Budgeting

Lesson 1: Teacher's Guide | Pro: Ages 14-18

FINANCIAL FOOTBALL

Every Play Counts in Budgeting

Creating a realistic and specific budget is key to managing your money. This 45-minute module prepares students by helping them create and maintain a budget that aligns with their goals.

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

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

Module Level: Pro, Ages 14-18

Time Outline: 45 minutes total

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

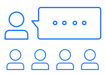
Materials: Facilitators may print and photocopy handouts and quizzes, and direct students to the online resources below.

- **Pre- and Post-Test questions:** You can use this short grouping of questions as a quick formative assessment for the Budgeting module or as a Pre- and Post-Test at the beginning and completion of the entire module series.
- **Practical Money Skills Budgeting resources:** practicalmoneyskills.com/ff01
- **Budget Worksheet:** practicalmoneyskills.com/ff03
- **Choose Your Route:** Character Case Studies
- **Impulse Purchase Infographic**
- **Glossary of Terms:** Learn basic financial concepts with this list of terms.

Icon Key

Activity

Assign the given activity to students and have them complete it individually or with a group, depending on the instructions.



Ask

Pose questions to your students and have them respond.

Assign

Designate individuals or groups to complete a particular assignment.

Debrief

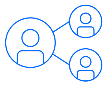
Examine the activities as a whole group and compare answers and findings.

Did You Know?

Share these fun facts with students throughout the lesson.

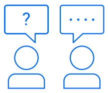
Pre- and Post-Test

Have students take the Pre-Test before the lesson, and take the Post-Test after completing the lesson.



Share

Read or paraphrase the lesson content to students.



Turn and Talk

Have students turn to a partner and discuss a specific topic or question.

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Learning Objectives

– Identify and examine current spending habits
– Identify the various expenses associated with your current lifestyle
– Determine the difference between a "need" and a "want"
– Create a working personal budget that supports students' personal financial goals and evolves with their lives
– Understand the relationship between a budget and savings goals

Key Terms and Concepts

Before you start the lesson, review the key terms and concepts below. The answers to each question will help you get students prepped and game-ready. Get deeper information around these concepts in the Facilitator Script section on pages 7 to 9 of this guide.

What exactly is a budget?

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

Although four out of five Americans use a budget to plan their spending, according to a 2015 Bankrate Money Pulse Poll[1], 18% of all Americans keep only a mental budget. Putting your budget on paper or in a basic spreadsheet is essential if you want a healthy financial future. You can also use mobile apps that support your budget and goals. An accurate monthly budget can help you reach your financial goals, whether you're saving for a video game system, new shoes, or even your first car. By sticking to a budget, you can save thousands of dollars each year and avoid overspending. (practicalmoneyskills.com/ff01)

What should I be tracking in a budget?

You can use a budget to track your income and expenses to determine exactly how much money you have coming in and how you're spending it. Help students take control of their finances by following these five steps for budgeting:

1. Set Guidelines and Financial Goals

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

2. Add Up Your Income

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

3. Estimate Expenses

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

4. Find the Difference

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

Learning Objectives, cont.

5. Track, Trim and Target

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

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

It's a balancing act. You need to buy a jacket, but you also want to buy a new cell phone. How do you choose? Have students consider their wants and needs and ask themselves a few questions. What items do you need and are they necessary for your survival? Would it negatively impact your daily life if you were not able to pay for this item? Next, have students evaluate their current financial situation and make two lists — one for needs and one for wants. As they make the list, have them ask themselves the following:

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

Did You Know?

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

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

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

What is the difference between fixed and variable expenses?

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

Did You Know?

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

What is the difference between gross and net income?

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

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

Learning Objectives, cont.

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

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

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

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

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

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

Did You Know?

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

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

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

A **liability** is something that you owe, something that has negative economic value. Excessive liabilities can detract from your overall financial picture.
Examples of a liability: cell phone installment payments, home loan, auto loan, and unpaid credit card balances.

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

Module Section Outlines with Facilitator Script

Introduction: Warm-Up

Prep: Have a horizontal line drawn on the board labeled from $0 to $5,000+ in increments of $1000. Have an example sticky note posted on the scale, to indicate how much the average American spends impulsively every year.

Ask: Tell students to: "Write down your initials on your own sticky note; walk up to the board and place the note on the scale to show how much you think the average American spends impulsively per year."

Share: When everyone is done, reveal the correct answer: $5,400

Optional Pre-Test: Refer students to page 7 of the Student Activities guide. Have students answer the questions with the most appropriate answer, noting a, b, c or d or filling in the blank.

Needs vs. Wants

Group Poll: Ask students for their opinions: What is the most common impulse purchase in our group? (candy/takeout, clothes/shoes, magazines/books) Note that, for most Americans, it is food.

Ask: Start a discussion with students about the following questions. Do you think impulse purchases are generally wants or needs? (Answer: wants) Some items, like food, are essential for survival, but certain types of food may also be short-term wants. It's important to remember that buying something you want isn't a bad thing. Identifying an item we want like a new phone can be a great way to motivate saving. It's all a balancing act. By being thoughtful about how much we are spending on our wants and needs, we are better prepared to meet our goals.

Optional Did-You-Know Fact: Share national statistics on impulse buying; reference the infographic located on page 13 of the Student Activities guide.

- The average person spends $450 a month on impulse purchases
- These unplanned expenses add up to $5,400 a year and a whopping $324,000 over a lifetime

Top 5 Most Common Impulse Purchases

- Food/groceries
- Clothing
- Household supplies
- Takeout food
- Shoes

Module Section Outlines with Facilitator Script, cont.

Share: Equip students to spend wisely. Ask them: Why do I want it? How would I feel three months after buying it? Will this purchase be more or less valuable in five years? Over time, do I think experiences make me happier, or do possessions? Which things are most important to me?

Finding Balance: Budgeting Basics

Share: National Averages for Common Budget Categories
Average Americans' Spending Habits[3]

33%	Housing
16%	Transportation
13%	Groceries
11%	Life Insurance & Pensions
10%	All other expenditures
8%	Health Care
5%	Entertainment
3%	Apparel and Services

Group Brainstorm: As a class or in small groups, have students brainstorm examples of needs and wants, and fixed and flexible expenses for each category. Display or hand out copies of the Budget Worksheet on page 8 of the Student Activities guide.

Examine: Discuss these parts of a Budget

- Income
  - **Turn and Talk:** Brainstorm with students around the ways we earn money
- Expenses (fixed, flexible)
  - **Turn and Talk:** Sort current expenses as a group

Putting It Into Practice

Share: Explain that a budget is a personal plan that should be aligned with your values and will reflect your goals. Everyone's budget will differ slightly and shows one's personal cash flow.

Share: Explain that part of creating and sticking to a budget is building wealth over time. Calculating net worth shows a person's financial wealth at one point in time. For example: If a high school student owns a bike worth $200 but also owes $100 on their cell phone, then their net worth would be $100.
- Assets (how much a person owns) minus liabilities (what they owe to others).
- Examples of assets might include savings accounts, collectibles like comic books or baseball cards, vehicles including bikes and cars, stocks, and real estate.

Module Section Outlines with Facilitator Script, cont.

- Examples of liabilities might include cell phone installment payments, car loan or credit card debt.

Activity: Choose Your Route. With partners, have students compare and make revision suggestions for two budgets from a brief case study. Have them identify which budget will lead to building wealth (assets) over time and explain why.

Share: Steps to Create a Budget.

- Calculate your net income
- Compare spending decisions to financial goals
- Suggest minimizing fixed expenses to better manage income changes
- Suggest spending and savings changes for the budget

Closing: Group

Group discussion: Start a discussion with your students. Ask them: If your goal is to build wealth (have more assets than liabilities), where should you budget your money to be spent? What items should you avoid? At your age, what can you do to begin building wealth now?

Optional Post-Test: Have the class turn to page 7 of the Student Activities guide. Have students answer the questions with the most appropriate answer, noting a, b, c or d or filling in the blank.

[1]2015 Bankrate Money Pulse poll
[2]IRS.gov, Independent Contractor (Self-Employed) or Employee?
[3]U.S. Department of Labor, Bureau of Labor Statistics, Consumer Expenditures Survey, 2017

Lesson 1 Budgeting: Answer Keys

> Budgeting Pre- and Post-Test

> Budget Worksheet

> Choose Your Route: Character Case Studies

> Impulse Purchase Infographic

Budgeting Pre- and Post-Test

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

Answer Key

1. What is the purpose of a personal budget?

(Possible answer: Make a plan to organize and manage your money)

2. What is an example of a flexible expense?

a. Online subscription service

b. Cell phone plan

c. School supplies

d. Rent payment

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

a. Figure out how much money you're receiving (income) and spending (expenses)

b. Create a list of ways to save money

c. Divide your income by your expenses

d. Open a new checking account

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

a. Cell phone bill

b. Magazine subscription or online streaming subscription

c. Lunch costs

d. School supplies

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

a. True

b. False

Budget Worksheet

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

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

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

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

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

Choose Your Route: Character Case Studies

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

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

Character: 15-year-old student

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

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

$305.50 per month, $3666 per year

Goal:

- To have $500 in a savings account

Character Budget Strengths:

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

Character Budget Challenges:

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

Monthly Investing and Saving:

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

Choose Your Route, cont.

Monthly Expenses:

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

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

> *Fixed: phone*
>
> *Flexible: eating out, entertainment, school supplies, transportation*
>
> *Answers will vary on areas for making adjustments; may include reducing costs by eating out less often or spending less on entertainment. Adjustments should reflect character's personal goals.*

Assets:

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

Liabilities:

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

Character: 18-year-old college student

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

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

> *$728 per month, $8736 per year*

Goal:

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

Character Budget Strengths:

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

Character Budget Challenges:

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

Monthly Investing and Saving:

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

Choose Your Route, cont.

Monthly Expenses:

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

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

Fixed: housing, phone, health insurance

Flexible: groceries, eating out, entertainment, utilities, transportation, personal care

Answers will vary on areas for making adjustments; may include reducing costs by eating out less often or spending less on entertainment. Adjustments should reflect character's personal goals.

Assets:

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

Liabilities:

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

Compare Budgets

Which budget will lead to building wealth? Why?

Currently the first budget is building more wealth. This budget is spending less than they are making. They are also consistently contributing 10% of their income to a 401(k) plan. The second budget has a greater amount of liabilities. In the long run, both characters could build wealth by increasing savings, decreasing monthly expenses, and continuing to contribute to retirement.

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

Answers will vary, may include: Increase monthly savings, begin contributing to retirement, decrease monthly spending to reach personal savings goals.

Impulse Buying in the United States

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

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

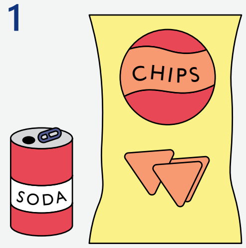
Quick Tips to Reduce Impulse Shopping

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

The 5 Most Common Impulse Buys

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

1



Food/Groceries

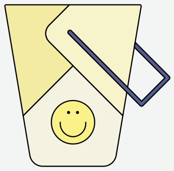
2

Clothing

3

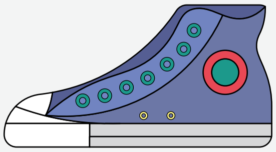
Household Supplies

4



Takeout Food

5



Shoes

Use this template to help build a balanced budget

practicalmoneyskills.com/ff03

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

Glossary of Terms

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

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

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

Bookkeeping: The recording of financial transactions and exchanges.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Glossary of Terms, cont.

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

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

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

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

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

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

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

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

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

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

Credit

Lesson 4: Teacher's Guide | Pro: Ages 14-18

FINANCIAL FOOTBALL

Aim for Strong Stats, Why Credit Counts

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

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

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

As young adults begin to build credit, it's important for them to learn about creditworthiness and how it can affect one's financial future. Avoiding mistakes that damage your creditworthiness is vital, because once it's damaged, restoring your creditworthiness may be a long and difficult process.

Module Level: Pro, Ages 14-18

Time Outline: 45 minutes total (plus 45 minutes of optional activities)

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

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

- **Pre- and Post-Test questions:** Use this short grouping of questions as a quick, formative assessment for the credit module or as a Pre- and Post-Test at the beginning and completion of the entire module series.

Overview, cont.

- **Practical Money Skills Credit resources:** practicalmoneyskills.com/ff12
- **Choose Your Own Adventure handout**
- **Practical Money Guides Credit History:** practicalmoneyskills.com/ff14
- **True Cost of Credit handout**
- **Cost of Credit Financial Calculator:** practicalmoneyskills.com/ff15
- **myFICO Free Credit Scores Estimator:** practicalmoneyskills.com/ff16
- **CFPB Credit Report Review Tool:** practicalmoneyskills.com/ff17
- **Glossary of Terms:** Learn basic financial concepts with this list of terms.

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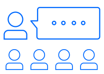

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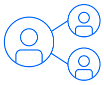
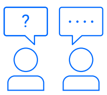


Share

Read or paraphrase the lesson content to students.



Turn and Talk

Have students turn to a partner and discuss a specific topic or question.

Table of Contents

Learning Objectives

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

Key Terms and Concepts

Before you start the lesson, review the key terms and concepts below. The answers to each question will help you get students prepped and game-ready. Get deeper information around these concepts in the Facilitator Script section on pages 8 to 11 of this guide.

What is credit and how does it affect my life?

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

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

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

What is a credit report?

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

How do I get to see my credit report?

You are entitled to receive a free copy of each of your three credit reports once every 12 months. Order yours online from annualcreditreport.com or call 1-877-322-8228. You will need to verify your identity with your name, birth date, address, and Social Security number.

Learning Objectives, cont.

How can I build my creditworthiness?

1. Build your Character:
   - ✓ Always pay your bills on time.
   - ✓ When you are confident you can manage the responsibility of a credit card, consider opening a secured credit card account. Always pay your credit card balance in full and on time each month and maintain balances below 10% of your credit limit.
   - ✓ Protect your identity. If your credit card is lost or stolen, report it to the issuer immediately. Check each credit report once a year for inaccuracies and immediately report errors to resolve any issues.
   - ✓ Do not apply excessively for credit.
2. Grow your Capital:
   - ✓ Use savings strategies to save for the down payment of a future loan.
3. Establish evidence of your Capacity to repay loans:
   - ✓ Establish a consistent work history and increase your cash flow.
   - ✓ Avoid over borrowing. Whether it is a student loan, mortgage, a credit card, or auto loan, just because you qualify to borrow a certain amount doesn't mean you have to borrow that amount.
4. Document Collateral:
   - ✓ Ensure you have a list of property or assets, as some lenders may require you to put up this collateral for certain types of loans.
5. Assess Conditions:
   - ✓ Take stock of why you need the loan (such as buying a car), the amount you are requesting, and the current interest rates, as lenders may want to know these details.
   - ✓ Consider conditions that are out of your control, like the current state of the economy.

How do I choose the best credit card or loan?

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

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

Learning Objectives, cont.

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

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

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

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

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

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

Module Section Outlines with Facilitator Script

Introduction: Warm-Up

Directions: Get your students warmed up before playing the game by teaching them more about the concept of credit. Start by sharing stories about the wise use of credit to help students develop good personal finance habits. After sharing those examples, poll your class by asking the question in the prompt below.

Share: Explain to students that credit can be a convenient and flexible form of payment, but it must be used responsibly in order for them to make the most of their money.

Ask: Ask students whether they think a credit score can impact their ability to get a cell phone on their own or rent an apartment (Yes). Tell them you'll explore the many ways our credit score affects our financial opportunities.

Optional Pre-Test: See page 8 of the Student Activities guide.

Credit Scores: Why the numbers matter

Directions: Ask your students whether they've heard of the term credit scores. Share facts about how credit scores are calculated. Assign your class the Choose Your Own Adventure activity on page 9 of their Student Activities guide. Share the 5 C's of credit and how they build creditworthiness.

Ask: Pose this question to your students. What is a credit score? Take a few responses or guesses. Explain that even NFL stars make credit mistakes sometimes. One NFL quarterback said he stopped paying his cell phone bill after his phone broke as a college student, not realizing the impact it would have on his credit score years later when he was trying to buy a car and get a home loan.

Share: Explain that a credit score is a three-digit number that represents how financial institutions perceive our creditworthiness. It assesses how likely we are to repay debts. The higher our score, the more lenders trust our ability to repay funds. Credit scores have been used for decades to measure individuals' ability to handle debt. The most common method of calculating scores was developed by the Fair Isaac Corporation, so credit scores often get called FICO scores. Scores can range between 300 and 850.

Activity: Have the class turn to page 9 of their Student Activities guide for the Choose Your Own Adventure activity. Introduce each scenario as the story of a character; predict if the person's credit score is likely to be poor (below 580), fair (580-669), good (670-739), or very good (740+).

- Scenario one: At 21 years old, Jess is working hard to save for her first car. Each month she pays her cell phone bill on time. (Likely good or very good)

Module Section Outlines with Facilitator Script, cont.

- Scenario two: At 19 years old, Cash just moved into his first apartment. Cash really likes shopping and has quite a bit of credit card debt and sometimes pays bills on time. (Likely poor or fair). Using practicalmoneyskills.com/ff16 they will work to build the best credit score possible.

Using one of the two provided scenarios, make decisions together as a class, using practicalmoneyskills.com/ff16. As a class, vote on answers for each of 10 questions that might best build the character's finances. Sample decision: how many credit cards to take out. As the class makes each choice, discuss whether it will positively or negatively impact the person's credit score.

Assign: After each class decision using the online tool, they should record each selection on the Choose Your Own Adventure handout, check which factor(s) of their credit score it represents and explain whether what decision will build or hurt their credit score. Try the first question together as a class. Give students 10 minutes to work with a partner; any question-and-answers not completed may be completed individually as a take-home activity.

Quick Tips: Have students debrief by discussing their decisions along with their partners; they should discuss which actions allowed them to build better scores.

Share: Emphasize that our track record of decision-making (character), our current financial situation (capital), our ability to pay back debt (capacity), property or assets we have that can be put up if required by a lender (collateral), and the state of the economy (conditions) all factor into our creditworthiness.

1. **Character.** A lender may decide whether you are honest and reliable to repay debt based on your credit history. Lenders are likely to look at your credit use, bill payment, residential history, and how long you've worked at your current workplace.

   The most effective way to strengthen your credit reliability is to make payments on time. Many credit card companies offer free, automatic alerts to help you keep track of your balances, payment due dates, payment history, purchase activity and auto pay.

2. **Capital.** A lender will want to know if you have valuable assets such as real estate, personal property, investments, or savings with which to repay debt if income is unavailable.

3. **Capacity.** This refers to your ability to pay off debt. Lenders will look to see if you have been working regularly in an occupation that is likely to provide enough income to support your credit use. They may look at your salary, check whether you have pre-existing loans or debts, and assess whether you have family members who depend on your earnings. Income is not part of your credit score, but it can impact your ability to get approved for a loan.

4. **Collateral.** A lender may require you to put up some form of collateral — a property or asset — for certain types of loans like auto loans. When you take out a car loan the vehicle you buy is typically used as collateral for the loan.

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

Module Section Outlines with Facilitator Script, cont.

Optional Activity: Highlight Building Credit at practicalmoneyskills.com/ff19

Credit Reports

Ask: See if students know or can guess why it would be important to look at your credit score.

Share: Explain that to predict your financial future, many businesses look at your financial past through your credit report. A credit history is a profile within a credit report that shows how you've handled money in the past. Your credit report is kept on file by three independent credit bureaus: Experian, TransUnion, and Equifax.

The Credit History Practical Money Guide, available at practicalmoneyskills.com/ff14, shows what kinds of things are included in our credit report. It also gives practical tips for keeping your credit strong. Display the guide for the class to see, and talk through the following:

Who can see your credit report?

- Potential employers
- Banks and credit unions
- Credit card issuers
- Landlords
- Auto financing companies
- Insurance companies

Optional Activity: Have students set alert reminders on their phones to check their credit report at least once a year beginning at the age of 18. They can get their reports at: annualcreditreport.com.

Credit Cards

Directions: Assign students The True Cost of Credit activity on page 13 of their Student Activities guide. Ask students to review each scenario and answer questions on how long it will take to pay the loan off and how much they will pay in finance charges. After each student completes the activity in pairs, conduct a "Turn and Talk" session where students discuss with one classmate how credit cards work.

Activity: The True Cost of Credit on page 13 of the Student Activities guide.

Turn and Talk: Ask students to talk with a classmate about their impressions of how credit cards work.

Assign: Have students work in pairs. Each pair will work to calculate series of provided purchase scenarios on the Cost of Credit Handout. They can use the Cost of Credit financial calculator: practicalmoneyskills.com/ff15. Any scenario not completed during class period may be finished as a take-home activity.

Quick Tips: When using a credit card, it's important to consider the cost of convenience. To minimize

Module Section Outlines with Facilitator Script, cont.

the risk of hurting your credit score, avoid balances that are above 30% of the credit limit at any time. To build your credit score, maintain balances of less than 10% of the credit limit. Most important, pay your bill on time and every time.

Closing: Group Discussion

Quick Tips: Have students identify one simple rule of thumb to help them remember how to use credit responsibly. What rule do students think would be wise?

Optional Post-Test: Students can take an optional Post-Test on page 8 of their Student Activities guide to see how much they have learned following completing this module. Have students answer the questions with the most appropriate answer, noting a, b, c or d or filling in the blank.

Lesson 4 Credit: Answer Keys

> Credit Pre- and Post-Test

> Credit Choose Your Own Adventure handout

> True Cost of Credit handout

Credit Pre- and Post-Test

Directions: Have students answer the questions with the most appropriate answer, noting a, b, c or d. They can find the test on page 8 of their Student Activities guide.

Answer Key

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

a. Your income, debt, and monthly expenses

b. Your payment history, money owed, and credit history

c. Your earning potential, income taxes, and monthly expenses

d. Your payment history, annual income, and total debt

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

a. How much money you owe

b. Your monthly income

c. Your savings rate

d. Your reliability to pay back money you owe

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

a. True

b. False

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

a. True

b. False

5. A good way to begin building credit is:

a. Pay bills on time

b. Open and pay off a loan

c. Maintain a credit card balance that is less than 10% of your credit limit

d. All of the above

Choose Your Own Adventure

Directions: Help students prepare for this activity by researching credit scores and how to keep scores strong using the resources below. Explain how the choices reflected in their answers to each question could positively or negatively impact their credit score. Have students think about each question and which aspects of their credit factor into their credit score.

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

Answer Key

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

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

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

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

Answers may vary; opening lines of credit negatively affect your score, opening new credit accounts also affects the average length of your credit history

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

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

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

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

Answers may vary; your credit score increases the longer you've had credit and is based on the average age of your credit lines

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

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

- ☐ Payment history
- ☐ How much you owe

Choose Your Own Adventure, cont.

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

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

Answers may vary; opening new lines of credit negatively affect your score; opening new credit accounts also affects the average length of your credit history

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

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

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

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

Answers may vary; opening new lines of credit negatively affect your score; opening new credit accounts also affects the average length of your credit history

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

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

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

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

Answers may vary; having different types of credit open (credit cards, store cards, student loans, auto, etc.) increases your score. Having balances of above 30% of the line of credit will negatively impact your score. Maintain balances of less than 10% of the credit limit to build up your score.

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

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

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

Choose Your Own Adventure, cont.

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

Answers may vary; having balances above 30% of the line of credit will negatively impact your score. Maintain balances less than 10% of the credit limit to build up your score.

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

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

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

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

Answers may vary; late payments negatively affect your credit score for seven years.

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

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

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

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

Answers may vary; late payments negatively affect your credit score for seven years.

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

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

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

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

Answers may vary; having balances of above 30% of the line of credit will negatively impact your score. Maintain balances of less than 10% of the credit limit to build up your score.

Choose Your Own Adventure, cont.

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

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

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

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

Answers may vary; late payments negatively affect your credit score for seven years.

Estimated credit score range:

300-850

True Cost of Credit

If you don't pay off your credit card balance every month, the interest assessed on your account means you may be paying more than you expect. And if you spend beyond your means, the resulting interest and debt can become significant. See how much extra you might pay on a $250 credit card purchase with varying interest rates and depending on your payment amount each month.

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

Directions: Have your class turn to page 13 of their Student Activities guide. Ask them to review each scenario and answer questions on how long it will take to pay the loan off and how much they will pay in finance charges.

Answer Key

Scenario 1

Purchase: $250 on credit card for weekend trip with friends

Monthly payment: Minimum balance of $40

Credit card APR (interest rate charged): 10%

How long will it take you to pay off? *7 months*

How much will you pay in finance charges (interest fees)? *$7.81*

Scenario 2

Purchase: $250 for new gaming system

Monthly payment: $10

Credit card APR (interest rate charged): 15%

How long will it take you to pay off? *31 months*

How much will you pay in finance charges (interest fees)? *$51.62*

Scenario 3

Purchase: $250 on credit card for summer vacation expenses

Monthly payment: $25

Credit card APR (interest rate charged): 25%

How long will it take you to pay off? *12 months*

How much will you pay in finance charges (interest fees)? *$33.25*

Glossary of Terms

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

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

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

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

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

Capital: Wealth in the form of money or property.

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

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

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

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

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

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

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

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

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

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

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

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

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

Glossary of Terms, cont.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Debt

Lesson 5: Teacher's Guide | Pro: Ages 14-18

FINANCIAL FOOTBALL

Avoiding Fumbles with Debt Management

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

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

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

Module Level: Pro, Ages 14-18

Time Outline: 45 minutes total

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

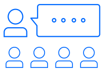
Materials: Facilitators may print and photocopy handouts and quizzes for students, or direct them to the online resources below.

- **Pre- and Post-Test questions:** Use this short grouping of questions as a quick, formative assessment for the Debt module or as a Pre- and Post-Test at the beginning and completion of the entire module series.
- **Practical Money Skills Debt resources:** practicalmoneyskills.com/ff40
- **Index cards**
- **Glossary of Terms:** Learn basic financial concepts with this list of terms.

Icon Key

Activity

Assign the given activity to students and have them complete it individually or with a group, depending on the instructions.



Ask

Pose questions to your students and have them respond.

Assign

Designate individuals or groups to complete a particular assignment.

Debrief

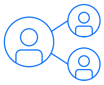
Examine the activities as a whole group and compare answers and findings.

Did You Know?

Share these fun facts with students throughout the lesson.

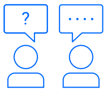
Pre- and Post-Test

Have students take the Pre-Test before the lesson, and take the Post-Test after completing the lesson.



Share

Read or paraphrase the lesson content to students.



Turn and Talk

Have students turn to a partner and discuss a specific topic or question.

Table of Contents

Learning Objectives

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

Key Terms and Concepts

Before you start the lesson, review the key terms and concepts below. The answers to each debt question will get you prepped and game-ready. Get deeper information around these concepts in the Facilitator Script section on pages 6 to 9 of this guide.

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

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

What is debt load and how is it calculated?

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

How much debt is too much debt?

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

When does it make sense to take out a loan?

There are many different types of loans:

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

Learning Objectives, cont.

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

Did You Know?

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

How can I prevent debt problems?

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

How can I rebuild my finances after debt?

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

Five ways to rebuild financial credibility:

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

Module Section Outlines with Facilitator Script

Introduction: Warm-Up

Quick write: Have students spend 5 to 10 minutes writing on the following topic: Is debt always bad? When might debt be useful and why? If time allows, have them share their responses with the class.

Optional Pre-Test: Refer students to page 6 of their Student Activities guide. Have them answer the questions with the most appropriate answer, noting a, b, c or d or filling in the blank.

Types of Debt: Weighing the Benefits and Costs

Group Brainstorm: Draw a t-chart on the board with two columns, "Good Debt" (usually useful) and "Bad Debt" (risky).

Share: Explain to students that, in dealing with debt, it's important to recognize that there are various types and they won't always result in the same outcome. When planned properly, going into debt for school or business purposes or taking out a loan for real estate (such as a mortgage) could be considered investments that might yield greater financial earnings for you in the future (Good Debt). This kind of debt may be costly in the short term, but could potentially end up paying for itself in the long term. However, debt that does not invest in anything is a financial burden in both the short term and the long term (Bad Debt). This is the kind of debt that must be managed especially carefully to avoid letting it quickly spiral out of control.

A good rule of thumb is that "Good Debt" helps to improve your future self.

Ask: Where would each of the choices/situations below belong on the t-chart?

- Charging textbooks and paying them off at the end of the month (usually useful)
- Buying a cell phone with payment plan, $25 per month for 24 months (usually useful)
- Credit card debt less than 10% of your credit limit and paid off each month (usually useful)
- Credit card debt that is 90% of your credit limit and you're only able to make minimum payments (risky)
- Payday loan: While there is no set definition of a payday loan, it is usually a short-term, high-cost loan, generally for $500 or less; it is typically due on your next payday. Depending on your state law, payday loans may be available through storefront payday lenders or online. (risky)
- Auto title loan: Auto title loans can be very expensive. If you cannot repay the money you owe, the lender can take your vehicle. (risky)
- Monthly auto loan that is less than 5% of your monthly net pay (usually useful)

Module Section Outlines with Facilitator Script, cont.

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

Group Discussion: Ask students the following questions and facilitate a group discussion. What things are important to consider before taking out a loan? How are people influenced to over-borrow?

Strategies for Managing Debt

Share: Explain to students that managing debt demands planning, careful decision-making, and a solid understanding of the risks, costs, and benefits. There are many different types of loans:

- Student Loans – If you need to borrow money to cover your college tuition, you normally take out a student loan. There are a few options for what kind of loan you would apply for, including federal loans as well as loans from private companies.
- Mortgage Loans – Buying a home can often require applying for a mortgage loan. Different interest rates and repayment times can greatly affect a mortgage loan's impact on your finances.
- Auto Loans – You are able to buy and finance a car through auto loans from car dealerships, banks, and credit unions. You may also take out a home equity loan, which allows you to use your home as collateral for your auto loan. Home equity loans can also be used to pay for education, home improvements, or to pay off or consolidate higher-interest debts, such as a credit card balance.
- Home Equity Loans – A home equity loan; also known as an "equity loan," a home-equity installment loan, or a second mortgage; is a type of consumer debt. It allows home owners to borrow against their equity in the residence. The loan is based on the difference between the homeowner's equity and the home's current market value.
- Personal Loans – A personal loan can be used to cover various expenses, from repaying credit card debt to taking an expensive vacation, at your discretion. Personal loans can be secured or unsecured, depending on whether you have collateral and the risk you want to take. To get a secured loan the borrower needs to pledge some asset, such as a home or a car, to serve as collateral for the loan. Unsecured loans are approved without the need for collateral. Borrowers can qualify for the loan based on their income and credit history.
- Peer-to-peer Loans – You can use an online service to be matched with a peer lender, whether you want a loan for personal purposes or for your business. Many of these loans are unsecured, and since operations are conducted entirely online you should approach peer-to-peer loans with caution.

Module Section Outlines with Facilitator Script, cont.

Taking out loans can provide funds that allow you to reach goals such as attending college or buying a house, as long as you have a solid plan for paying them back on time. However, when mismanaged, debt can also spiral out of control, negatively impacting your financial opportunities now and in the future. This is why it's important to only take out a loan amount that you're able to pay back on time so that you don't incur interest.

Activity:

Part 1: Before having students complete the Examining Debt Load activity on page 8 of the Student Activities guide, divide the class into two teams. Each team is given seven index cards. Each team works together to assign an interest rate and loan amount based on the following ranges in these seven categories; they should write the interest rates and loan amounts they've determined on their index cards.

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

Part 2: Each team then uses a piece of paper to write down an answer key that shows the order in which they'll repay their seven debts, using one of the following repayment strategies. You can check each team's answers using the answer key on page 12 of this guide.

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

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

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

Module Section Outlines with Facilitator Script, cont.

Examining Debt Load

Share: Explain to students that an important question you should ask yourself each time you consider taking on debt is how much you can afford to borrow. When you answer this question for yourself based on your goals, income, and potential risks can help you avoid borrowing more than you can handle paying back.

The sum total of all the money you owe is what's commonly known as your debt load. To determine whether your debt load is more than you can afford, calculate your debt/income ratio by comparing the amount you owe to the amount you earn.

Activity:

Part 1: Review Josh and Maria's personal finances

- Josh has an average monthly income of $4,200 after taxes; a monthly mortgage of $1,100; and a consumer debt of $700.
- Maria has an average monthly income of $16,100 after taxes; a monthly mortgage of $1,700; and a consumer debt of $900.

Part 2: Read Understanding Debt Load: practicalmoneyskills.com/ff41

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

Closing: Post-Test

Optional Post-Test: Direct students to open page 6 of the Student Activities guide to take this test. Have students answer the questions with the most appropriate answer, noting a, b, c or d or filling in the blank.

Lesson 5 Debt: Answer Keys

> Debt Pre- and Post-Test

> Strategies for Managing Debt student activity

> Examining Debt Load student activity

Debt Pre- and Post-Test

Directions: Direct students to open page 6 of their Student Activities guide to take this test. Have students answer the questions with the most appropriate answer, noting a, b, c, d or filling in the blank.

Answer Key

1. Your personal debt is:

a. The PIN code for your debit card

b. What is in your savings account

c. What you owe in money, goods or services

d. The same as your credit score

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

a. You aren't sure how much you owe

b. This month's bills arrive before last month's have been paid

c. You often owe late fees

d. All of the above

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

a. Canceling your credit cards

b. Opening a new, low-interest credit card account

c. Increasing your income and reducing your expenses

d. All of the above

4. Your "debt load" is________.

a. Your total available credit

b. Your debt-to-income ratio

c. Your number of credit accounts

d. The total amount you owe

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

(Correct answer: future self)

Strategies for Managing Debt

Directions: Students will be divided into two teams to complete this activity.

Part 1: Work with your team to fill out seven index cards one for each of the following debts or loans. On each index card write down an interest rate and loan amount within the assigned range from the following choices:

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

Part 2: On a blank piece of paper, tell students to write down an answer key that identifies the order in which they will repay their seven debts, using one of the following two repayment strategies. (Answers will vary based off of the loan amount that students give each loan. The loan payments should be ordered from smallest to largest loan amount.)

> **Debt Snowball Method:** This method of paying off loans works by prioritizing debts based on their size. By paying off smaller loans first, you'll be able to pay off several loans earlier on, and your payments "snowball" as you're psychologically rewarded. Many people feel more motivated to pay off loans if they can see visible progress.
>
> **Debt Avalanche Method:** Paying off debt through the debt avalanche method means first making the minimum payment on each debt, then using any remaining money to start paying off the debt that has the highest interest rate. Once you've paid off your highest interest rate debt, tackle the debt with the next highest interest. Using this method can result in paying off debt more quickly while reducing overall interest rates.

Part 3: Tell students to swap cards with another team and compete. The team who can first correctly order its seven index cards for each strategy wins. As the facilitator, you hold each team's answer key and act as the referee.

Examining Debt Load

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

The sum total of all the money you owe is called debt load. To determine whether students’ debt load is more than they can afford, they should calculate their debt/income ratio by comparing the amount they owe to the amount they earn.

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

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

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

Part 3: Based on what you’ve read, calculate who has a better debt-to-income ratio: Josh or Maria. (ANSWER: Josh has a better debt-to-income ratio. However Maria, has good debt and is building wealth by paying a monthly mortgage to own her own home.)

Glossary of Terms

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Glossary of Terms, cont.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial Institutions

Lesson 3: Teacher's Guide | Pro: Ages 14-18

FINANCIAL FOOTBALL

Choosing Your Team: Finding a Financial Institution

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

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

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

Module Level: Pro, Ages 14-18

Time Outline: 45 minutes total

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

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

- **Pre- and Post-Test questions:** A short grouping of five questions may be used for quick formative assessment for the Financial Institutions module or as a Pre- and Post-Test at the beginning and completion of the entire module series.
- **Practical Money Skills Financial Institutions resources:** practicalmoneyskills.com/ff33
- **What Am I? Game Questions**
- **Affinity Mapping Character Scenarios**
- **Glossary of Terms:** Learn basic financial concepts with this list of terms.

Icon Key

Activity
Assign the given activity to students and have them complete it individually or with a group, depending on the instructions.

Ask
Pose questions to your students and have them respond.

Assign
Designate individuals or groups to complete a particular assignment.

Debrief
Examine the activities as a whole group and compare answers and findings.

Did You Know?
Share these fun facts with students throughout the lesson.

Pre- and Post-Test
Have students take the Pre-Test before the lesson, and take the Post-Test after completing the lesson.

Share
Read or paraphrase the lesson content to students.

Turn and Talk
Have students turn to a partner and discuss a specific topic or question.

Table of Contents

Learning Objectives

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

Key Terms and Concepts

Before you start the lesson, review the key terms and concepts below. The answers to each question will get you prepped and game-ready. Get deeper information around these concepts in the Facilitator Script section on pages 7 to 13 of this guide.

What types of financial institutions are there?

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

What does FDIC-insured mean?

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

What does NCUA-insured mean?

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

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

Did you know that 6.5% of households in the United States were unbanked in 2017 according to the FDIC[1]? That's 8.4 million households that aren't taking advantage of the services offered by financial institutions. It's not mandatory to

Learning Objectives, cont.

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

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

- Security
- Convenience
- Budgeting
- Earns interest

Did You Know?

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

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

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

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

When a football coach is directing his team toward a win, he chooses the players best suited to each play based on the athletes' strengths and weaknesses.

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

Here's an easy way to remember the difference:

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

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

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

What is electronic and mobile banking?

Electronic banking, also known as electronic fund transfer (EFT), refers to the transfer of funds from one account to another through electronic methods. With mobile banking, you can complete almost all traditional banking options

Learning Objectives, cont.

through your bank's app. Online and mobile banking are convenient and valuable because they can help keep you aware of your spending with just a few clicks.

Did You Know?

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

What services do electronic banking and mobile banking include?

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

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

Three Quick Tips for Checking Account and Debit Card Management

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

[1]FDIC
[2]IRS.gov

Module Section Outlines with Facilitator Script

Introduction: Warm-Up

Quick Poll: Get students interested in the topic by asking this question of the class: How many of you have an account with a bank (checking or savings)?

Optional Pre-Test: Have the students turn to page 7 of their Student Activities guide to take the Pre-Test. Have students answer the questions with the most appropriate answer, noting a, b, c or d.

Finding a Financial Teammate: Exploring Checking Account and Financial Institutions

Share: Explain to students that, just like any other business, a financial institution sells products to earn money so that it can run its operations and provide services. Three common types of financial institutions are banks, credit unions, and community banks. To understand how financial institutions operate, know that when you deposit money in a bank it gets pooled into a shared fund along with everyone else's money.

Banks are for-profit public companies owned by shareholders who have purchased company stock. Banks are federally insured by the Federal Deposit Insurance Corporation (FDIC).

Credit unions are nonprofit cooperatives controlled by member-owners. They're also insured, but by the National Credit Union Administration. With credit unions, you may be able to access lower-cost services and get higher-interest rates on savings. If you want high rates and low fees, credit unions may be a good option.

Opening an account with a bank or credit union offers four primary benefits:

Security
You can keep your funds safe in checking and savings accounts without having to worry about them being at risk. The U.S. government protects money you deposit in the financial institution. A single fund account is insured for up to $250,000 by the Federal Deposit Insurance Corporation (FDIC), which will typically reimburse your insured deposits the next business day. That means you're able to keep your funds safe without having to worry about them being at risk.

Convenience
Money in the bank can be accessed from anywhere, whether it's online, through an ATM, or just a call to your bank's customer service department. With a bank account, you can arrange for your employer to directly deposit your paycheck automatically into your account, so it's easier and faster for you to get paid.

Budgeting
By holding accounts and using digital payments such as debit or credit cards, you will be able to review

Module Section Outlines with Facilitator Script, cont.

your bank or credit union statements — a record of the balance in your bank account and the amounts that have been paid into it and withdrawn from it. This makes it easier to manage your finances and stick to a budget. With bank statements, you'll know exactly where your money is going, whether it is toward a car payment or your night out with friends.

Making More Money

Banking allows you to make money with your money. It may sound too good to be true, but with interest, you can earn simply by depositing funds into an account. The bank pays you a percentage of interest on your balance, which is added directly to your account on a monthly basis. Generally, this occurs with savings accounts, but some checking accounts also offer a small percentage of interest. Traditional brick-and-mortar banks have average interest rates of around 0.04% APY for checking accounts and 0.08% APY for savings accounts.

Activity: What Am I: Direct students to turn to page 8 of their Student Activities guide. Assign all students, either in teams or as individuals, to represent either banks or credit unions. Give both a moment to research key facts using Financial Institutions (practicalmoneyskills.com/ff33) and the glossary at the end of their Student Activities guide.

Ask: Keep students in the same groupings from the previous activity. Read statements from the What Am I? activity on page 8 of their Student Activities guide. Example: I am a nonprofit money cooperative whose members can borrow from pooled deposits at low interest rates. "What am I?" Bank, Credit Union, or both. This game can be played competitively by giving teams points for correct answers. As an alternative, students may also work in pairs to research and answer the questions by circling the correct response on the What Am I? handout.

Optional activity: If there are any questions students don't know the answers to, give them two minutes to research, using Financial Institutions content at Practical Money Skills. practicalmoneyskills.com/ff33.

Banking Activities

Share: Explain to students that financial institutions offer a range of services and products, including checking and savings accounts. These accounts can allow customers to deposit and withdraw funds, pay bills, and earn interest. Some common fees include monthly account fees, ATM fees, and overdraft fees.

- Monthly account fees – Some financial institutions charge fees for holding an account. Often this fee can be waived by setting up a direct deposit or using an associated debit card a certain number of times each month.

- ATM fees – If you withdraw cash from an ATM owned by a bank other than your own, your bank could charge you for a withdrawal outside the system, while the other bank charges you for not being one of its customers.

Module Section Outlines with Facilitator Script, cont.

- Overdraft fees – Customers who withdraw money from an ATM or make a debit card purchase that exceeds the balance in their account will have to pay a penalty.

Activity:
Write the list of banking activities and services, requirements, and fees below on the board. Have students prioritize the list of banking activities and services from what is most to least important for them right now.

- ATM fees
- Minimum balance requirement
- Overdraft fees
- Technology tools & mobile banking
- Physical locations
- Direct deposit and whether it eliminates fees
- Text alert notifications

Turn and Talk: Have students meet with a partner to share what is most to least important to them in banking activities and services and have them explain why.

Managing Bank Accounts: Debit Cards & Prepaid Cards, Electronic & Mobile Banking

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

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

Here's an easy way to remember the difference:

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

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

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

Pay Now: Debit Cards
A debit card (also known as a check card) looks like a credit card but is an alternative to cash and checks as a payment method. When you make a purchase with a debit card, the funds are immediately withdrawn from your bank account and transferred into the account of the store or business where you

Module Section Outlines with Facilitator Script, cont.

completed the transaction. Because a debit card links directly to your bank account, you can spend only what you have in your account.

An ATM card is a PIN-based card. That means that, in addition to using it at ATMs, you may also be able to use it to make purchases (by entering your Personal Identification Number) if the merchant is using one of the same electronic ATM networks that's listed on the back of your card.

A debit card looks just like a regular ATM card, and you can use it at ATMs. The difference is that a debit card usually has the card issuer logo on its face. That means you can use the debit card anywhere debit cards issued by that entity are accepted, for example, department stores, restaurants, or online.

While this helps keep you out of debt, you need to monitor debit card purchases closely and stick to your budget so you don't overdraw your bank account. If you use your debit card to buy something that costs more than the amount of money in your account, the charge may be rejected or, if you have overdraft protection, you may be charged an overdraft fee.

Benefits of debit cards:

- They let you buy items in stores, online, on the phone, or through a mail order catalog without using cash.
- Most provide the same type of "zero liability" protection as credit cards.
- There is no APR or interest rate charged because you pay at the time of purchase.
- There is no monthly payment or debt accrued because you pay at the time of purchase.
- Some debit cards offer rewards programs.

Things to watch out for:

- If you overdraw your account, you may be charged a fee for each transaction.
- If you withdraw money from an ATM that's not part of your financial institution's ATM network, you could incur fees on both sides — from your bank or credit union and the other institution that operates the ATM.
- Some checking accounts require a minimum balance, otherwise a monthly fee may be addressed.

Pay Later: Credit Cards

A credit card entitles you to make purchases based on your promise to pay for these purchases at a later date. The card issuer grants you a line of credit, which is a promise from the card issuer to you that it will loan you any amount of money up to the credit limit on the account. You can use that credit to purchase goods, pay bills, or obtain cash advances. New laws from the Credit Card Accountability Responsibility and Disclosure (CARD) Act of 2009 place strict limitations on issuing cards to consumers under 21. If you fall in that age group, you have to have a co-signer or show proof you have sufficient income to repay the debt.

Module Section Outlines with Facilitator Script, cont.

Each month, the card issuer sends you an account statement that lists all of your purchases and the total amount you have purchased using the card that month. Most credit card companies also allow you to check your account balances online or using their mobile app. The total amount owed is called your balance. When you pay the full amount of the balance before the monthly due date, the card issuer charges you no interest for this service. If you do not pay the full amount, the balance on your card account becomes a loan to you from the card issuer and you begin paying interest on this loan monthly.

An ATM card is a PIN-based card. That means that, in addition to using it at ATMs, you may also be able to use it to make purchases (by entering your Personal Identification Number) if the merchant is using one of the same electronic ATM networks that's listed on the back of your card. A debit card looks just like a regular ATM card, and you can use it at ATMs. The difference is that a debit card usually has the card issuer logo on its face. That means you can use the debit card anywhere debit cards issued by that entity are accepted, for example, department stores, restaurants, or online.

Benefits of credit cards:

- They let you buy items in stores, online, on the phone or through a mail order catalog without using cash.
- They help you establish credit history and build your credit score if you always pay your full balance on time and utilize less than 10% of the credit limit.
- Some cards also offer a Rental Collision Damage Waiver (CDW) benefit, which allows you to decline the auto rental company's CDW and Liability Damage Waiver (LDW), thereby saving you money.
- They provide "zero liability" protection, which means that if your card is hacked, lost or stolen you will not be responsible for unauthorized merchant charges.
- They provide access to cash advances in case of emergency.
- Depending on the credit card issuer, their rewards program may provide points with each purchase that can be used to receive free airline miles, merchandise or cash back.

Things to watch for:

- Some cards come with annual fees or other kinds of costs and fees associated with the card.
- Credit cards make impulse buying easier, which can throw off your budget and increase your level of debt if you don't use them wisely.
- Items charged cost more (cost of item plus interest) unless you pay the balance in full each month.
- Late payments may incur fees, increase interest rates, and negatively impact your credit rating.
- Making late payments or carrying high credit card balances can damage your credit score.

Module Section Outlines with Facilitator Script, cont.

- If you don't monitor spending carefully, your purchases can push you over the credit limit, resulting in an additional fee. This could also increase your interest rate and lower your credit score.
- While cash advances can be helpful in emergencies, they come with fees and the interest rate can be higher than for standard purchases.

Pay in Advance: Prepaid Cards

A prepaid card may look exactly like a credit card or a debit card. However, instead of being linked to your bank account (like a debit card) or providing you a line of credit (like a credit card), a prepaid card lets you spend only the amount that's been pre-loaded onto the card.

There are two kinds of prepaid cards: gift and reloadable.

Gift cards

A gift card is pre-loaded with an amount of funds. Once those funds are spent, the card is no longer valid and cannot be reloaded. Many stores and online retailers offer branded gift cards that are good only at their stores. Many financial institutions offer prepaid gift cards that are accepted wherever debit cards are accepted.

Reloadable

Reloadable prepaid cards work exactly like prepaid mobile phones, where you use minutes and then refill them. With a reloadable prepaid card, you (or your parents) load the card with an initial amount of money. You use the card wherever debit cards are accepted. When the balance gets low, you can refill the card by phone or online and continue to use it. You can buy prepaid cards at retail locations (such as grocery stores and drug stores), online, over the phone, or from some banks and credit unions.

Other types of reloadable cards include payroll cards — a safe, convenient way for companies to pay employees, with monthly salaries preloaded on the cards. Similarly, benefit cards can also be issued to employees to cover benefits like health care or transportation costs.

Benefits of prepaid cards:

- Spend only what you load onto the card.
- Track your spending online to help you budget.
- No need to carry large amounts of cash.
- Lets you make the same kinds of purchases as with debit cards and credit cards, such as airline reservations and online purchases.
- Most provide the same type of "zero liability" protection as credit cards.
- No APR or interest rate charged since the payment is made at the time of purchase.
- No debt accrued, since the payment is made a the time of purchase.

Module Section Outlines with Facilitator Script, cont.

Things to watch for:

- Some cards, like gift cards, are limited to certain stores.
- Some prepaid cards involve fees, including a loading fee and monthly maintenance fee. Shop around for the best value.
- Some payroll cards include fees, which can often be avoided if you are paid with a direct deposit to a bank or credit union.

Activity: Affinity Mapping
Divide students into small teams to complete the Affinity Mapping Character Scenarios activity on page 9 of their Student Activities guide. Provide each team with Affinity Mapping Character Scenarios. Teams work together to map the bundled services and products to the correct character and justify their decisions.

Closing: Post-Test

Optional Post-Test: Have students answer the questions with the most appropriate answer, noting a, b, c or d on page 7 of their Student Activities guide.

Lesson 3 Financial Institutions: Answer Keys

> Financial Institutions Pre- and Post-Test

> What Am I? Game Questions

> Affinity Mapping Character Scenarios

Financial Institutions Pre- and Post-Test

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

Answer Key

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

a. Banks usually pay higher interest on savings accounts

b. Credit unions are usually member-owned

c. Bank debit cards are more widely accepted

d. All of the above

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

a. Your employer may be forced to pay you with a fee-based payroll card

b. Money saved under a mattress can be lost from fire or theft

c. Savings under a mattress do not earn interest

d. All of the above

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

a. $1,000,000

b. $500,000

c. $250,000

d. $150,000

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

a. True

b. False

5. If you want to switch banks:

a. Compare services at other banks and credit unions first

b. Compare fees at other banks and credit unions first

c. Consider the location and convenience of other banks and credit unions first

d. All of the above

What Am I? Game Questions

Exploring Checking Accounts and Financial Institutions

Answer Key

Directions: Direct students to turn to page 8 of their Student Activities guide for a printable questionnaire. Have students answer the following questions by circling the correct answer in the "What am I?" section. The correct answer is noted in blue below.

1. I am a nonprofit money cooperative whose members can borrow from pooled deposits at low interest rates. What am I? (Bank, *Credit Union*, or both)

2. I am a for-profit public company owned by shareholders who have purchased company stock. What am I? (*Bank*, Credit Union, or both)

3. I am insured by the NCUA. What am I? (Bank, *Credit Union*, or both)

4. I am insured by the FDIC. What am I? (*Bank*, Credit Union, or both)

5. This is where you can go to open a checking or savings account. What am I? (Bank, Credit Union, or *both*)

6. This is where you can go to open a money market account. What am I? (Bank, Credit Union, or *both*)

7. I am a financial institution that offers online banking. What am I? (Bank, Credit Union, or *both*)

Affinity Mapping: Finding the Right Financial Service

Financial Services and Products:

Directions: Divide students into small teams. Teams work together answer questions about the benefits of various financial accounts and what to watch for that could not be beneficial.

Bank A: Simple Checking

No minimum balance requirements, free mobile app and text messages

What are the benefits?

Low cost, easy access to account information

What are the things to watch for?

Limited services, cannot earn interest, possible ATM fees

Bank B: Bundled Savings and Checking Account

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

What are the benefits?

Earn interest for savings, basic checking account features

What are the things to watch for?

Possible fees if minimum balance is not maintained

Credit Union C: Free Checking with Add-on Options

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

What are the benefits?

Low cost, easy access to account information

What are the things to watch for?

Access to account services — is online banking available or are you limited to credit union hours?

Prepaid Card D: Paid in Advance and Ready to Go

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

Affinity Mapping: Finding the Right Financial Service, cont.

What are the benefits?

Low cost, spend only what you load on the card

What are the things to watch for?

May be limited to using at specific stores

Affinity Mapping: Finding the Right Financial Service, cont.

Answer Key

Directions: Divide students into small teams. Provide each team with Affinity Mapping Character Scenarios, on page 8 of their Student Activities guide. Teams work together to map the bundled services and products to the correct character and justify their decisions. Review the specific financial service options on pages 17 to 18 of this guide before starting this activity.

Character: 15 years old

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

Current Financial Snapshot: $125 in cash

Banking Priorities:

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

Character Challenges:

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

Which product would best fit this person's needs? Why?
Prepaid Card D: Paid in Advance and Ready to Go, can be accessed by a minor. Checking and savings accounts will require an adult co-signer to open the account.

Character: 17 years old

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

Current Financial Snapshot: $75 in cash in wallet

Banking Priorities:

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

Character Challenges:

- Limited funds for opening and maintaining an account

Which product would best fit this person's needs? Why?
Bank A: Simple Checking or Credit Union C: Free Checking with Add-on Options, allows low minimum balance to open and maintain account.

Character: 18 years old

Income: $120 a week working part-time

Affinity Mapping: Finding the Right Financial Service, cont.

Current Financial Snapshot: $500 in a checking account

Banking Priorities:

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

Character Challenges:

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

Which product would best fit this person's needs? Why?
Credit Union C: Free Checking with Add-on Options, offers no ATM fees

Character: 19 years old

Income: $320 a week working part-time

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

Banking Priorities:

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

Character Challenges:

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

Which product would best fit this person's needs? Why?
Bank A: Simple Checking or Credit Union C: Free Checking with Add-on Options, allows low minimum balance to open and maintain account and no monthly fees.

Glossary of Terms

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Glossary of Terms, cont.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Identity Theft

Lesson 6: Teacher's Guide | Pro: Ages 14-18

FINANCIAL FOOTBALL

Avoiding Injury with Identity Theft Protection

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

Getting Your Class Game-Ready: Training players has many benefits. It builds strength and agility, it provides time for practice and growth, and it helps minimize the risk of injury. Players work diligently to protect themselves on and off the field.

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

Module Level: Pro, Ages 14-18

Time Outline: 45 minutes total

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

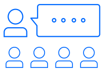
Materials: Facilitators may print and photocopy handouts and quizzes for students, or direct them to the online resources below.

- **Pre- and Post-Test questions:** Use this short grouping of questions as a quick, formative assessment with the Identity Theft module or as a Pre- and Post-Test at the beginning and completion of the entire module series.
- **Practical Money Skills Identity Theft resources:** practicalmoneyskills.com/ff43
- **Identity Theft Game Plan activity handout:** Using the research tools provided, students will brainstorm and create a list of strategies to build awareness, prevent problems, and protect themselves from identity theft.
- **Two Scams and an Ad handout:** Students can play with a partner or small team to see how many identity theft risks they can identify.
- **Glossary of Terms:** Students learn basic financial concepts with this list of terms.

Icon Key

Activity

Assign the given activity to students and have them complete it individually or with a group, depending on the instructions.



Ask

Pose questions to your students and have them respond.

Assign

Designate individuals or groups to complete a particular assignment.

Debrief

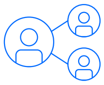
Examine the activities as a whole group and compare answers and findings.

Did You Know?

Share these fun facts with students throughout the lesson.

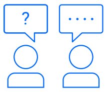
Pre- and Post-Test

Have students take the Pre-Test before the lesson, and take the Post-Test after completing the lesson.



Share

Read or paraphrase the lesson content to students.



Turn and Talk

Have students turn to a partner and discuss a specific topic or question.

Table of Contents

Learning Objectives

– Identify what identity theft and fraud are and how they can impact students' financial lives
– Examine strategies to avoid identity theft and scams
– Discover ways to handle identity theft, fraud, and/or security breaches

Key Terms and Concepts

Before you start the lesson, review the key terms and concepts below. The answers to each question will help you get students prepped and game-ready. Get deeper information around these concepts in the Facilitator Script section of this guide on pages 6 to 9 of this guide.

What is identity theft?

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

What are common types of identity theft scams?

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

Learning Objectives, cont.

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

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

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

Did You Know?

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

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

If your private financial information gets into the wrong hands, the consequences can be devastating. If students find themselves victims of identity theft, they should act quickly, taking the following steps:

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

Where can I get help and information about identity theft?

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

Credit Bureau Contact Information

Equifax
Order Credit Report: 1-800-685-1111
Fraud Hotline: 1-888-766-0008
equifax.com

Experian
Order Credit Report: 1-888-397-3742
Fraud Hotline: 1-888-397-3742
experian.com

TransUnion
Order Credit Report: 1-877-322-8228
Fraud Hotline: 1-800-680-7289
transunion.com

Module Section Outline with Facilitator Script

Introduction: Warm-Up

Ask: Pose the following question to students: What is identity theft?

Share: Explain to students that it's a growing problem impacting millions of Americans and 3% of children ages 19 and under, according to the Federal Trade Commission.[1] Identity theft can take many forms. With financial identity theft, it's often a case of bank accounts or credit cards being accessed and used illegally. For example, the thief may take out cash or max out a credit card. This can have a serious impact on your credit score. Another form of identity theft is when criminals gain access to your Social Security Number and use it illegally — to take out loans or open credit card accounts, for example. Tell students you'll explore what it can look like and how we can avoid it.

Turn and Talk: Have students suggest one way you might avoid identity theft.

Optional Pre-Test: Instruct students to turn to page 7 of their Student Activities guide to take the Pre-Test. Directs to answer the question with a, b, c, d or fill in the blank.

Identity Theft Basics

Share: Reinforce to students that there are many types of identity theft associated with your financial information. Here are a few common types of scams.

- **Phishing** refers to scams that attempt to trick consumers into revealing their personal information such as bank account numbers, passwords, payment card numbers or insurance account numbers.

Did You Know?

Online phishing scams typically ask for personal information like your mother's maiden name and your date of birth.

- **Emails** that come from suspicious sources can be attempts to access your personal financial information. Do not reveal your financial account passwords, PINs or other security-based data to third parties; genuine organizations or institutions do not need your secret data for ordinary business transactions. If you think you have received a fraudulent email, contact your financial institution immediately.
- **Smishing** is similar to a phishing scam. Computer users receive an authentic-looking email that appears to be from their bank, internet service provider (ISP), favorite store, or some other organization. Smishing messages are also sent to you via SMS (text message) on your mobile phone. Do not respond to them. Delete them and the emails. Victims may be prompted by a text message that looks like it is from their bank, telling them to respond to an emergency by providing their personal financial information.

Module Section Outline with Facilitator Script, cont.

- **Clone Phishing** is re-sending an email that now has a malicious attachment or link. Do not open attachments to questionable emails; they may contain viruses that will infect your computer.
- **Vishing** is where a scammer calls you pretending to be someone you know in the attempt to get your personal financial information. Potential victims may hear an automated recording informing them that their bank account has been compromised and providing a toll-free number to reset security settings associated with the account.
- **Skimmers** are devices fraudsters install at an ATM, a gas station pump, or a store's checkout counter to copy the information from your debit or credit card.
- **Whaling** scams are directed at high-profile business individuals to get their personal financial information.

Preventing Fraud

Share: Being aware of common risks and prevention strategies is an important step in protecting your identity. There are six simple steps students can take to reduce the risk of becoming a victim of identity theft or card fraud.

1. Practice Safe Internet Use

Delete spam emails that ask for personal information, and keep your antivirus and anti-spyware software up-to-date. Shop online only with secure web pages (check the address bar for "https" next to an image of a lock). Never email credit card numbers, Social Security numbers or other personal information. Research mobile app privacy policies before downloading and allowing access to your social media accounts.

Did You Know?

To reduce risk of identity theft while shopping online, only order on secure sites that begin with "https://"

2. Destroy Unneeded Personal Financial Records

Shred unneeded credit card statements, ATM and debit card receipts, and other documents that contain personal financial information.

3. Guard Your Social Security Number

Thieves seek your Social Security number because it can help them access your credit and open bogus accounts. Never carry your card; instead, memorize your number and store the card securely.

Did You Know?

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

4. Check Your Credit Report

Credit reports show how responsibly we've used money in the past. Most youth under 18 years old will not have a credit report. However because identity theft is rising it's recommended to check your report around 16 years old with your parents to make sure that no one has taken your information to open fraudulent accounts. Occasionally youth will have legitimate credit reports before 18 years old if they were added as an authorized user on a parent's credit card.

Module Section Outline with Facilitator Script, cont.

5. Beware of Scams

Never give out personal information via phone or email to someone claiming to represent your bank, a credit card company, a government agency, a charity or any other organization. If you think the request is legitimate, contact the company directly to confirm it.

6. Secure Your Mail

Empty your mailbox regularly and consider investing in a mailbox lock. When mailing bill payments and checks, consider dropping them off at the post office or in a secure mailbox.

Share: Explain to students that, in order to build their agility and learn to protect their information, they'll work in teams to create a game plan. Break students out into small groups. Each group will research and document things to watch out for (awareness), things to avoid (prevention) and things to do (protection). Refer them to the Identity Theft Protection Game Plan on page 8 of their Student Activities guide.

Assign: Direct each group to focus on one of the areas below as they open the Identity Theft Protection Game Plan on page 8 of their Student Activities guide. You may have more than one group working on each of the focus areas.

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

Debrief: Following the activity, examine the game plans you created as a whole group; add any strategies the group may have missed using the Answer Key on pages 12 to 13 of this guide.

Share: Explain that many people choose to freeze their credit after actual or suspected fraud, as well as to use credit monitoring services, which work by alerting you to warning signs on your accounts.

Putting It Into Practice

Activity: Refer students to the Two Scams and an Ad activity on page 9 of their Student Activities guide. It should be played like two truths and a lie.

There are two options for game-play:

Option 1: Have students play as partners or in small groups to evaluate calls, emails, and marketing materials described in the Two Scams and an Ad handout and determine if it is a scam or not.

Option 2: Play vote with your feet. Read an option aloud and have students who believe it is a scam stand and move to the right side of the room; students who do not believe it is a scam should stand and move to the left side of the room.

Module Section Outline with Facilitator Script, cont.

Getting Help If You Need It

Share: Tell students that there are key things to consider when you're worried about potential identity theft, fraud and/or security breaches. If your private financial information gets into the wrong hands, the consequences can be devastating. Let your parents know if you're receiving spam, phishing emails, unwanted calls or texts or notice a purchase on your account that you didn't make. If you find yourself a victim of identity theft, act quickly and contact law enforcement and the credit reporting companies.

Report the fraud to law enforcement.
Report identity theft to your local police department with your parents help. If the crime occurred somewhere other than where you live, you may want to report it to law enforcement there as well. The police will create an "identity theft report" and your family can request a copy.

Contact the credit reporting companies.
If you suspect that someone may have used your identity to open fraudulent accounts, immediately contact the fraud departments of each of the credit bureaus with your parents' help. Alert them that you have been a victim of identity theft, and request that a fraud alert be placed in your file. You can also request a security freeze, preventing credit issuers from obtaining access to your credit files without your permission. This prevents thieves from opening new credit cards in your name.

File a fraud report.
The Federal Trade Commission (FTC) does not investigate identity theft cases, but it can share information that you provide, such as the identity theft report number, with investigators nationwide. For more information about fighting back against identity theft, visit the FTC's Identity Theft website or call the hotline: 1-877-IDTHEFT (1-877-438-4338).

Create a fraud recovery plan.
The Federal Trade Commission can help you and your parents create a recovery plan if you've become a victim of identity theft. When you report what happened, you'll receive a personalized recovery plan and can track your progress online step-by-step. Learn more at identitytheft.gov.

Closing: Group

Ask students: What key tip would you give a friend about preventing identity theft and fraud?

Discussion

Optional Post-Test: Direct students to take the test on page 7 of their Student Activities guide. Ask them to answer questions with a, b, c, d or fill in the blank.

Get more information on identity theft

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

Lesson 6 Identity Theft: Answer Keys

> Identity Theft Protection Pre- and Post-Test

> Identity Theft Protection Game Plan

> Identity Theft Protection: Two Scams and an Ad

Identity Theft Protection Pre- and Post-Test

Directions: Direct students to open the test on page 7 of their Student Activities guide. Have them answer the questions with the most appropriate answer, noting a, b, c, d or filling in the blank.

Answer Key

1. Which is an effective way to prevent fraud?

a. Shredding documents that contain credit account information

b. Online shopping only on secure sites

c. Spreading purchases over various accounts

d. Both A and B

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

a. Getting a prank call

b. Your bank adding additional security measures to its site

c. Denials of credit for no apparent reason

d. You meet someone with the same name as you

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

(Possible answers: your PIN, your credit card account, your social media passwords)

4. What are examples of safe internet use?

(Possible answers: Delete spam emails that ask for personal information, keep your antivirus and anti-spyware software up-to-date, or shop online only with secure web pages)

5. What are scam warning signs to watch out for?

(Possible answers: checks or bills from organizations you don't recognize, spam emails)

Identity Theft Protection Game Plan

Answer Key

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

Directions: Each group will research and document things to watch out for (awareness), things to avoid (prevention) and things to do (protection). It's time to get students started on creating their game plan. Divide students into teams and have them select a group focus from one of the options below from page 7 of their Student Activities guide. Allow them time to research their topic before they write their list of strategies to build awareness, prevent problems, and protect themselves from identity theft.

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

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

Create a Plan

Have students use the research resources below and ask for their team's ideas to create a list of strategies to build awareness, prevent problems, and protect themselves.

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

Build Awareness

What warning signs should people watch out for?

Possible Answers:

- *Receiving collection calls or bills for services you didn't use*
- *Phishing emails asking for your personal information (consider who this is, what they are asking, and why)*
- *Apps asking for access to your social media accounts*
- *Phone calls asking for money so you can get a gift or service you didn't seek out*
- *Sales people offering "today only" deals and pressuring you to act now*

Identity Theft Protection Game Plan, cont.

Prevent Possible Problems

What risks should people avoid taking with regards to their information?

Possible Answers:

- *Don't share passwords, account credentials, or PINs*
- *Don't pay up front for a promised gift/prize from an unknown source*
- *Don't leave sensitive documents in unsecured or public places*
- *Avoid using unsecured public Wi-Fi when accessing sensitive information such as in online banking*
- *Don't open emails, text links, or social media messages that are from anyone you don't recognize and cannot authenticate*
- *Consider how you pay: some methods like online services or wiring money are riskier than others*

Protect Yourself

What actions can you take to protect your information?

Possible Answers:

- *Practice safe internet use: delete spam emails, keep antivirus and antispam software up-to-date*
- *Only shop online at secure locations (look for https:// in address bar)*
- *Destroy private records, including things like old ATM, credit, debit card receipts*
- *Use privacy settings in apps and on websites*
- *Use tough passwords and change them regularly*
- *Secure your mail, empty your mailbox regularly*
- *Monitor your accounts (email, social media, cell phone, and banking) for suspicious activity*
- *Do online searches to vet information*

Identity Theft Protection: Two Scams and an Ad

Directions: Can your students spot the scam? Have them play with a partner or small team to see how many identity theft risks they can identify. Their answer should identify each scenario as a "scam" or an "ad" and explain their reason why. Include tips or best practices for protecting their identity against this type of fraud.

Something Phishy

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

   Answer: *Scam; a valid scholarship offer will not require banking info over the phone. Ask yourself: who is calling? What are they asking for and why? Do a web search to see if you can find other verifying information.*

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

   Answer: *Most likely an ad, if this is a recognizable store and website.*

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

   Answer: *Scam; avoid opening links you do not recognize. It might install malware or phish your information.*

Mal-Intent or Just Annoying Marketing?

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

   Answer: *Most likely an ad.*

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

   Answer: *Scam; avoid giving financial information to contacts you cannot validate.*

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

   Answer: *Scam; avoid opening links you do not recognize. It might install malware or phish your information.*

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

Unexpected Sharing or Serious Issue?

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

Answer: *Scam/Identity Theft Risk: This practice of sharing personal information without the person's permission is called doxing and can cause serious problems. Delete the video as soon as possible so the comments sharing your personal information are removed.*

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

Answer: *Most likely an ad, but it's important to protect your privacy and limit apps' access to your personal information. Consider not allowing all apps access to your camera, microphone, and GPS.*

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

Answer: *Identity Theft Risk: While not always scams, online quizzes from random sites and apps that require access to your social media profile give the app or site access to your social media account info and potential ability to track your future behavior. Consider reading the fine print or limiting what you share with third parties.*

Convenience or Con?

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

Answer: *Identity Theft Risk: Credit card skimming either with a digital scanner or by photographing card details can result in fraudulent charges.*

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

Answer: *Identity Theft Risk: Credit card skimming with a digital reader happens often at gas pumps. Before you swipe, check to make sure the seal around the card reader is not broken; wiggle the card reader to make sure it's firmly in place. Stick to using pumps that are out in the open.*

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

Answer: *Most likely an ad, if this is a familiar store and they have marketing materials showing the sweepstakes.*

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

Summer Job or Position in Pyramid Scheme Scam?

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

Answer: *An ad. This is a common way app marketing info gets shared. Just make sure you recognize who invited you before accepting and sharing personal info.*

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

Answer: *Scam: Be very cautious of social media posts that promise to grow your money by downloading and sharing new apps or grow teams to pool/crowdfund money. These are pyramid schemes.*

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

Answer: *Scam: Be wary of any job offer that asks for money up front for training or supplies. Many pyramid schemes start this way.*

Glossary of Terms

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

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

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

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

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

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

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

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

Scam: A fraudulent activity or deceptive act.

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

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

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

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

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

Life Events

Lesson 7: Teacher's Guide | Pro: Ages 14-18

FINANCIAL FOOTBALL

Planning Routes for Life Events

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

Getting Your Class Game-Ready: In a rush of action on the field, players have to rely on their personal skills and training from their coaches to make on-the-spot decisions. In the process of even the simplest play, unexpected events can completely change the game.

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

Module Level: Pro, Ages 14-18

Time Outline: 45 minutes total

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

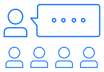
Materials: Facilitators may print and photocopy handouts and quizzes, and direct students to the online resources listed.

- **Pre- and Post-Test questions:** A short grouping of questions may be used for quick formative assessment for the Life Events module or as a Pre- and Post-Test at the beginning and completion of the entire module series.
- **Practical Money Skills Life Events resources:** practicalmoneyskills.com/ff50
- **Life Event Action Plan handout:** (1 for each life event): Using the research tools, brainstorm and create action plans for life events such as buying a car and building an emergency fund.
- **Glossary of Terms:** Learn basic financial concepts with this list of terms.

Icon Key

Activity

Assign the given activity to students and have them complete it individually or with a group, depending on the instructions.



Ask

Pose questions to your students and have them respond.

Assign

Designate individuals or groups to complete a particular assignment.

Debrief

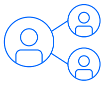
Examine the activities as a whole group and compare answers and findings.

Did You Know?

Share these fun facts with students throughout the lesson.

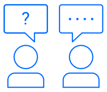
Pre- and Post-Test

Have students take the Pre-Test before the lesson, and take the Post-Test after completing the lesson.



Share

Read or paraphrase the lesson content to students.



Turn and Talk

Have students turn to a partner and discuss a specific topic or question.

Table of Contents

Learning Objectives

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

Key Terms and Concepts

Before you start the lesson, review the key terms and concepts below. The answers to each Life Events question will get you prepped and game-ready. Get deeper information around these concepts in the Facilitator Script section on pages 5 to 7 of this guide.

What steps can I take to make informed financial decisions?

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

How can I prepare for unexpected expenses?

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

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

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

Module Section Outlines with Facilitator Script

Introduction: Warm-Up

Share: Explain that, in this lesson, we'll explore strategies for tackling big life events. Here are some of the events that will be covered. Review and share details about the topics at: Life Events. practicalmoneyskills.com/ff50.

- **Going to college.** Heading off to college means a lot of new experiences — taking classes, living independently for the first time and managing expenses for tuition, housing, food, books, and more. Creating a spending plan can help things go smoothly.
- **Buying a car.** Get ready to hit the road by looking at the costs of buying and maintaining a car. Looking at the numbers will help you avoid sending your budget into overdrive.
- **Housing.** Looking to rent an apartment? Or maybe even to buy a house? There are a few key things you need to know before you do. The housing market is highly competitive, fast-moving, and ever-changing. Exploring the ins and outs of renting and buying now can prepare you for opportunities when they arise.
- **Landing a job.** Whether you're looking for your first job or just searching for a new opportunity, there are some key things to consider. It's important to think about your interests, skills, and financial goals.
- **Family life.** Each stage of family life can present different challenges and rewards: heading out on vacation? Getting a new pet? Figuring out entertainment for the month? Get prepared by planning ahead.
- **Handling the unexpected.** While we can't predict what will happen in our future, we can prepare for the unexpected. Financial security is essential to successfully managing major life events, and that means planning to create an emergency fund and thinking about insurance.

Did You Know?

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

Did You Know?

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

Did You Know?

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

Did You Know?

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

Did You Know?

The estimated cost of raising a child from birth to age 17 is over $233,610 for a child born in 2015.[3]

Module Section Outlines with Facilitator Script, cont.

Ask: Have students choose and prioritize the life events listed above — they should rank the three topics they're most interested in examining. They will have the chance to research one topic and ask classmates questions about each of the others.

Optional Pre-Test: Refer the class to page 6 of the Student Activities guide. Direct them to answer the questions with a, b, c, d, or fill in the blank.

Did You Know?

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

Life Events: Research and Planning

Share: Have students turn to page 7 of their guide. Explain that each action plan handout asks key questions to guide planning for that life event, as well as providing suggested links for research. Break students into six groups, each focused on exploring a Life Event topic.

Activity: Introduce the following six student handout life planning sheets, available on pages 7–25 of the Student Activities guide.

- **Going to College Action Plan handout:** Research college options, (trade school, two-year community college, four-year community college, and four-year university), and create action items for admissions, budgeting in school, and handling loans.
- **Buying a Car Action Plan handout:** Brainstorm car purchase options, find out how much car you can afford, and discover strategies to get the best deal.
- **Choosing Housing Action Plan handout:** Is renting or buying the better option? Find out as you consider the rights, responsibilities, and costs of choosing a home.
- **Landing a Job Action Plan handout:** Explore strategies for standing out in the job market and prep your resume, cover letter, and personal brand.
- **Family Life Action Plan handout:** Adding to your family is likely to be one of the bigger financial events you will face, so being ready for the change is vital. Get some budgeting practice by planning for a new pet, vacation, or party.
- **Handling the Unexpected Action Plan handout:** Are you ready for the unexpected? Brainstorm potential emergencies, create an emergency fund plan, and examine how insurance can help.

Assign: Have each group work on one Life Event topic, completing the topic action plan as a team. Support groups in researching and discussing the stages of their Life Event Action Plan. Refer to the answer keys on pages 10–24 of this guide.

Module Section Outlines with Facilitator Script, cont.

Closing: Group Discussion

Group summary presentations: Have each group briefly share the key points of its action plan. After each group presents its summary, they should respond to one or two peer questions.

Ask: Pose this question to the group: What are you most excited about in terms of life events? What were you most surprised to discover?

Optional Post-Test: Have students turn to page 6 of their Student Activities guide to take the optional Post-Test.

Get more information on Life Events:
Learn more about examining costs, considering options and planning ahead for life events at practicalmoneyskills.com/ff50

[1]Carfax.com
[2]Experian
[3]U.S. Department of Agriculture (USDA) 2015 Expenditures on Children by Families report, also known as "The Cost of Raising a Child."
[4]HealthCare.gov

Lesson 7 Life Events: Answer Keys

> Life Events Pre- and Post-Test

> Going to College Action Plan handout

> Buying a Car Action Plan handout

> Choosing Housing Action Plan handout

> Landing a Job Action Plan handout

> Family Life Action Plan handout

> Handling the Unexpected Action Plan handout

Life Events Pre- and Post-Test

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

Answer Key

1. What are some common expenses for students?

(Possible answers: textbooks, rent, food, school supplies)

2. A car owner is NOT responsible for:

a. License plates

b. Proof of health insurance

c. A driver's license

d. Annual vehicle registration

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

a. True

b. False

4. To apply for college scholarships, you can:

a. Check with your school's guidance office

b. Ask local employers what might be available

c. Expedite the process by paying a fee

d. A and B

5. A__________can help you find a new job.

a. Strong professional network

b. Resume

c. Professional online presence

d. All of the above

Life Events: Going to College Action Plan

Heading off to college means a lot of new experiences — taking classes, living independently for the first time and managing expenses for tuition, housing, food, books and more. Budgeting for this new stage of life can be challenging and creating a plan can help. Answer the questions below after researching the costs of going to college at the links provided.

Directions: Before you have students answer the questions on page 7 of their Student Activities guide, direct them to review the resource listed below at Practical Money Skills to learn more about preparing to go to college.

Resource: Going to College. practicalmoneyskills.com/ff51

Set Your Sights

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

Trade schools, two-year community college, four-year university

Which appeal to you most and why?
Consider SMART (Specific, Measurable, Attainable, Relevant, Time-Related) goals: practicalmoneyskills.com/ff52

Answers vary; should reflect personal goals aligned with school characteristics

Prepare Financially

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

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

How much will school cost and what are my aid options?
The sticker price for college is rarely the price you pay. Many students receive grants or scholarships; however, they won't know what the price will be until they receive financial award letters. According to the College Board, the average tuition and fees for the 2018–2019 school year were $35,830 at private colleges, $10,230 for state residents at public

Life Events: Going to College Action Plan, cont.

colleges, and $26,290 for out-of-state residents attending public universities. Note that these costs do not include room and board, and the amount of aid you receive may vary from one year to the next.

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

Answers vary; should include five college options aligned with personal goals

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

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

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

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

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

Federal Financial Aid

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

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

Life Events: Going to College Action Plan, cont.

Federal Perkins Loans

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

PLUS Loans

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

Loan Limits

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

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

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

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

Resources: Prepare Financially. practicalmoneyskills.com/ff58
Grants. practicalmoneyskills.com/ff59

Answers vary; should explain the benefits of grants and scholarships, and how the federal government pays the interest on subsidized loans while you are enrolled in school on at least a half-time basis

Comparing the costs of colleges can be challenging. Many experts believe you should never borrow more for college than what you can expect to earn your first year after graduation. To ensure you know before you owe, review the Consumer Financial Protection Bureau's (CFPB) Compare Schools tool and describe how it can help you make an informed financial decision. consumerfinance.gov/paying-for-college/compare-financial-aid-and-college-cost

Life Events: Going to College Action Plan, cont.

Answers vary; should include reflection on the benefits of comparing college options

Budgeting in College

Research how your spending could look in school:

Resource: Budgeting in College. practicalmoneyskills.com/ff61

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

Answers vary; may include cost, access to campus resources, and lifestyle choices

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

Answers vary; may include books, food, entertainment, and/or transportation

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

Answers vary; may include part-time work and/or work-study programs. Students can invest while in school; they may consider mobile apps that allow them to invest small amounts that build over time.

Repaying Loans

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

How Much Will Your Loan Really Cost?

Assume you choose to borrow $40,000 over four years to go to college. Respond to each of the questions using this How Much Will Your Loan Really Cost? financial calculator: practicalmoneyskills.com/ff62

- Loan #1: 5% interest rate, length of loan 120 months
    - Minimum monthly payment: *$424.26*
    - Total finance charge: *$10,911.45*
    - Total payment amount (including interest): *$50,911.45*
- Loan #2: 8% interest rate, length of loan 120 months
    - Minimum monthly payment: *$485.31*
    - Total finance charge: *$18,237.25*
    - Total payment amount (including interest): *$58,237.25*
- Loan #3: 8% interest rate, length of loan 168 months
    - Minimum monthly payment: *$396.53*
    - Total finance charge: *$26,616.58*
    - Total payment amount (including interest): *$66,616.58*

Life Events: Going to College Action Plan, cont.

How does the interest rate affect the cost of borrowing?

Answers vary; should recognize that higher interest rates will cause greater finance charges over time.

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

Answers vary; should recognize that longer length of loan will result in lower monthly payments.

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

Answers vary; should recognize that longer-term loan may result in larger amounts of interest paid over time than a shorter-term loan would

Building a Support Team and Taking Next Steps

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

Answers vary; actions to take should relate to grade-level checklists in Prepare Financially section of handout

Life Events: Buying a Car Action Plan

Directions: Instruct students to review the resource listed below before they answer the questions on page 12 of their Student Activities guide.

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

Set Your Sights

Resource: Buying a Car. practicalmoneyskills.com/ff63

What type of car are you interested in and why?

(include estimated cost and include the make, model and year of a new or used car); and whether it is a hybrid, gas or electric-powered car)

Answers vary; should include car type and reasonable price estimate for new or used car

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

Research common car expenses. practicalmoneyskills.com/ff63

Answers may include car insurance, license and registration fees, gas, and car maintenance

Prepare Financially

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

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

Resources: Buying a Used Car. practicalmoneyskills.com/ff64
Leasing a Car. practicalmoneyskills.com/ff65

Answers may include: Used cars allow you to avoid immediate value depreciation. Leasing may be a good option if you want to get a new car every few years. Students should consider vehicle value and maintenance history in decision-making.

How much car can you afford?

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

Answers vary; should include reflection on current savings and potential amount per month that can be spent on a vehicle

Life Events: Buying a Car Action Plan, cont.

How will you pay for your car?

Resource: Auto Financing. practicalmoneyskills.com/ff67

Answers vary; may include auto dealership financing, bank loans, savings plan, etc.

Building a Support Team and Taking Next Steps

What strategies can you use to get a good deal?

Answers vary; may include negotiating price, refusing add-ons, comparison shopping, looking at dealer incentives, etc.

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

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

Answers vary; may include saving monthly or comparison shopping

Life Events: Choosing Housing Action Plan

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

Directions: Have students do their homework before starting this activity on page 14 of their Student Activities guide. Research options for buying a home or renting an apartment using the resources listed below.

Resources: Buying a Home. practicalmoneyskills.com/ff69
Renting an Apartment. practicalmoneyskills.com/ff70

Set Your Sights

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

Research renting and buying: practicalmoneyskills.com/ff69
practicalmoneyskills.com/ff70

Answers may vary slightly; should include:

	Renting	Buying
Rights	• *Landlord keeps rental unit in good condition (working appliances, running water, stays on top of repairs)* • *Garbage and recycling cans available for regular use* • *24-hour notice by landlord if he or she needs to enter rental unit*	• *May modify the home as you see fit (painting rooms)* • *May rent out your property to make income* • *May take tax deductions*
Responsibilities	• *Paying rent on time* • *Not damaging property* • *Not disturbing neighbors* • *Take a video inventory of the apartment prior to moving in and just after moving out to document the condition of the apartment and any pre-existing damage. This will help to ensure return of security deposit.*	• *Upkeep and maintenance* • *Paying up-front costs and monthly mortgage*
Risks	• *Consequences of failing to build long-term wealth through buying* • *Unruly neighbors* • *Could be forced to move by landlord*	• *Lack of mobility (such as steep housing price declines at a time when you need to sell your home, need to move but cannot sell your home, etc.)* • *Expensive maintenance and repairs*

Life Events: Choosing Housing Action Plan, cont.

Which appeals to you most and why?

Answers vary

Searching for the Right Place

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

Research and list at least three things to consider.

Resources: Choosing the Right Home. practicalmoneyskills.com/ff71
Searching for the Right Place. practicalmoneyskills.com/ff72

Answers vary; may include location, costs, and lifestyle goals

Prepare Financially

How do the costs compare for renting vs. buying?

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

Use the calculators below to weigh the costs.

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

Which will cost more up front?

- *Purchasing a home*

What are the recurring costs for renting? For buying?

- *Renting: renters insurance and monthly rent*
- *Buying: homeowners insurance, mortgage payments, maintenance and renovation costs, and property taxes*

What is the potential long-term benefit of buying?

- *You own the property and may be able to sell or rent it to make a long-term profit.*

Taking Next Steps

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

- *Answers vary; may include building credit, saving consistently, and beginning to research what it will take financially to buy a home*

Life Events: Landing a Job Action Plan

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

Directions: Have students do their homework before starting this activity on page 17 of their Student Activities guide by learning more about landing a job using the resource list below.
Resource: Landing a Job. practicalmoneyskills.com/ff75

Set Your Sights

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

Answers will vary

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

Answers will vary; should align with personal career goals described above

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

Answers will vary; should align with personal career goals described above, may include industry-specific skills such as coding as well as general workplace skills

Preparing for the Job Search

Directions: Instruct students to research how to prepare for a job search before answering the questions at the resource listed below.
Resource: Preparing for the Search. practicalmoneyskills.com/ff76

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

Answers will vary; should reflect on current digital footprint and personal use of social media and web platforms to share information

Choose between the options below:

- Option #1: Write a resume and cover letter that you can add to a summer job application, to help you stand apart from other job applicants. You can find tips on creating an effective resume at Preparing for the Search. practicalmoneyskills.com/ff96.
- Option #2: Imagine you are 30 years old. Based on your current career and education aspirations, construct a resume and cover letter for your 30-year-old self; when you're done, use these as a college and career road map.

Life Events: Landing a Job Action Plan, cont.

• Option #3: Create a LinkedIn account highlighting your professional strengths.

Answers will vary

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

Answers will vary; may include highlighting personal strengths, positive work habits or industry-specific skills

Acing the Interview

Discover tip and resources for interview prep.

Resource: The Interview. practicalmoneyskills.com/ff77

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

Answers will vary; may include sharing why you're interested in the position, what your strengths and weaknesses are, and why you think you'd be a good fit for the position. Preparation should include researching company or organization, bringing copies of resume, and practicing how you will answer questions to highlight your skills and interest in position.

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

Answers will vary

Working From Home: Business or a Side Hustle

One of the fastest-growing segments of America's workforce is the self-employed.

What does it take to be your own boss?

Instruct students to use the resource listed below before answering the questions.

Resource: Working from Home. practicalmoneyskills.com/ff78

Answers will vary; may include being self-motivated, tracking your expenses and payments, pursuing contracts, etc.

What skills might you use to work from home?

Answers will vary; may include writing, research, coding, graphic design, etc.

Taking Next Steps

How could you begin building job skills now with an internship or volunteer position?

Direct students to use the resource listed below before answering the question.

Resource: Internship Resources. practicalmoneyskills.com/ff79

Answers will vary

Life Events: Family Life Action Plan

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

Directions: Assign this as an individual or group exercise; refer students to page 20 of the Student Activities guide.

Set Your Sights

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

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

Answers will vary

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

Welcoming a Pet

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

Directions: Instruct students to read the article at the resource below before they begin this action plan on page 20 of their Student Activities guide.

Resource: How to Save Money While Welcoming a New Pet to Your Home. practicalmoneyskills.com/ff83

What kind of pet are you interested in?

Answers will vary

Is this pet affordable in your life? What are the up-front costs? What are the recurring costs?
(List items and estimated prices)

Answers vary; may include options below

Life Events: Family Life Action Plan, cont.

Items	Cost
Food *Annual vet visit* *Toys* *Pet sitting* *Emergency vet visit*	*One bag a month $35* *$45* *$20 a month* *$15 per visit (average of 10 visits a year)* *$450*
	Total: $1,305 a year

Planning a Trip

Directions: Explain to students that from choosing a destination to getting their gear, they can learn about five ways to save before setting off on their next adventure. Instruct them to read the article listed in the resource below.
Resource: How to Save Money on Your Next Outdoor Adventure. practicalmoneyskills.com/ff84

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

Answers will vary

What will your budget be for the whole trip?

Answers vary; should include reasonable total estimate of expenses for the trip being taken

Calculate the costs, and record your total. How did you stay within your budget?
Resource: Travel Budgeting financial calculator. practicalmoneyskills.com/ff85

Answers vary; should include reasonable estimate of expenses for the trip being taken

Hosting a Party

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

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

Answers will vary

What will your budget be for the whole event?

Answers vary; should include reasonable total estimate for party

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

Answers vary; should include reasonable estimate of expenses for the event

Life Events: Handling the Unexpected Action Plan

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

Have students do their homework before beginning this activity, which begins on page 23 of their Student Activities guide by learning more about handling the unexpected.

Building an Emergency Fund

Directions: Explain to students that experts say it's smart to build and maintain an emergency fund with three to six months' worth of living expenses. Instruct them to review the resource listed below prior to answering the questions.
Resource: Building an Emergency Fund. practicalmoneyskills.com/ff90

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

Answers vary; may include unexpected dental or medical treatment, car repairs, etc.

How much should you save for an emergency fund if your total monthly expenses are $250? Or $1,000?
Check out the Emergency Fund calculator to take a look at your finances and determine how much you should be saving in preparation for the unexpected. A typical emergency fund should cover three to six months' worth of expenses.
Resource: Emergency Fund financial calculator practicalmoneyskills.com/ff91

- *Monthly expenses of $250, need to save $750-$1500*
- *Monthly expenses of $1,000, need to save $3,000-$6,000*

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

- *15 months*

Insurance in Case of Emergency

Directions: Explain to students that unexpected events can take a lasting toll on your financial security. While you can't predict what experiences you will encounter in life, there are steps you can take to prepare for the unexpected by having insurance. Instruct students to review the resource listed below before answering questions.

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

Life Events: Handling the Unexpected Action Plan, cont.

What is insurance?

Answers may vary slightly; could include an agreement/service that helps to protect against financial risk in the event something unexpected happens

How can insurance help in handling the unexpected?

Answers may vary slightly; could include the point that with reliable insurance, many medical, auto- and home-related payments may be covered in part or completely. Purchasing disability and life insurance policies are also worth considering. While having insurance won't eliminate unexpected expenses, it can make a significant difference if you find yourself in a difficult financial situation. Think ahead and learn more about health, life, auto and homeowners insurance to protect your finances.

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

Medical/health insurance

Provides financial coverage for doctor visits and health care.

Life insurance

Provides financial protection for family members in the event of your death.

Auto insurance

Insurance to help cover driver- and vehicle-related costs in the event of an accident or theft.

Renters insurance

Property insurance that helps cover a policyholder's belongings, liability and possibly living expenses in case of a loss event.

Homeowners insurance

Property insurance that covers losses and damages to an individual's house and to assets in the home; it also provides liability coverage against accidents in the home or on the property.

[5]Bankrate's January 2019 Financial Security Index survey

Glossary of Terms

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

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

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

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

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

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

Bookkeeping: The recording of financial transactions and exchanges.

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

Capital gains: Profits from the sale of an investment.

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

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

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

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

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

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

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

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

Depreciation: The decrease in value of assets over time.

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

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

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

Glossary of Terms, cont.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Glossary of Terms, cont.

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

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

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

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

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

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

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

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

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

Mortgage: A loan secured in order to purchase property.

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

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

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

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

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

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

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

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

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

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

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

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

Glossary of Terms, cont.

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

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

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

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

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

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

Saving

Lesson 2: Teacher's Guide | Pro: Ages 14-18

FINANCIAL FOOTBALL

Get a Game Plan for Saving

Savings are essential to building wealth and reaching financial goals. This 45-minute module builds students' saving awareness and skills.

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

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

Module Level: Pro, Ages 14-18

Time Outline: 45 minutes total

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

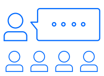
Materials: Facilitators may print and photocopy handouts and quizzes, and direct students to use the online resources below.

- **Pre- and Post-Test questions:** Use this short grouping of questions as a quick, formative assessment for the Savings module or as a Pre- and Post-Test at the beginning and completion of the entire module series.
- **Practical Money Skills Savings resources:** practicalmoneyskills.com/ff23
- **SMART Savings Goals handout:** Students will examine goal-setting criteria, then set some of their own.
- **Savings Best-Case Scenario handout:** Students will play with a partner or small group to identify the savings options for each situation.
- **Written Exercise Compound Interest handout:** Students will the magic of compound interest with some simple calculations.
- **Glossary of Terms:** They'll find basic financial concepts with this list of terms.

Icon Key

Activity

Assign the given activity to students and have them complete it individually or with a group, depending on the instructions.



Ask

Pose questions to your students and have them respond.

Assign

Designate individuals or groups to complete a particular assignment.

Debrief

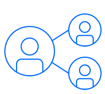
Examine the activities as a whole group and compare answers and findings.

Did You Know?

Share these fun facts with students throughout the lesson.

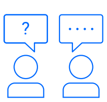
Pre- and Post-Test

Have students take the Pre-Test before the lesson, and take the Post-Test after completing the lesson.



Share

Read or paraphrase the lesson content to students.



Turn and Talk

Have students turn to a partner and discuss a specific topic or question.

Table of Contents

Learning Objectives

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

Key Terms and Concepts

Before you start the lesson, review the key terms and concepts below. The answers to each question will help you get students prepped and game-ready. Get deeper information around these concepts in the Facilitator Script section on pages 6 to 9 of this guide.

Why save money?

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

How much should you save?

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

What are the best strategies for saving money?

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

Learning Objectives, cont.

Do you need a savings account to save?

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

What are the benefits to having a savings account?

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

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

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

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

How do retirement accounts differ from savings accounts?

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

How does interest work?

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

Module Section Outlines with Facilitator Script

Introduction: Warm-Up

Share: Explain to students that the security an emergency fund provides is an important reason to save. Reinforce that creating positive saving habits can help them reach our goals and be ready for the unexpected.

Optional Pre-Test: Have the class turn to page 6 of their Student Activity guide.

Did You Know?

Ask half the room to stand. Tell the group that more than half of Americans (40%) do not have enough cash to cover a $400 emergency.[1]

Savings Basics & SMART Goals

Share: Explain to your students that saving is essential to building your long-term wealth, and it is important to save early in life and often. Regardless of your age, you can save a percentage every time you receive money, whether it's from a paycheck or a monetary gift. The everyday decisions you make about money can have a lifelong impact. Saving allows you the freedom and flexibility to fulfill your goals and helps you develop good personal finance habits.

Group poll: One of the most common questions about savings is how much you should save. What do you think the recommended percentage of each paycheck you should save? Is it 2%, 5%, or 10%? Explain that a guideline for consistently saving is to put aside a minimum of 10% of each paycheck.

Share: For many Americans, knowing that we should save is not enough. It takes small consistent actions to build savings and set a habit. Some strategies for taking action:

- Create a budget and stick to it. Start saving now, even if it's just a few dollars a week.
- Pay yourself first, with a split deposit into checking and saving.
- Save your raises.
- Save your windfalls such as birthday money or tax refunds.
- Keep emergency savings liquid (easily accessible).
- Set financial goals to keep on track.
- Consider your options to grow your money; saving is for short-term goals and emergencies. Savings need to be easily accessible and there should be no risk of loss. Investing is for long-term goals and may be exposed to the risk of loss in return for the opportunity for greater returns.

Activity: Lead students in drafting a personal SMART financial goal, after reviewing examples of SMART goals at practicalmoneyskills.com/ff25 or the SMART Savings Goal handout on page 7 of their Student Activities guide. To support setting specific goals, students may also use the Emergency Fund financial

Module Section Outlines with Facilitator Script, cont.

calculator: practicalmoneyskills.com/ff27.

Optional Activity: Have students craft a brief note stating their goal and send it to their future self at futureme.org.

Group Discussion: Start a class discussion about potential strategies students could use to overcome obstacles to reaching their goals. Note themes and point out strategies mentioned.

Choosing Savings Options

Activity: Guide students in playing Best-Case Scenario, which is played like the survival card game, Worst-Case Scenario. Break students into pairs or small groups. Have students examine the savings options line graph on the Best-Case Scenario handout on page 8 of their Student Activities guide.

Share: Each savings product has its own pros and cons. There are many categories of savings accounts to choose from. You can use one savings account or multiple ones to organize your money for various purposes. Being a sharp consumer will help ensure you find the product that best fits your needs at any point in life. Ask which product on the line graph (on page 8 of the Student Activities guide) requires a larger initial deposit (CD). Which accounts are more liquid — or allow for easier withdrawals and access to money (checking and savings accounts)?

Savings Accounts

- Basic bank savings accounts offer the lowest interest rates, usually less than 1%. They come with few restrictions on access to your money, and they don't usually have required minimum balances. These accounts associated with brick-and-mortar banks also can be accessed online.

- Money market accounts are high-yield accounts that pay interest based on the current market rates. They are likely to require a higher minimum balance than a basic bank savings account.

Did You Know?

Share how the impact of inflation is another consideration when looking at how our money grows over time. It works in the opposite direction that compound interest does. How many of you have heard about groceries or gas being less expensive in the past? Annual inflation rates in the U.S. have typically been 2 to 3%.[2]

- Online savings accounts are typically similar to basic bank savings accounts, but they offer higher interest rates because they operate online and don't involve the overhead (operating costs) that standard banks do.

- Credit unions are like banks, but they're owned by their members and may offer higher interest on savings.

- Automatic savings plans are options you can set up for your savings account. You can choose to automatically transfer a set amount from your checking account to your savings account every month.

Certificate of deposit (CD) is a savings option that is best suited to those who have funds that can

Module Section Outlines with Facilitator Script, cont.

remain completely untouched for longer periods of time. They differ from savings accounts in that they have a specific fixed term (from three months up to five years or longer) and usually a fixed interest rate. They generally offer higher interest rates. However, you may face a steep penalty if you withdraw money before the term ends.

401(k) plans are retirement savings accounts sponsored by your employer. You contribute up to a certain amount of your own money before income taxes are deducted, which lowers your taxable income. Many employers will match your contributions, up to a certain percentage, further increasing your retirement fund.

Individual retirement accounts (IRAs) are personal savings accounts that enable you to put money aside annually. You can also receive tax breaks for these funds.

Assign: Have students work in the same small groups and ask each team to decide which savings product best fits scenario needs and why (continued on page 8 of the Student Activities guide). Teams may reference practicalmoneyskills.com/ff24.

Share: Remind students of these things to consider:

- Their goal and how much they have to deposit
- Their personal access needs: liquidity
- Interest rates
- Fees

Growing Your Money

Share: Explain to students that saving money doesn't always have to be hard work. You can effortlessly increase your funds by depositing money in a savings account. In exchange for opening an account and giving the financial institution money, your savings will be increased by a certain percentage every year. This percentage is called interest. The longer you leave your savings untouched, the more your money will grow.

Share: Your money can grow exponentially over time with the magic of compound interest. Compound interest is calculated on both the principal and the accrued interest. Share the formula for compound interest.

Compound Interest Formula:

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

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

P = The principal, the initial deposit or loan amount

r = The annual interest rate (decimal)

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

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

As an optional activity, you can share the Khan Academy video, Introduction to Compound Interest,

Module Section Outlines with Facilitator Script, cont.

practicalmoneyskills.com/ff29

Financial Calculator: practicalmoneyskills.com/ff30

Assign: Have each student choose two of the Best-Case Scenario savings product options on page 8 of the Student Activities guide to see how the money would grow over time given the calculator rates and scenario deposit amounts.

Optional Activity: See the Compound Interest Written Exercises on page 9 of the Student Activities guide. Have students practice finding the magic of compound interest with some simple calculations.

Did You Know?

Share the Rule of 72. This mathematical formula can be used to find out how long it will take to grow your money with stocks and investments. First, divide 72 by your account's fixed annual interest rate. For example, if your rate is 6%, divide 72 by 6. At that rate, it will take 12 years to double your savings. When you think about your financial goals, applying the Rule of 72 can have a positive impact by helping you make informed decisions.[3]

Closing: Group Discussion

Share: Walk students through these 5 Tips for Saving:

1. **Make savings a priority.** Each time you're paid, put a portion of it toward savings. Saving money is a good habit no matter how much or how little you put away each month.
2. **Automate your savings.** Most financial institutions allow you to automatically transfer funds online or via mobile apps from checking to savings accounts.
3. **Find money to save.** Keep track of everything you spend for a week — you'll be surprised where the money goes. Adjust your spending habits a little and suddenly, you're saving.
4. **Keep the change.** Some supermarkets have machines that count your coins and give you cash in exchange for a small fee. Gather up your spare change, pour it into the kiosk machine and see how quickly your coins add up. Instead of spending it right away, consider diverting your newfound funds to savings.
5. **Cancel extra costs.** Check to see if you have any old subscriptions that you're not using anymore — whether it's to a gym, magazine, or streaming service. Many services that you may no longer want could cost you hundreds of dollars per year.

Ask: As a follow-up, ask students what is one action they plan to take or one savings tip they'll share with a friend.

Optional Post-Test: Have your class turn to page 6 of their Student Activities guide to take the optional Post-Test.

[1]Federal Reserve Board's 2017 Report on the Economic Well-Being of U.S. Households
[2]Statista.com
[3]Practical Money Skills

Lesson 2 Saving: Answer Keys

> Saving Pre- and Post-Test

> SMART Savings Goals handout

> Savings Best-Case Scenario handout

> Written Exercise Compound Interest handout

Saving Pre- and Post-Test

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

Answer Key

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

(Ideally enough to pay 3-6 months' expenses)

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

(10-12%)

3. A savings account pays you:

a. A fixed amount of money every month

b. Interest on your account balance

c. Every time you use your debit card

d. Interest on the amount you borrow

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

($331)

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

a. A retirement account

b. A savings account

c. A certificate of deposit

d. A company stock portfolio

SMART Savings Goals

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

Directions: Lead students in drafting a personal SMART financial goal using the worksheet on page 7 of the Student Activities guide.

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

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

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

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

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

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

Answer Key

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

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

Answers will vary

Best-Case Scenario

Directions: Break students into pairs or small groups and examine the savings options line graph below. Ask students to select the best answer in the two scenarios in this activity. See page 8 of the Student Activities guide.

Savings options:

More liquid Less money to save Lower interest rate	Less liquid More money to save Higher interest rate

Checking account — Savings account — Money market account — Certificate of deposit (CD)

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

Answer Key

Scenario 1: Don’t let fees eat you alive

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

A. Basic savings account, .25% interest, no minimum balance requirement, no monthly maintenance fees

B. Online savings account, 1.25% interest, $4 monthly maintenance fee if average balance is below $500

C. Premium savings account, 1.5% interest, $10 monthly maintenance fee if average balance is below $1,500

Scenario 2: Make the most of interest

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

A. Online savings account, 1.25% interest, $4 monthly maintenance fee if average balance is below $1,000

B. Money market account, 1.5% interest, $10,000 minimum deposit, $12 monthly fee if balance is below $5,000

C. Certificate of deposit (CD), 2.5% APY for six months, $2,500 minimum deposit, withdrawal penalty fee if you take money out before six months ends

The Magic of Compound Interest

Answer Key

Directions: Have students calculate how much compound interest will be added to their savings by answering the questions in this activity which is on page 9 of their Student Activities Guide.

Compound Interest Formula:

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

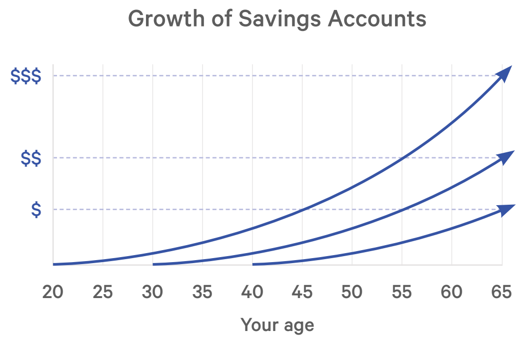
A = Total amount of the future value of the investment/loan with interest

P = The principal, the initial deposit or loan amount

r = The annual interest rate (decimal)

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

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



Find how much total savings you would have:

If you put $100 in a savings account every year with a 3% APR for 25 years?

__________*($3,964.68)*

If you put $1,000 in a money market account every year with a 4% APR for 30 years?

__________*($61,571.73)*

If you put $5,000 in a Roth IRA every year with a 6% APR for 35 years?

__________*($629,034.77)*

Using the How Will My Money Grow? financial calculator (practicalmoneyskills.com/ff26), determine who will have saved more for retirement.

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

__________*($2,288,996)*

The Magic of Compound Interest, cont.

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

__________ *($1,532,166)*

Who will have more saved for retirement?

Ben will have more saved for retirement.

Glossary of Terms

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

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

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

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

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

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

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

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

Capital gains: Profits from the sale of an investment.

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

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

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

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

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

Depreciation: The decrease in value of assets over time.

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

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

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

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

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

Glossary of Terms, cont.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Glossary of Terms, cont.

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

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

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

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

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

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

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