr>
<tr>
<td><strong>5.</strong></td>
<td>Who else a debt collector may contact</td>
</tr>
<tr>
<td><strong>6.</strong></td>
<td>What a debt collector must tell you</td>
</tr>
<tr>
<td><strong>7.</strong></td>
<td>Practices that are prohibited</td>
</tr>
<tr>
<td></td>
<td>  Harassment</td>
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<tr>
<td></td>
<td>  False statements</td>
</tr>
<tr>
<td></td>
<td>  Unfair practices</td>
</tr>
<tr>
<td><strong>8.</strong></td>
<td>What to do if you think a debt collector broke the law</td>
</tr>
</tbody>
</table>

---

Have students research news articles on “credit repair” services, using the internet.

---

Have students present in class or on video examples of legitimate and illegal debt collection practices.
### about wage garnishment

1. Wage garnishment
   - What it is
   - Under what circumstances it can be done
2. Wage assignment
   - What it is
   - Under what circumstances it can be done
3. Wage attachment
   - What it is
   - Under what circumstances it can be done
4. Car repossession
   - What it is
   - Under what circumstances it can be done
   - Creditor’s rights
   - What you can still owe

### bankruptcy

1. Wage-earner bankruptcy
   - What it is
   - Who qualifies
   - How it works
   - Advantages
   - Disadvantages
2. Straight bankruptcy
   - What it is
   - Who qualifies
   - How it works
   - Advantages
   - Disadvantages

---

Have students obtain opinions from several people regarding current bankruptcy laws.

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www.practicalmoneyskills.com in trouble
teacher’s guide 13-vii
<table>
<thead>
<tr>
<th>test your knowledge</th>
<th>student activity 13-1</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Questions</td>
<td></td>
</tr>
<tr>
<td>2. Reworking troubled budgets</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>lesson thirteen quiz</th>
<th>quiz 13-3</th>
</tr>
</thead>
</table>
The following questions are designed to test what you've just learned about dealing with financial woes.

**directions**
In the space provided, write the answers to the following questions.

1. List four of the most common reasons why consumers don't pay their bills.
   - Loss of income (48%)
   - Overextension (25%)
   - Defective goods and services (20%)
   - Fraudulent use of credit (4%)

2. List five warning signs of financial trouble.
   - Don't know how much you owe.
   - Late paying bills.
   - Take out a new loan to pay an old loan or to pay debts.
   - Pay only the minimum balance due each month.
   - Spend more than 20% of net income (after rent or mortgage payment) on credit use.

3. List the first steps you should take if you find you can't pay your bills.
   - Take a close look at your budget (trim expenses, be realistic about what you can afford, remember the 20-10 rule).
   - Contact your creditors. Tell them why you can't pay, that you intend to pay, and when and how much you can pay.
   - If possible, continue to make small but regular payments.

For each of the following questions, write a **T** in the space provided if the statement is true. Write an **F** in the space provided if the statement is false.

4. **F** A credit repair company can erase a poor credit history.

5. **F** If you pay a bill late, your creditor can report this information to a credit bureau.

6. **F** A debt collector can contact you any time of day or night, except Sunday.

7. **F** If you don't pay a debt, a debt collector cannot legally harass and threaten you.

8. **F** A debt collector must inform you, in writing, of the amount of your debt, the name of the creditor, and an explanation of your right to dispute the debt.

9. **F** The Credit Consumer Counseling Service will help you set up a realistic budget, contact your creditors, and plan future expenses.
test your knowledge of trouble

In the space provided, write the letter of the type of payment collection the statement represents.

a) Wage Garnishment
b) Wage Assignment
c) Wage Attachment

10. ____ b? A legal agreement between a lender and a debtor.
11. ____ a? A legal procedure that withholds a portion of earnings for the payment of a debt.
12. ____ c? A court order that allows a lender to seize property to pay off the debt.
13. ____ b? An employer is not legally compelled to honor this arrangement.
14. ____ a? Dollar limit is the lesser amount of 25% of your disposable income or the amount over 30 times the federal hourly wage.
15. ____ a? You cannot be fired for one of these.

For each of the following questions, write a T in the space provided if the statement is true. Write an F in the space provided if the statement is false.

16. ____ T? If you default on even one car loan payment, the creditor has the legal right to repossess your car.
17. ____ T? Once a creditor has repossessed a car, he or she can either keep the car or resell it for the debt owed on it.
18. ____ F? If your car is repossessed, you no longer have any financial obligation to repay your car loan.
19. ____ F? If you want to buy back your car after it has been repossessed, the creditor can set the price at any amount over what you owe.
true-false

1. ☑ Financial difficulties are commonly caused by overspending.
2. ☑ People with financial difficulties may obtain assistance from the Consumer Credit Counseling Service.
3. ❌ Consolidation loans are mainly used to finance the starting of a new business.
4. ☑ Debt collectors are usually allowed to call you at home before 8 p.m.
5. ❌ Bankruptcy is suggested for people who are a few weeks behind in their credit payments.

multiple choice

6. A A common cause of financial difficulties is:
   - A. poor money management habits
   - B. a need for additional career training
   - C. preparing your tax return late
   - D. not having enough life insurance

7. B A nonprofit organization that provides financial counseling is:
   - A. the Federal Deposit Insurance Corporation
   - B. the Consumer Credit Counseling Service
   - C. the Better Business Bureau
   - D. the National Credit Union Administration

8. C The purpose of a consolidation loan is to:
   - A. deduct amounts owed from a person's paycheck
   - B. pay off one credit card amount before others are paid
   - C. combine several debts into one payment
   - D. reduce the amount owed for federal income taxes

9. D A example of a fair debt-collection practice would be to:
   - A. pretend to be a salesperson to attempt to collect a debt
   - B. threaten to take legal action to collect the money owed
   - C. call a debtor at work even if personal calls are not allowed
   - D. call a debtor at home before 8 p.m.

10. C Bankruptcy refers to the process of:
    - A. obtaining permission to be late with credit payments
    - B. obtaining assistance from a credit counseling service
    - C. using court action to reduce or eliminate your debts
    - D. using court action to have payments owed deducted from your paycheck

case application

Matt recently missed a few weeks of work due to illness. This resulted in lost pay and he has fallen behind in paying his bills and credit accounts. What actions would you recommend for Matt? Matt should start by contacting his creditors to explain his situation. If this doesn't work, he should contact a credit counseling service to help him plan his spending over the next few months. This would help him catch up on bills and pay off his debts.
test your knowledge of trouble

The following questions are designed to test what you’ve just learned about dealing with financial woes.

directions
In the space provided, write the answers to the following questions.

1. List four of the most common reasons why consumers don't pay their bills.

2. List five warning signs of financial trouble.

3. List the first steps you should take if you find you can't pay your bills.

For each of the following questions, write a T in the space provided if the statement is true. Write an F in the space provided if the statement is false.

4. _____ A credit repair company can erase a poor credit history.

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9. _____ The Credit Consumer Counseling Service will help you set up a realistic budget, contact your creditors, and plan future expenses.
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13. _____ An employer is not legally compelled to honor this arrangement.
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17. _____ Once a creditor has repossessed a car, he or she can either keep the car or resell it for the debt owed on it.
18. _____ If your car is repossessed, you no longer have any financial obligation to repay your car loan.
19. _____ If you want to buy back your car after it has been repossessed, the creditor can set the price at any amount over what you owe.
are they in trouble?

directions
After reading through each of the following scenarios, list the steps you would take if you found yourself in the same situation. Then, using the attached budget sheets, rework the troubled budget. After reworking the budget, in the space provided, explain what you changed and why you changed it.

1. Todd’s monthly net income is $1,642.

His monthly fixed expenses include:

- $550 for rent
- A school loan payment of $232
- A car payment of $152
- An insurance premium payment of $112

His flexible monthly expenses include:

- Utilities and telephone bills, which average $125
- $120 for food
- $50 for personal and household items
- $50 for gas and oil
- $100 for entertainment

His current credit obligations are:

- $850 on a major department store credit card
  - The minimum monthly payment is $42
- $1,200 on his major credit card, which he accrued from taking out a cash advance
  - The minimum monthly payment is $65

Todd keeps meaning to open a savings account and deposit a small portion of each paycheck, just in case he has an emergency and needs extra cash. But he just hasn’t gotten around to it yet.

Todd’s car breaks down on the way home from work. His mechanic tells him that it will cost about $1,200 to get the car running again. Todd needs his car to get to and from work. He just got paid so he uses most of the money from his paycheck to get his car fixed.

If you were Todd, in the short term, what would you do about your present financial situation?
Using one of the attached budget sheets, rework Todd’s budget. When you’re finished, use the space below to explain what changes you made and why you made them.

2. Carmen has a monthly net income of $810.

**Her fixed expenses include:**
- $150 for rent (she shares an apartment with two friends)

**Her flexible monthly expenses include:**
- $45 for her portion of the utility bills and the telephone bills
- $95 for food
- $50 for personal and household items
- $50 for bus fare
- $40 for entertainment

**Her current credit obligations include:**
- $232 to the local department store, with a minimum monthly payment of $25

One of Carmen's roommates decides to move out, two days before the next month’s rent is due. Carmen and her other roommate are able to come up with enough money to pay the rent, but this leaves Carmen without enough money to pay her portion of the telephone bill, the utility bills, and her credit card payment.

If you were Carmen, what would you do?
3. John's monthly net income is $1,550.

His fixed monthly expenses include:
- $600 for rent
- $262 for his car payment
- $210 for his car insurance premium

His flexible monthly expenses include:
- $20 for the telephone bill
- $120 for food
- $75 for personal and household items
- $50 for gas and oil
- $100 for entertainment

His current credit obligations include:
- $2,000 on one of his major credit cards
- The minimum monthly payment is $120.
- $1,500 on another credit card, which he recently accrued from taking out a cash advance. (He needed it because he didn't have enough to pay rent last month, and he wanted to buy a new piece of stereo equipment for his car.)
- The minimum monthly payment on this credit card is $110.

John doesn’t have any savings.
What do you recommend John do in the short term regarding his financial affairs?

Using one of the attached budget sheets, rework John's budget. When you’re finished, use the space below to explain what changes you made and why you made them.
# Budget Worksheet

**Name**  
**Month**

<table>
<thead>
<tr>
<th>income</th>
<th>start of month</th>
<th>end of month</th>
<th>difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job #1</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Job #2</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Other</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td><strong>total income</strong></td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>fixed expense</th>
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<tbody>
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<td>Rent</td>
<td>$</td>
<td>$</td>
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</tr>
<tr>
<td>Car insurance</td>
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<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Car payment</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

<table>
<thead>
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<th>installment payments</th>
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</thead>
<tbody>
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<td>Car loan payment</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Credit card 1</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Credit card 2</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td><strong>total installment debt</strong></td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

| percentage of net income | $ | $ | $ |

<table>
<thead>
<tr>
<th>flexible expenses</th>
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</thead>
<tbody>
<tr>
<td>Savings</td>
<td>$</td>
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<td>$</td>
</tr>
<tr>
<td>Food</td>
<td>$</td>
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<tr>
<td>Utilities</td>
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<tr>
<td><strong>At home</strong></td>
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<tr>
<td><strong>Away from home</strong></td>
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<td>$</td>
<td>$</td>
</tr>
<tr>
<td><strong>Transportation:</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Bus fare</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Gas and oil</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Parking and tolls</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Repairs</td>
<td>$</td>
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</tr>
<tr>
<td>Tuition</td>
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</tr>
<tr>
<td>School expenses</td>
<td>$</td>
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<td>$</td>
</tr>
<tr>
<td>Clothing</td>
<td>$</td>
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<tr>
<td>Entertainment</td>
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</tr>
<tr>
<td>Household items</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Personal items</td>
<td>$</td>
<td>$</td>
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<tr>
<td><strong>total monthly expenses</strong></td>
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<td></td>
<td>start of month</td>
<td>end of month</td>
<td>difference</td>
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<tr>
<td><strong>Name</strong></td>
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<tr>
<td><strong>Month</strong></td>
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</tr>
<tr>
<td><strong>income</strong></td>
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</tr>
<tr>
<td>Job #1</td>
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<td>$</td>
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</tr>
<tr>
<td>Job #2</td>
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</tr>
<tr>
<td>Other</td>
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</tr>
<tr>
<td><strong>total income</strong></td>
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<td>$</td>
<td>$</td>
</tr>
<tr>
<td><strong>fixed expense</strong></td>
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<td></td>
</tr>
<tr>
<td>Rent</td>
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<td>$</td>
</tr>
<tr>
<td>Car insurance</td>
<td>$</td>
<td>$</td>
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</tr>
<tr>
<td>Car payment</td>
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</tr>
<tr>
<td><strong>installment payments</strong></td>
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<tr>
<td>Car loan payment</td>
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<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Credit card 1</td>
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<td>Credit card 2</td>
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<td><strong>percentage of net income</strong></td>
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</tr>
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<tr>
<td>Savings</td>
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</tr>
<tr>
<td>Food</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Utilities (gas, electricity, water)</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>At home</td>
<td>$</td>
<td>$</td>
<td>$</td>
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<tr>
<td>Away from home</td>
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<tr>
<td>Transportation:</td>
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<tr>
<td>Bus fare</td>
<td>$</td>
<td>$</td>
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<tr>
<td>Gas and oil</td>
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<tr>
<td>Parking and tolls</td>
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<tr>
<td>Repairs</td>
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<tr>
<td>Tuition</td>
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<tr>
<td>School expenses</td>
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<td>Clothing</td>
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<tr>
<td>Entertainment</td>
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</tr>
<tr>
<td>Household items</td>
<td>$</td>
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<td>Personal items (toothpaste, etc.)</td>
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<td><strong>total monthly expenses</strong></td>
<td>$</td>
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<td>$</td>
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true-false

1. ____ Financial difficulties are commonly caused by overspending.

2. ____ People with financial difficulties may obtain assistance from the Consumer Credit Counseling Service.

3. ____ Consolidation loans are mainly used to finance the starting of a new business.

4. ____ Debt collectors are usually allowed to call you at home before 8 p.m.

5. ____ Bankruptcy is suggested for people who are a few weeks behind in their credit payments.

multiple choice

6. ____ A common cause of financial difficulties is:
   - A. poor money management habits
   - B. a need for additional career training
   - C. preparing your tax return late
   - D. not having enough life insurance

7. ____ A nonprofit organization that provides financial counseling is:
   - A. the Federal Deposit Insurance Corporation
   - B. the Consumer Credit Counseling Service
   - C. the Better Business Bureau
   - D. the National Credit Union Administration

8. ____ The purpose of a consolidation loan is to:
   - A. deduct amounts owed from a person's paycheck
   - B. pay off one credit card amount before others are paid
   - C. combine several debts into one payment
   - D. reduce the amount owed for federal income taxes

9. ____ A example of a fair debt-collection practice would be to:
   - A. pretend to be a salesperson to attempt to collect a debt
   - B. threaten to take legal action to collect the money owed
   - C. call a debtor at work even if personal calls are not allowed
   - D. call a debtor at home before 8 p.m.

10. ____ Bankruptcy refers to the process of:
    - A. obtaining permission to be late with credit payments
    - B. obtaining assistance from a credit counseling service
    - C. using court action to reduce or eliminate your debts
    - D. using court action to have payments owed deducted from your paycheck

case application
Matt recently missed a few weeks of work due to illness. This resulted in lost pay and he has fallen behind in paying his bills and credit accounts. What actions would you recommend for Matt?
Lesson Fourteen
Consumer Privacy
These days consumer privacy is a common topic with issues related to identity theft and prolific online transactions. Students need awareness and practical skills to help them protect their privacy, financial information and futures.

For related links and resources on this lesson, visit:
practicalmoneyskills.com/teens/14
overview
In today's information age, keeping your personal financial information private can be challenging. What you put on an application for a loan, your payment history, where you make purchases, and your account balances are but a few of the financial records that can be sold to third parties and other organizations.

This lesson will discuss how public and private records are accessed and used by various organizations, as well as review privacy laws to protect your information.

Direct mail, credit reports, telecommunications, and Social Security numbers will be considered from the standpoint of what consumers can do to protect their privacy rights.

In addition, students will learn about their options as a consumer and ways to "opt out" of database profiles. Students will also learn about privacy in the workplace and the various issues related to their personnel files, electronic mail monitoring, and laws to protect their rights.

goals
Provide consumers with a general overview and awareness of privacy issues that impact their lives.

lesson objectives
- Define what is meant by privacy in the information age
- Explain the pros and cons of database profiles
- Understand federal laws that offer privacy protection
- Identify public and private sector sources of information
- Understand key privacy issues as they relate to information sources, insurance, employment, direct mail, credit reporting, telecommunications, electronic monitoring, and Social Security numbers
- Explain how to remove your name from mailing and telemarketing lists
- Explain how to obtain a credit report

presentation slides

14-A privacy and information
14-B types of information generally available from public sources
14-C private databases available only to those with a legitimate purpose
14-D amending or correcting records
14-E what's in a database profile?
14-F what the law says: federal privacy protection
consumer privacy lesson outline

14-G  protecting your privacy: your options as a consumer
14-H  what’s in a credit report
14-I  reviewing your credit report
14-J  telecommunication devices and services
14-K  electronic monitoring in the workplace

student activities
14-1  Test Your Privacy Knowledge
  ■  Discuss the sources and uses of personal information and have students reflect on the advantages and disadvantages to them as consumers.

14-2  What Would You Do?
  ■  Have students apply their privacy knowledge and problem-solving skills to several common scenarios.

14-3  How Much Is Known About You?
  ■  Have students analyze a typical warranty card to determine the information that is disclosed and detect its possible uses.

14-4  What Your Mail Can Tell You
  ■  Help students bring this knowledge home by asking them to analyze their personal mail to determine what and how much is known about them, and how the information might have been obtained.

14-5  Lesson Fourteen Quiz

For more information, please refer to the Appendix.
Learning activities appropriate to varied target audiences for lesson fourteen

<table>
<thead>
<tr>
<th>Activity</th>
<th>Teenagers (14-18)</th>
<th>Young Adults (19-25)</th>
<th>Adults (26+)</th>
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<tr>
<td>Field Activity</td>
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</tr>
</tbody>
</table>
defining privacy as it relates to information

1. Information privacy
2. Why information privacy is important in the information age
   - Much information about us and our activities as consumers is recorded and stored by computer systems.
   - Our computer files can be shared between public and private organizations. For example, the IRS can access financial data about you from your bank.
   - Computer data can travel and change hands in just a few seconds.
   - Because of these factors, accurate data is paramount.
3. Why information privacy is a sensitive issue
   - Information is a very valuable resource.
   - Access to information in our society today offers many benefits to consumers while at the same time posing a potential threat to our privacy.

where does the information come from?

1. Types of information generally available from public sources
   - What they are.
   - Certain public records are generally available; e.g., birth records, marriage licenses, divorce records, property ownership, motor vehicle records, and voter registration—all of which facilitate the transfer of important information to the public, news media, government, and businesses.

2. Private information available only to those with legitimate purposes
   - What they are.
   - Certain private records are available only to individuals or organizations with a legitimate use for them: employment information, credit scores, certain tax information (IRS/State Tax Board), criminal records, social service records (welfare, Medicaid, etc.), school records, and medical records.
how can records be accessed?

1. Accessing public records
   - Freedom of Information Act, 1966 (FOIA) allows anyone access to most records of U.S. Executive Branch Agencies. Often, journalists use the FOIA to do research for articles or books—for example, a biography of Martin Luther King Jr. made extensive use of FBI records.
   - Privacy Act of 1974 permits American citizens and permanent residents to request, inspect, and challenge federal records on themselves.
   - Public records are available from local and county courts, Hall of Records, Department of Motor Vehicles, etc.

2. Accessing private records
   - Varies depending upon type of record and state: e.g., your hospital records can be obtained by you in some states but not in others.

3. Amending or correcting records
   - The Privacy Act requires each federal agency maintaining records to permit individuals to request amendment of his/her record. To amend or expunge a record you must contact the agency in question.
   - Private agencies—contact them to ensure accuracy.

how is the information used?

1. Database profiles
   - What they typically contain.

2. How an organization’s database profile can benefit consumers
   - Makes products and services more widely available to broader groups of consumers who might otherwise not receive them.
   - Receive direct mail that relates to your interests and from companies where you previously shopped.
   - Receive special discounts and promotional offers on products and services; e.g., telephone companies giving breaks on phone calls to areas of the country where a consumer calls frequently.

3. How maintaining database profiles can benefit businesses
   - Makes marketing more efficient, helping to reduce consumer costs.
how is the information used? (continued)

- Helps identify customers who might want specific products or services.
- Provides information for a retailer or financial institution to extend credit.
- Helps promote customer loyalty.

4. How information stored in a database profile can create possible problems for consumers
- You can be turned down for a loan, job, or apartment because of poor payment record.
- You can be turned down for insurance because of poor driving history.
- Information may be given, rented, or sold to other organizations without your knowledge or consent.
- You may receive unwanted solicitations.

5. The privacy dilemma: Who should have access to your database profile?
- Is it right for state motor vehicle bureaus to sell names and addresses of individuals who have driver's licenses?
- Is it proper for institutions such as hospitals to sell names and addresses of women who just gave birth on their premises for soliciting them for baby items?
- Should credit agencies be permitted to sell your financial information?
- What are the limits, and how do the rights of individuals get protected?

what the law says

1. Federal privacy laws and regulations.

2. State laws and regulations:
   - Vary from state to state.
   - Many states have their own privacy laws concerning telemarketing, employment, the use of Social Security, credit card or checking account numbers, medical records, mailing lists, credit reports, debt collection, computerized communications, insurance records, and public data banks. Check with your state or local consumer protection agency about specific privacy rights or a referral to the appropriate agency.
privacy and direct mail

1. How consumer information is obtained
   - Provided by the consumer directly to merchant or other business or organization. This is done through purchase transactions, by completing warranty and sweepstakes cards, from magazine subscriptions, from charitable contributions, and when you request catalogs.
   - Lists are often rented or bought from other organizations.
   - Some lists are created by specialized companies from public sources.

2. What is done with consumer information
   - Direct marketers identify potential buyer of products or services.

3. Protecting your privacy—your options as a consumer
   - “Opting out” of direct marketing programs allows consumer to remove or restrict personal information from being used for direct marketing programs.
   - In dealing with merchants, customers can decide not to give out demographic information not required to make a transaction.
   - Never give personal or financial information such as your credit card or checking account number or PIN over the phone unless you know the company or know how the information will be used.

credit reporting (see also lesson 7)

1. What’s in a credit report?
2. Who keeps credit reports?
   - Credit bureaus: Experian, Trans Union, and other local bureaus affiliated with these major companies.

3. Who can review credit information?
   - Organizations or individuals with a “legitimate business purpose” as defined by the Fair Credit Reporting Act can receive the credit report information.
   - Normally includes credit grantors such as financial institutions, retailers, current or potential employers, insurance underwriters, and landlords.
   - The Fair Credit Reporting Act also gives you the right to review your own credit report.

Have students talk to people who receive a lot of direct mail. Obtain information about their possible privacy concerns.
credit reporting (continued)

4. What else do credit bureaus do?
   ■ Create “prescreened” mailing lists of consumers whom financial institutions can contact with credit card offers.
   ■ Consumers can “opt out” of lists by contacting credit bureaus directly.

5. Why is your credit history important?
   ■ Your credit history can impact your ability later to get a job, an apartment, a loan, or a credit card (see also Lesson 13). Credit grantors, employers, and landlords want to know what kind of bill-paying habits you’ve had in the past.

6. What you can do:
   ■ Pay your bills on time as stated in your agreement.
   ■ Review your credit report, particularly before applying for a loan, job, or apartment.
   ■ Correct your credit record, if necessary, by contacting all three of the major credit bureaus.
   ■ Be sure your credit records are up to date and accurate.

privacy and telecommunications

1. Telecommunications devices and services

2. Value of telecommunications services
   ■ Can allow instantaneous communication.
   ■ Tremendously useful for business, research activities, law enforcement effort, and personal communications, to name just a few.

3. The privacy dilemma:
   ■ Conversations on cellular and cordless phones may be vulnerable to eavesdropping, even though doing so may violate the law (the 1986 Electronic Communications Privacy Act).
   ■ Confidential faxes may be vulnerable to interception.

Have students visit the following credit reporting services websites for information:
experrian.com
equifax.com
transunion.com
privacy and telecommunications (continued)

- While some online computer network services offer some degree of privacy protection, others do not.
- Caller ID allows the phone you call to know your phone number.
- Automatic Number Identification (ANI) allows 800 or 900 numbers called to identify a caller’s telephone number.

4. What the law says

- Electronic Communications Privacy Act (1986)
- Telephone Consumer Protection Act (1991)
- You have the right under federal law
  To tell a company to not solicit you at home by phone. The company must keep a list of these consumers and not contact them.
  Not to get telephone solicitations at your home before 8 a.m. or after 9 p.m.
  Not to receive unsolicited ads by fax.
  To be disconnected from a prerecorded machine-delivered message within five seconds of hanging up.

- State laws
  Some states do not allow telemarketers to call people who do not want to receive calls.
  Contact your state attorney general or local consumer protection agency.

5. What you can do to make it more difficult to exchange information on you

- Use encryption devices or services on cellular phones.
- See if your phone company has a blocking mechanism for Caller ID or ANI.
- Contact the Direct Marketing Association Telephone Preference Service to remove your name or control the way organizations can use your telephone number.
- Tell any company that calls you that you don't want to receive future telemarketing calls, if that is your choice. Keep a list. If that company phones you again, report them to your state attorney general or local consumer protection agency.
privacy and your social security number

1. What is a Social Security number?
   - Now commonly used as a personal identifier (although technically it is not, as some people have more than one Social Security number while others share the same number).
   - You can obtain a number at no charge. Everyone should have one.

2. What is it used for?
   - Originally used to number personal accounts for the collection of taxes and payment of benefits in the Social Security program.
   - Now also used for record-keeping purposes by many types of institutions including financial institutions, universities, voter registration records, credit bureaus, employers, and government agencies.
   - Often is used in relationship to bank accounts, credit reports, tax records, credit card accounts, telephone company account, membership in professional clubs and associations.

3. The privacy dilemma:
   - The use of a Social Security number makes it easier to exchange, compare, and combine information among various record systems, providing greater accuracy but making it vulnerable to misuse.

4. What you can do:
   - Do not write Social Security numbers on personal checks.
   - Do not use as a password or PIN number for ATM, building security code, or other sensitive uses.
   - Do not provide your Social Security number unless required by requester such as your employer, bank, etc.
privacy and the workplace

1. Personnel files
   - There are no federal statutes comprehensively regulating employee access to personnel files.
   - Access to personnel files varies depending upon company policies and applicable state law.
   - Before accepting a job it is a good idea to check with the employer on its policies regarding personnel files.
   - Many companies subscribe to guidelines issued by the Privacy Protection Study Commission (1977) regarding access to records, corrections of records, and internal disclosure of documents.

2. Electronic monitoring
   - Improves and ensures good customer service.
   - Increases productivity.
   - Protects trade secrets.
   - Reduces employee theft and drug abuse.

3. The privacy dilemma: How can business needs of the company and privacy needs of the individual be met?
   - Should employers have the right to monitor employee customer service phone calls to ensure that customers are receiving the proper level of service and ensure that employer’s standards are being met?
   - Is it an invasion of privacy to conduct drug screening of job applicant?
   - What are the limits and how do the rights of individuals get protected?

4. What the law says
   - Under the Federal Wire Tap Act an employer may monitor employee telephone calls with consent or if the employee communicates by phone with customers in the ordinary course of business.
   - Most states have similar or even more restrictive laws.

5. Electronic monitoring activities vary from company to company
privacy and the workplace (continued)

6. What you can do
   - Check with your employer about monitoring policies, if any.
   - If you work as a customer service representative or in another position where your business calls are monitored, wait for breaks and use telephones that are available to make personal calls. Ask if you can be advised when calls might be monitored.

lesson fourteen quiz

| student activity 14-2 |
| student activity 14-3 |
| student activity 14-4 |

quiz 14-5
answer each of the following questions in the space provided.

1. Explain why privacy is a crucial issue of the information age.
   
   Computer records can be stored and shared across long distances between many organizations. Consumers should be informed of who has access to these records and how they can be used.

2. For the following sources of information, put “Pub.” next to those that are available from public sources and put “Pr.” next to those that are generally subject to privacy restrictions.

   | Pub. | Telephone directories | Pr. | Subscription records |
   | Pub. | Marriage/divorce records | Pub. | Voter registration records |
   | Pr.  | Personnel files         | Pub. | Campaign contributions |
   | Pr.  | Credit reports          | Pub. | Driver's licenses       |
   | Pub. | Real estate holdings    | Pr.  | Medical records         |

3. List three advantages to you of a company having a database profile on you.
   
   1. Receive direct mail that relates to your interests and from companies where you previously shopped.
   2. Receive special discounts and promotional offers.
   3. Broader usage of offers made to consumers who might not otherwise receive them.

4. Name four items that are part of a credit report.

   1. Identifying information: name, Social Security number, address, and can include phone number, previous addresses, and employer.
   2. Credit history: previous and current types of credit, sources, and extent of credit granted.
   3. Public record information: lawsuits, bankruptcies, judgments, etc.
   4. Prior requesters: names of those who have requested information on this individual in the past.

5. Explain why it is important to have a good credit history.

   When you apply for things such as a student loan, line of credit, mortgage, car loan, credit card, or apartment, you will need to have a good, accurate credit history or your request may be denied.
what would you do?

read the scenarios described below and then indicate how you would respond to each one.

1. You have applied for a student loan and are told that you have been turned down due to a late payment on your credit card. You want to find out exactly what your credit report says and make any corrections that are necessary.

   You would: (1) request a copy of your record from all three major credit reporting agencies (free if you have been turned down for a loan), and (2) tell the credit reporting agencies about any inaccuracies.

2. You've been receiving catalogs for sports equipment that you have no interest in purchasing. However, you also receive clothing manufacturers' catalogs that you do wish to keep getting. You would like to be removed from the sports equipment mailing list only.

   Write directly to the sports equipment company and request to be removed from its mailing list.

3. The pile of mail-order catalogs on your desk has grown to four feet. You no longer wish to receive direct marketing materials from any company and want to be removed from all lists.

   Write to the Direct Marketing Association and ask to have your name removed from the lists of all merchants who are DMA members (keep in mind that not all merchants are DMA members). You can also visit the-dma.org for more information.

4. You want to receive direct marketing offers in the mail, but not by telephone.

   Contact the Telephone Preference Service of the Direct Marketing Association and ask to be removed from the telephone lists of all its members (keep in mind that not all merchants are DMA members). If you received telemarketing calls and don't want future calls from this telemarketer, tell them so, citing the federal law.
5. You have made several 800 and 900 number calls and although you never left your phone number, you are starting to receive phone solicitations from these same companies and individuals. You want to be sure when you call an 800 or 900 number that you are not inadvertently leaving your phone number with that merchant.

Check with your phone company to see if they can insert a blocking mechanism for these “ANI” numbers.

6. Your quarterly evaluation at work is not as good as you’d hoped it would be. You’d like to find out what is in your personnel file that may explain the mediocre evaluation.

Simply ask your supervisor for a look at your file. If your employer refuses, call your Department of Labor to determine your rights as an employee. Although not required by law, most companies comply with the guidelines issued by the Privacy Protection Study Commission in 1977, allowing employees access to their personnel files.
how much is known about you?

answer key

directions

Look at the following completed sample warranty card and answer key to reveal the companies or type of company interested based on the example.

---

PhoTech

PhoTech OWNER REGISTRATION

Please fill out and return within the next 10 days

Welcome to the PhoTech family! Please complete this form and return it within 10 days to register your PhoTech product. A complete description of PhoTech's limited warranty is packaged with the product. Thank you!

1. □ Mr. □ Mrs. □ Ms. □ Miss
   FIRST NAME  DEBRA  INITIAL A
   LAST NAME  ADAMS
   STREET ADDRESS  123 MAIN STREET
   CITY  ANYTOWN  STATE CA  ZIP CODE 00000

2. DATE OF PURCHASE  03 10 99
   MONTH  DAY  YEAR

3. DEALER

4. □ PDQ 340 □ 35MM CAM
   PRODUCT PURCHASED- Please indicate exact product name/number

5. DATE OF BIRTH of person whose name appears above  04 23
   MONTH  DAY  YEAR

6. MARITAL STATUS
   □ Married □ Divorced □ Widowed □ Single/Never Married

7. WHAT IS YOUR OCCUPATION?
   □ Homemaker □ Professional/Technical
   □ Executive/Administrative □ Clerical or Social Worker
   □ Tradesperson/Operator/Laborer □ Retired
   □ Student □ Self-Employed/Business Owner

8. WHAT ARE THE AGES OF ALL CHILDREN LIVING AT HOME?
   □ None □ Under 1 5 yrs. □ 10 yrs. □ 15 yrs.
   □ 1 yr. □ 6 yrs. □ 11 yrs. □ 16 yrs.
   □ 2 yrs. □ 7 yrs. □ 12 yrs. □ 17 yrs.
   □ 3 yrs. □ 8 yrs. □ 13 yrs. □ 18 yrs.
   □ 4 yrs. □ 9 yrs. □ 14 yrs. □ 10+ yrs.

9. WHICH AMOUNT DESCRIBES YOUR FAMILY INCOME?
   □ Under $10,000 □ $10,000-$19,999
   □ $20,000-$29,999 □ $30,000-$39,999
   □ $40,000-$49,999 □ $50,000-$59,999
   □ $60,000-$69,999 □ $70,000-$79,999
   □ $80,000-$89,999 □ $90,000-$99,999
   □ $100,000 & over
how much is known about you? answer key

10. WHERE DID YOU PURCHASE THIS PRODUCT?
   1. [ ] Camera Store
   2. [ ] Discount Store
   3. [ ] Department Store
   4. [ ] Mail Order
   5. [ ] Catalog
   6. [ ] Received as a Gift
   7. [ ] Sporting Goods Store
   8. [ ] Other

11. WHAT MOST INFLUENCED THE PURCHASE OF THIS PRODUCT?
   1. [ ] Dealer recommendation
   2. [ ] Professional recommendation
   3. [ ] Ads
   4. [ ] Dealer ads
   5. [ ] Friends

12. THIS PRODUCT WILL BE USED PRIMARILY FOR:
   1. [ ] Commercial/Industrial
   2. [ ] Scientific/Medical
   3. [ ] Photo Journalism
   4. [ ] Family/Travel
   5. [ ] Creative/Hobby
   6. [ ] Sports/Outdoors

13. HOW DID YOU PAY FOR THIS PRODUCT?
   1. [ ] Cash
   2. [ ] Personal Check
   3. [ ] Credit Card
   4. [ ] Store Credit Card
   5. [ ] Store Finance
   6. [ ] Other

14. WHICH OF THE FOLLOWING DO YOU USE REGULARLY?
   1. [ ] American Express, Diners Club, Carte Blanche
   2. [ ] Bank Credit Card (MasterCard, Visa)
   3. [ ] Gas, Dept. Store, etc. Credit Cards
   4. [ ] Airline Club/Frequent Flyer Program
   5. [ ] None of the above

15. FOR YOUR PRIMARY RESIDENCE, DO YOU:
   1. [ ] Own a house?
   2. [ ] Rent a house?
   3. [ ] Own an apartment?
   4. [ ] Rent an apartment?
   5. [ ] Own a townhouse or condo?

16. TO HELP US UNDERSTAND OUR CUSTOMERS' LIFESTYLES, PLEASE INDICATE THE INTERESTS AND ACTIVITIES IN WHICH YOU OR YOUR SPOUSE ENJOY PARTICIPATING ON A REGULAR BASIS:
   01. [ ] Bicycling/Frequently
   02. [ ] Golf
   03. [ ] Physical Fitness/Exercise
   04. [ ] Running/Jogging
   05. [ ] Snow Skiing/F frequently
   06. [ ] Tennis/Frequently
   07. [ ] Bowling
   08. [ ] Camping/Hiking
   09. [ ] Fishing/Frequently
   10. [ ] Hunting/Shooting
   11. [ ] Power Boating
   12. [ ] Sailing
   13. [ ] Crafts
   14. [ ] Crossword Puzzles
   15. [ ] Needlework/Knitting
   16. [ ] Outdoor Gardening
   17. [ ] Sewing
   18. [ ] Walking for Health
   19. [ ] Automotive Work
   20. [ ] Electronics
   21. [ ] Home Workshop/Do It Yourself
   22. [ ] Motorcycles
   23. [ ] Recreational Vehicles
   24. [ ] Stereo, Records/Tape/Disks
   25. [ ] Avid Book Reading
   26. [ ] Bible/Devotional Reading
   27. [ ] Current Affairs/Politics
   28. [ ] Health Foods/Vitamins
   29. [ ] House Plants
   30. [ ] Photography
   31. [ ] Attend Cultural/Arts Events
   32. [ ] Charities/Volunteer Activities
   33. [ ] Fashion Clothing
   34. [ ] Fine Art/Antiques
   35. [ ] Foreign Travel
   36. [ ] Gourmet Cooking/Fine Foods
   37. [ ] Coin/Stamp Collecting
   38. [ ] Collectibles/Collections
   39. [ ] Our Nation's Heritage
   40. [ ] Real Estate Investment
   41. [ ] Stocks/Bond Investments
   42. [ ] Veterans Benefits/Programs
   43. [ ] Entering Sweepstakes
   44. [ ] Home Video Games
   45. [ ] Household Pets (cats, dogs, etc.)
   46. [ ] Money Marketing Opportunities
   47. [ ] Science Fiction
   48. [ ] Wildlife/Environmental Issues
   49. [ ] Career-Oriented Activities
   50. [ ] Personal/Home Computers
   51. [ ] Science/New Technology
   52. [ ] Watching Cable TV
   53. [ ] Watching Sports on TV
   54. [ ] NONE OF THE ABOVE

17. FROM THE ABOVE LIST, PLEASE INDICATE THE NUMBERS REPRESENTING THE 3 MOST IMPORTANT ACTIVITIES FOR:
   YOU
   [ ] 16
   [ ] 25
   [ ] 35

   YOUR SPOUSE
   [ ]
   [ ]
   [ ]

Thanks for taking the time to fill out this questionnaire. Your answers will be used for market research studies and reports — and will help us better serve you in the future. They will also allow you to receive important mailings and special offers from a number of fine companies whose products and services relate directly to the specific interests, hobbies, and other information indicated above. Through this selective program, you will be able to obtain more information about activities in which you are involved and less about those in which you are not. Please check here if for some reason you would prefer not to participate in the opportunity. ☐

www.practicalmoneyskills.com consumer privacy student activity key 14-3
true-false
1. f The Freedom of Information Act allows access to most, but not all, private records of companies.
2. f Public databases include such information as credit reports, school records, and medical records.
3. t A credit report would include if a person had declared bankruptcy in the past.
4. t A credit bureau keeps track if people pay their bills on time.
5. t The Fair Credit Reporting Act allows a person to access his or her credit report.

multiple choice
6. B An example of public records would be:
   A. a credit card statement
   B. a telephone directory
   C. medical records
   D. an employment application on file with a company
9. D The organization that provides companies with information on a person's past use of credit is:
   A. a credit union
   B. the Consumer Credit Counseling Service
   C. the Fair Credit Reporting Agency
   D. a credit bureau

7. A Voter registration records are considered to be:
   A. public records
   B. private records
   C. company records
   D. a database profile
10. C When using an ATM, your PIN is designed to:
    A. indicate your current balance
    B. provide the bank access to your financial records
    C. provide security as an authorized user
    D. indicate your credit rating

case application
Virginia recently received letters that her charge accounts are overdue. She noticed these were from companies from which she never made purchases. After further investigation, the purchases were for items she did not buy. What actions would you recommend for Virginia? Virginia seems to be a victim of identity theft. She needs to contact these companies to cancel these accounts and to explain the situation. She needs to review her credit report for other abuses of her financial records, and also review her credit report every few months. She should also be cautious with the use of her Social Security number in the future.
Lesson Fourteen
Consumer Privacy
answer each of the following questions in the space provided.

1. Explain why privacy is a crucial issue of the information age.

2. For the following sources of information, put “Pub.” next to those that are available from public sources and put “Pr.” next to those that are generally subject to privacy restrictions.

   - Telephone directories
   - Marriage/divorce records
   - Personnel files
   - Credit reports
   - Real estate holdings

   - Subscription records
   - Voter registration records
   - Campaign contributions
   - Driver’s licenses
   - Medical records

3. List three advantages to you of a company having a database profile on you.

4. Name four items that are part of a credit report.

5. Explain why it is important to have a good credit history.
what would you do?

read the scenarios described below and then indicate how you would respond to each one.

1. You have applied for a student loan and are told that you have been turned down due to a late payment on your credit card. You want to find out exactly what your credit report says and make any corrections that are necessary.

2. You’ve been receiving catalogs for sports equipment that you have no interest in purchasing. However, you also receive clothing manufacturers’ catalogs that you do wish to keep getting. You would like to be removed from the sports equipment mailing list only.

3. The pile of mail-order catalogs on your desk has grown to four feet. You no longer wish to receive direct marketing materials from any company and want to be removed from all lists.

4. You want to receive direct marketing offers in the mail, but not by telephone.
what would you do? (continued)

5. You have made several 800 and 900 number calls and although you never left your phone number, you are starting to receive phone solicitations from these same companies and individuals. You want to be sure when you call an 800 or 900 number that you are not inadvertently leaving your phone number with that merchant.

6. Your quarterly evaluation at work is not as good as you’d hoped it would be. You’d like to find out what is in your personnel file that may explain the mediocre evaluation.
**how much is known about you?**

**directions**
Look at the following sample warranty card. Fill it out, using either real information or information you make up. After you have finished, give your warranty to a partner to examine. It is the partner’s job to study each question and write down at least one company, or type of company, that might be interested in the answer.
How much is known about you? (continued)

10. WHERE DID YOU PURCHASE THIS PRODUCT?
   1. Department Store
   2. Discount Store
   3. Mail Order
   4. Mail Order
   5. Catalog
   6. Received as a gift
   7. Sporting Goods Store
   8. Other

13. HOW DID YOU PAY FOR THIS PRODUCT?
   1. Cash
   2. Personal Check
   3. Credit Card
   4. Store Credit Card
   5. Store Finance
   6. Other

11. WHAT MOST INFLUENCED THE PURCHASE OF THIS PRODUCT?
   1. Price
   2. Advertisement
   3. Dealer
   4. Dealer Ads
   5. Friends
   6. Recommendations

14. WHICH OF THE FOLLOWING DO YOU USE REGULARLY?
   1. American Express, Diners Club, Carte Blanche
   2. Bank Credit Card (MasterCard, Visa)
   3. Gas, Dept. Store, etc. Credit Cards
   4. Airline Club/Frequent Flier Program
   5. None of the above

12. THIS PRODUCT WILL BE USED PRIMARILY FOR:
   1. Commercial/Industrial
   2. Scientific/Medical
   3. Office Equipment
   4. Creative/Hobby
   5. Family/Travel
   6. Sports/Outdoors

15. FOR YOUR PRIMARY RESIDENCE, DO YOU?
   1. Own a house?
   2. Rent a house?
   3. Rent an apartment?
   4. Own a townhouse or condo?

16. TO HELP US UNDERSTAND OUR CUSTOMERS' LIFESTYLES, PLEASE INDICATE THE INTERESTS AND ACTIVITIES IN WHICH YOU OR YOUR SPOUSE ENJOY PARTICIPATING ON A REGULAR BASIS:

   01. Bicycling Frequently
   02. Golf
   03. Physical Fitness/Exercise
   04. Running/Hiking
   05. Swimming Frequently
   06. Tennis Frequently
   07. Bowling
   08. Camping/Hiking
   09. Fishing Frequently
   10. Hunting/Shooting
   11. Power Boating
   12. Sailing
   13. Crafts
   14. Crossword Puzzles
   15. Needlework/Handicrafts
   16. Outdoor Gardening
   17. Sewing
   18. Walking for Health
   19. Automotive Work
   20. Electronics
   21. Home Workshop/Do It Yourself
   22. Motorcycles
   23. Recreational Vehicles
   24. Stereo, Records/Tapes/Discs
   25. Aid Book Reading
   26. Bible/Devotional Reading
   27. Current Affairs/Politics
   28. Health Foods/Vitamins
   29. House Plants
   30. Photography
   31. Attend Cultural/Arts Events
   32. Charities/Charity Work
   33. Fashion Clothing
   34. Fine Art/Antiques
   35. Foreign Travel
   36. Gourmet Cooking/Fine Foods
   37. Coin/Stamp Collecting
   38. Collectibles/Collections
   39. Our Nation's Heritage
   40. Real Estate Investment
   41. Stock/Bond Investments
   42. Veterans Benefits/Programs
   43. Entering Sweepstakes
   44. Home Video Games
   45. Household Pets (cats, dogs, etc.)
   46. Money Marketing Opportunities
   47. Science Fiction
   48. Wildlife/Environmental Issues
   49. Career-Oriented Activities
   50. Personal/Home Computers
   51. Science/Space Technology
   52. Watching Cable TV
   53. Watching Sports on TV
   54. NONE OF THE ABOVE

17. FROM THE ABOVE LIST, PLEASE INDICATE THE NUMBERS REPRESENTING THE 3 MOST IMPORTANT ACTIVITIES FOR:
   YOU
   YOUR SPOUSE

   [Boxes to check]

Thanks for taking the time to fill out this questionnaire. Your answers will be used for market research studies and reports — and will help us better serve you in the future. They will also allow you to receive important mailings and special offers from a number of fine companies whose products and services relate directly to the specific interests, hobbies, and other information indicated above. Through this selective program, you will be able to obtain more information about activities in which you are involved and learn more about those in which you are not. Please check here if for some reason you would prefer not to participate in the opportunity. [Box to check]
Collect examples of catalogs, sweepstakes offers, direct mail offers, and other unsolicited materials from home. Look to see who sent the materials and then ask yourself:

1. What is known about your (or your parents’) age, gender, income, interests, and activities?

2. Where did the company get your (or your parents’) name and address?
true-false

1. ___ The Freedom of Information Act allows access to most, but not all, private records of companies.

2. ___ Public databases include such information as credit reports, school records, and medical records.

3. ___ A credit report would include if a person had declared bankruptcy in the past.

4. ___ A credit bureau keeps track if people pay their bills on time.

5. ___ The Fair Credit Reporting Act allows a person to access his or her credit report.

multiple choice

6. ___ An example of public records would be:
   A. a credit card statement
   B. a telephone directory
   C. medical records
   D. an employment application on file with a company

9. ___ The organization that provides companies with information on a person's past use of credit is:
   A. a credit union
   B. the Consumer Credit Counseling Service
   C. the Fair Credit Reporting Agency
   D. a credit bureau

7. ___ Voter registration records are considered to be:
   A. public records
   B. private records
   C. company records
   D. a database profile

8. ___ A credit report would include a person's:
   A. federal income tax data
   B. balances for electric bills and other utilities
   C. salary history
   D. balances for installment accounts

10. ___ When using an ATM, your PIN is designed to:
    A. indicate your current balance
    B. provide the bank access to your financial records
    C. provide security as an authorized user
    D. indicate your credit rating

case application
Virginia recently received letters that her charge accounts are overdue. She noticed these were from companies from which she never made purchases. After further investigation, the purchases were for items she did not buy. What actions would you recommend for Virginia?