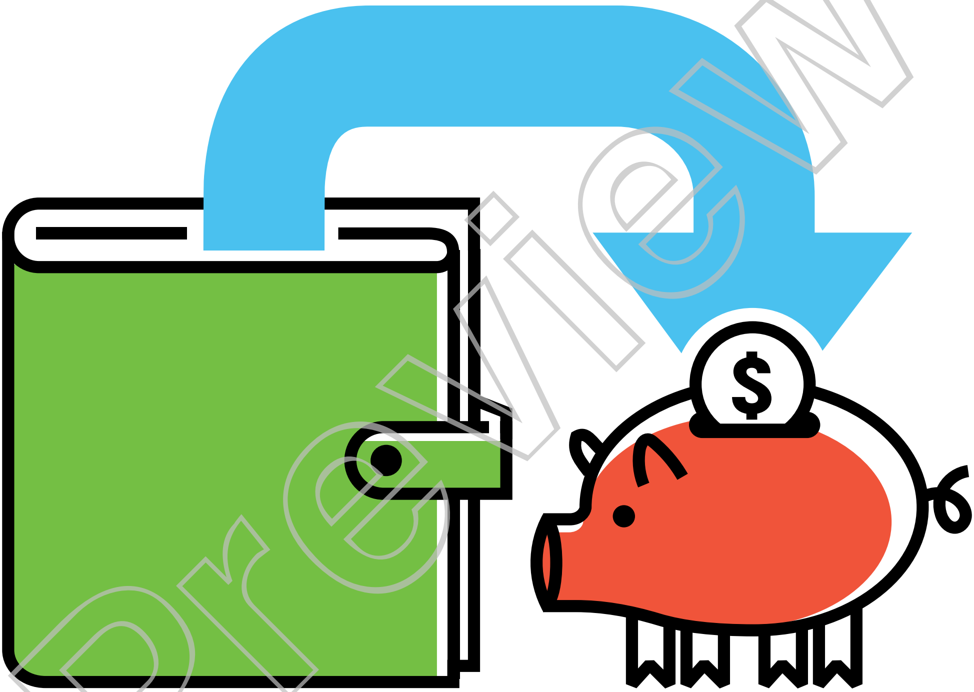
Being Smart with Money



Activities to help you learn how to make smart financial decisions

Your Money & You

For better or worse, our lives revolve around money. We earn it, save it, invest it, donate it, and, of course, spend it. How much money we have can determine what kind of lifestyle we're able to afford.

Learning how to control one's spending is perhaps the most important part of money management. *Reflecting on your spending habits now will help put you on the path to a bright financial future.*

Think About Your Finances

1. How have you received money in the past? Check all that apply.

   _____ employment
   _____ gifts (birthdays, holidays, graduation)
   _____ allowance
   _____ loans
   _____ other ______________________________

2. What do you most often do with your money? Rank the following on a scale of 1–4 (1 being what you most often do, 4 being what you seldom/never do).

   _____ spend it on yourself
   _____ spend it on someone else
   _____ save it
   _____ loan or give it to someone else

3. Of the money you spend, what percentage would you say you spend on things you need (like food and clothing) and on things you just want?

   _______% on things I need   _______% on things I want

4. What are your future financial goals? Put a check mark by your top three.

_____ own my own car

_____ own my own home

_____ have money for travel

_____ have money to help my family

_____ pay for college

_____ have money to save

_____ have money to invest (stocks, bonds, crypto)

_____ have money to donate to charities

_____ other_______________________________

5. Do you save money? If so, where do you keep it?

____

Check the box that best describes how you currently feel.

☐ I understand the importance of money and I'm interested in learning about money and finances.

☐ I understand the importance of money, but I don't think it's something I need to be concerned about yet.

☐ Money and finances are not topics that interest or concern me.

Learning how to manage your money is one of the most important skills you will learn in life. Learning how to make smart financial decisions now will help put you ahead of the game—and on the path to financial success.

Needs vs. Wants

People who are smart with their money think about how to make the most of it. Every day they make well thought out decisions about what to spend their money on and, perhaps more importantly, what not to spend their money on.

Needs vs. Wants

Whenever you think about spending your money on something, it's important to determine if it's a *need* or a *want*. As you might guess, *needs* are things you must have to live and *wants* are things you would like to have, but can do without.

Consider the following purchases and write **N** *if it's a need or* **W** *if it's a want.*

__________ new phone

__________ concert tickets

__________ going out to eat with friends

__________ calculator for math class

__________ new shoes because your old ones have a hole in them

__________ haircut for your new job

__________ new shoes because you want a pair like your friend's

Businesses work hard to convince you that you don't just want what they're selling—you NEED it. So, before you spend your hard-earned dollars, ask yourself, "Is this something I need?" If it's not, make sure that you're being selective—and that you are spending your money on things that are really important to you.

Making Choices

Imagine that you have a new job and you just got your first paycheck. You now have $1,000 that you can spend. *List the items you would spend the money on, and indicate if it is a need or a want.*

______________________	☐ need	☐ want
______________________	☐ need	☐ want
______________________	☐ need	☐ want
______________________	☐ need	☐ want
______________________	☐ need	☐ want
______________________	☐ need	☐ want

Being a Smart Consumer

Whether you are purchasing a new video game system or car insurance, it's important to be a savvy shopper. Here are some tips for being a smart consumer.

- **Think about it.** Wait a day or two before making a purchase. Waiting helps eliminate bad decisions.
- **Beware of additional fees or very high shipping charges.** Companies use tactics such as these to hide the actual cost of their products.
- **Don't purchase extended warranties.** Businesses love for you to buy these, but they are seldom a good deal for the customer.
- **Do your research.** Do some comparison shopping and read customer reviews.

Smart Spending

Smart spenders focus on the things they need and spend their money wisely. Of course, lots of people spend more than they can afford, often buying things on impulse. These people typically have a hard time paying all of their bills each month, and they often find themselves in debt.

Being in debt and feeling like you can't get ahead financially can be very stressful.

How to Get Ahead Financially

Here are some ways that you can get ahead financially.

- Don't spend money on things you can't afford.
- Learn as much as you can about money and finances so that you can make smart financial decisions and manage your money effectively.
- Keep track of your spending. You can use pencil and paper, a spreadsheet, or a budgeting app like Monefy, YNAB, or Goodbudget.
- Save your money. Whenever you get a paycheck or money as a gift, put some of it in a savings account. Pay yourself first!
- Learn about investing. Wealthy people seldom get rich overnight. They work hard, spend less than they earn, and grow their money through investments. When you have money invested, your investments can make money for you while you sleep. *For information on how to grow your money, watch this video.*

VIDEO

Set a long-term goal that will help you get ahead financially.

____

____

Credit vs. Debit Cards

While adults generally use a debit or credit card to pay for their purchases, most young people use a debit card.

Debit Card. If you have a checking account, you can get a debit card. When you use a debit card to make a purchase or get cash from an ATM, the money is automatically deducted from your checking account. Debit cards have some definite advantages—there are no interest charges, no end-of-the-month bill to pay, and they are relatively easy to get.

Credit Card. A credit card allows you to borrow money from a bank or business to make purchases. If you do not pay the loan within the designated time period (usually a month), you're charged interest (a fee) on the unpaid amount. Paying your credit card balance in full and on time will help you build a good credit record—which can be very helpful.

Credit and debit cards look the same and are similar in many ways, but as you can see here, there are some differences.

	Debit Card	Credit Card
Can get cash out of ATMs	yes	yes
Can use for purchases	yes	yes
Charges interest	no	yes
Affects credit rating	no	yes
Connected to bank account	yes	no

Test Your Knowledge

Write ***C*** if you think the statement is true for credit cards, ***D*** if it's true for debit cards, or ***B*** if it's true for both.

_______ 1. can be used anywhere cards are accepted

_______ 2. charges interest

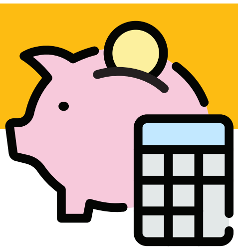
_______ 3. deducts money from your checking account

_______ 4. most popular payment method of young people

_______ 5. affects your credit record

1.B 2.C 3.D 4.D 5.C

Saving



There are lots of reasons to get in the habit of saving money!

Reasons to Save

When you regularly save some of the money you receive, you will have:

- money for something you need or want, like a new phone, shoes, video game system, or spring trip.
- funds for something important, like college tuition—so that you don't have to take out a large loan.
- money for a down payment. (When you take out a loan on something expensive, like a car or house, your loan payments are lower if you're able to put money toward a down payment.)
- an emergency fund in case you face an unexpected expense, such as a car repair.
- money to invest.

To learn more about how banks can help you save and grow your money, watch this short video.

VIDEO

Think About It

Think about your current spending and savings habits and about how financially responsible you are. What can you do to be smarter with your money and more financially responsible?

____

____

____

Budgeting

Activities to help you learn how to create and use a budget

What Is a Budget?

A budget is simply a plan that helps you decide how you're going to spend your money over a designated period of time. A budget involves managing your money by tracking your income and spending—and living within your means.

Why You Should Have a Budget

Many people are uncertain about how much they spend, how much they earn, and what they owe. They spend more than they can afford and then wonder how they're going to pay all of their bills. *The first step in avoiding this situation is to create and maintain a budget.*

Think about it!

Sticking to a budget isn't always easy. For example, have you ever decided that you were only going to spend a certain amount on something, like a new outfit or video game, and found it hard to do?

Write about a time that you tried to limit your spending or save up for something you wanted to buy. Was it difficult? How successful were you?

How to Create a Budget

Here are some tips for easily and effectively creating a budget.

- **Determine a time period.** Will your budget cover a week, a month, or another time period?
- **Enter your income.** Figure out your expected income for that time period.
- **Categorize your expenses.** Think about what you spend your money on and create a list of expense categories that makes sense to you (for example: dining out, car loan, cell phone, clothes, entertainment).
- **Determine if each expense is fixed or flexible.** Fixed expenses, such as a car loan, are the same every time period. Flexible expenses, such as dining out, usually change each time period.
- **Take each category and budget a dollar amount for that time period.** Put your fixed expenses into your budget first. This will help determine how much you have available for your flexible expenses.
- **Keep track of your spending.** Enter how much you actually spend in each category.
- **Review and balance your budget.** At the end of your budget period, compare your income with your expenses. If your income exceeds your expenses, you now have money to save. A negative balance reveals that you're spending more money than you're taking in.

Test Your Knowledge

Circle **True** or **False** for each statement below. Answers are at the bottom of the page.

1. A car payment is an example of a fixed expense. **True** **False**
2. Weekly budgets are always the best. **True** **False**
3. It's good to have a negative balance each month. **True** **False**
4. Buying clothes is a flexible expense. **True** **False**
5. It's not necessary to categorize your expenses. **True** **False**

1.T 2.F 3.F 4.T 5.F

Budgeting in Action

Let's take a look at two student budgets and see what you can learn from them.

Cassie's Budget

Cassie lives in an apartment, works 18 hours a week, and shares expenses with her three roommates. Below is a copy of her monthly budget.

	Monthly Income: $1200		
	Expenses	Budgeted	Spent
Fixed Expenses	Rent	$250	$250
	Utilities	$60	$60
	Car insurance	$150	$150
	Car payment	$220	$220
	Internet/cable	$25	$25
	Cell phone	$80	$80
Flexible Expenses	Gas	$65	$80
	Groceries	$100	$130
	Entertainment	$50	$90
	Clothes	$50	$150
	Misc. (shopping, going out)	$115	$90
	Total Expenses	$1165	$1325
		Balance	- $160

As you can see, Cassie had a negative balance at the end of the month. She spent $160 more than she brought in. Cassie will either need to use her savings or go into debt in order to cover her expenses. *What changes do you think Cassie should make to her spending next month?*

Josh’s Budget

Josh lives with a roommate and has a part-time job at a grocery store.

In the “Spent” column below, enter the following figures showing what Josh spent this month in each category.

Fixed Expenses: Rent-$700 / Utilities-$90 / Car insurance-$95
Car payment-$250 / Cell phone-$65

Flexible Expenses: School supplies-$35 / Gas-$40 / Food-$190
Entertainment $165 / Clothes $96 / Misc $72

Add up what Josh spent to get a “Total Expenses” figure.
To get a balance, subtract the total Josh spent from his monthly income.

	Monthly Income: $1700		
	Expenses	Budgeted	Spent
Fixed Expenses	Rent	$700	$700
	Utilities	$90	
	Car insurance	$95	
	Car payment	$250	
	Cell phone	$65	
Flexible Expenses	School supplies	$40	
	Gas	$45	
	Food	$200	
	Entertainment	$100	
	Clothes	$50	
	Misc.	$75	
	Total Expenses	$1710	
		Balance___________________	

1. What was the amount Josh budgeted for expenses this month?

   ____

2. How much did Josh spend this month? ____________ Is he under or over budget this month? _____________

3. In what two areas did Josh not stay within his budget?

   _____________________________ _____________________________

Answers: 1. $1,710 2. $1,798 / over 3. Entertainment and Clothes

Creating a Budget

When you're paying your own bills, tracking your spending and having a budget are more important than ever.

To create a budget, you need to track your income (money coming in) and your expenses (money you spend). Some people organize their budget by the month; others prefer to create a weekly budget. Choose the time period that works best for you.

Tracking Your Spending

When you record and review all of your purchases, it's easier to get a good sense of how much money you have and of how much you spend. When you write down every cup of coffee and snack you buy, you can see how these little purchases add up! Being aware of how much you spend on things will also make building a budget much easier.

Check out this example of someone tracking their spending.

Date	Description	Payment	Deposit	Balance
1-7-22	Paycheck		350.00	490.62
1-7-22	Starbucks	5.99		484.63
1-9-22	Phone bill	99.50		385.13
1-9-22	McDonald's	8.53		376.60
1-10-22	Birthday money		50.00	426.60
1-11-22	Car payment	210.00		216.60
1-12-22	Car insurance	160.00		56.60

Many people think that with the popularity of online banking, tracking your spending is no longer necessary. Not so! Even though most banks have apps that allow you to track your purchases in real time, some retailers take longer than others to withdraw money from your account. This can give you an inaccurate idea about how much money you have.

Your Budget

Try putting your information into this sample worksheet. Remember, the steps for creating a budget are as follows:

- Determine a time period.
- Enter your expected income for that time period.
- Write in your fixed expense categories.
- Write in your flexible expense categories.
- Budget a dollar amount for each category.

Keep a record of what you spend in each category during that time period.

At the end of the time period, enter the total amount you spent for each category. Then balance your budget.

Time period: ____________________ Income for time period: _______________

	Expenses	Budgeted	Spent
Fixed Expenses			
Flexible Expenses			

Balance____________________

There's an app for that!

Pen and paper sound like a hassle? There are many apps out there that make budgeting simple, such as Goodbudget and YNAB.

It All Adds Up!

When you track your spending, you quickly notice that small purchases can really add up—and this can mess up the most carefully planned budget! This is why it's so important to be a smart spender.

Making Choices

Suppose you're the head of the planning committee for a school dance. The committee's fundraiser brought in $500 that you can spend on the dance. The committee came up with a list of things they'd like to use the money on, but it adds up to more than $500. As head of the planning committee, it's up to you to make a final decision on what to buy.

Consider the following items and circle the ones you're going to spend the money on. Enter the total amount you will spend.

Pizza and snacks – $200	Pizza only – $150
Snacks only – $50	Soda – $50
Plates, cups, and napkins – $25	Balloons & Streamers – $14
Black light – $30	Speaker rental – $100
DJ (includes speakers) – $200	Photographer – $200
Photo booth rental – $150	TOTAL:______________

$500 can seem like a lot of money, but as you can see, it doesn't go a long way when the items you want cost more than the money you have.

Because we very seldom have the money for everything we need and want, we must make good choices and spend our money wisely.

What kinds of choices have you had to make with your money?

____

____

____

Building Credit

Activities to help you learn how to build and use credit wisely

Building Credit

Just like your GPA tells others how well you've done in school, your credit record lets others know how well you've managed your money. Building a strong credit record will help ensure that financial institutions will want to lend you money—and that banks and businesses will be happy to provide you with a credit card.

Why Your Credit History Is Important

Would you be eager to loan money to a friend who hasn't paid you back for the money you loaned them in the past? Probably not. They have shown that they aren't reliable when it comes to paying their debts. Your friend is a bad credit risk, and they're going to have a hard time getting anyone to loan them money.

Just like you, banks and businesses don't want to loan money or give credit to people who don't repay their debts. Not surprisingly, they want to work with people whose past behavior has shown them to be financially responsible—*people who have a good credit record.*

How to Build and Maintain Good Credit

- Make all monthly payments (car loan, credit card, utilities, rent, cell phone) in full and on time.
- If you have a credit card, use it regularly, but use less than half of your available limit.
- Don't apply for numerous credit cards or loans.

The best way to build good credit is to always pay your bills on time. Being late with just one or two payments can adversely affect your credit record.

If you needed to borrow money from a friend, what kind of credit risk would they consider you to be?

☐ Excellent ☐ Pretty Good ☐ OK ☐ Poor

Borrowing Money

Bank loans

When people need a loan, they typically go to their bank or credit union and complete a loan application. The bank then checks their credit report to determine if they are a good risk. If their loan application is approved, the bank will go over the terms of the loan with them.

When someone has a loan from a bank, they are charged interest—this is the fee they must pay for the opportunity to use the bank's money. The better a person's credit record, the better chance they'll have of getting the loan they want at a low interest rate.

Here's the thing about interest.

Banks pay interest on interest-bearing accounts (like savings accounts) and they charge interest on the loans they make (like car and home loans). However, the interest someone is charged on the loans they take out is always higher than the interest they receive on their interest-bearing accounts. This is how banks make a profit.

Credit cards

When you use a credit card, you are borrowing money from a bank or company to make your purchase. If you pay what you owe within the grace period (usually 30 days), you won't owe any more than what you paid for your purchase. *This is very smart!*

If you don't pay the entire balance due, you will be charged interest on your next bill. Charging interest is how businesses make a lot of money—and it's the reason that many people get into financial trouble.

People who are turned down for a loan or credit should view it as

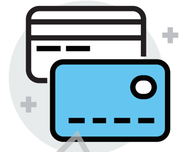
A. proof that they need to find a different bank or credit card company.

B. a reason to do a better job of managing their money.

C. the bank or credit card company saying that they have enough in their savings account, and so they don't need a loan or credit.

Answer at the bottom of page 4

Compounding Interest



Everyone should understand how the misuse of credit cards can get you into serious financial trouble, and about how compounding interest works.

When you use a credit card, you're getting a loan. To avoid having to pay interest, it's best to pay the entire balance each month. While this is the smart thing to do, the majority of credit card holders make minimum or partial payments each month.

Because they carry a balance on the card, the following month they will be charged interest on the unpaid balance—and also on the prior month's interest. *So now they are paying interest on the interest!* This is called **compounding interest**—and it's how a lot of people get into financial trouble. See the example below.

Take a look at this example illustrating how interest can turn a little debt into a lot of debt—fast!

Simone and Lisa each owe $3,000 on their credit cards. Simone makes $100 monthly payments. Lisa just pays the minimum amount that's due; she makes $40 monthly payments.

Simone's method takes 38 months. She will pay $784 in interest, totaling $3,784. Lisa's method will take 224 months. Because of compounding interest, Lisa will pay $5,960 in interest, totaling $8,960.

Every credit card holder has a credit limit. This is the maximum amount they can charge. However, some people do not let a maxed out credit card stop them from making additional purchases. They buy more and more stuff, max out multiple cards, and accumulate more and more debt. *This is a formula for financial disaster!*

While the misuse of credit cards can get you into financial trouble, using credit cards wisely and responsibly can help you build a good credit history, which is very important.

Answer pg 3 - B

Benefits of Good Credit

Having good credit pays off in lots of ways, and having a poor credit record can seriously limit your financial options.

To learn more about the benefits of having good credit, use the word bank to fill in the blanks below.

Word Bank

landlords	car	credit limit	interest
cell phone	loan	employers	utility

1. Having good credit helps you get lower ________________ rates on car loans, mortgages, and credit cards.

2. ____________________ often do credit checks when deciding if they will rent to prospective tenant.

3. Many providers do a credit check before a customer starts a new ____________________ plan.

4. Many ____________________ use a credit report to learn more about prospective employees during the hiring process.

5. You can get better rates on ____________________ insurance if you have a good credit record.

6. If you have a good credit record, you can qualify for a higher ____________________ on credit cards.

7. You may qualify for a larger ________________ if you have good credit.

8. If you have good credit, ____________________ companies might not require a security deposit when setting up a new account.

1. interest 2. landlords 3. cell phone 4. employers 5. car 6. credit limit 7. loan 8. utility

Your Credit Record

Banks and businesses want to give loans and extend credit to people whose past behavior has shown them to be financially responsible.

This means that before a bank or business will loan you money or give you credit, they want to feel reasonably certain that you will make the agreed-upon payments. This is why having a good credit record is so important!

Credit Scores

When you use a credit card, take out a loan, or open a bank account, lenders and creditors provide information on your accounts (and your performance) to one or more of the three major credit bureaus: Experian, TransUnion, and Equifax. The credit bureaus then use this information to create, maintain, and update your credit report—and to create a FICO credit score.

Credit scores range from 300 to 850. A score of 700 or higher is generally considered good.

Most young people have low credit scores simply because they haven't yet established a strong credit history. But a low credit score can have negative consequences.

Your score can mean the difference between being denied or approved for credit or a loan. It can also mean the difference between getting a low or high interest rate. A good score can also help you qualify for an apartment or lower your car insurance premiums.

Making Smart Choices

Every time you use a credit card, sign a lease, receive a bill, or take out a loan, you have the opportunity to positively or negatively impact your credit. Making smart choices will help your credit grow and make it easier for you to achieve your financial goals.

Look at each decision below. Indicate how it would affect your credit by circling + for positively, – for negatively, and NC for no change.

Answers are below.

1. Open multiple credit cards.	+	–	NC
2. Pay rent on time every month.	+	–	NC
3. Use a credit card regularly.	+	–	NC
4. Lose your job	+	–	NC
5. Make minimum payments each month.	+	–	NC
6. Use less than half your credit limit.	+	–	NC
7. Regularly contribute to a savings account.	+	–	NC
8. Use all available credit.	+	–	NC
9. Direct deposit your paycheck.	+	–	NC
10. Pay your cell phone bill in full each month.	+	–	NC

1. – 2. + 3. + 4. NC 5. – 6. + 7. NC 8. – 9. NC 10. +

Want to see your credit report?

Anyone can request a free credit report from annualcreditreport.com. Some banks and credit card companies also offer free credit reports (and sometimes free credit scores).

Test Your Knowledge

Mark each of these statements True or False.

1. When it comes to credit cards, the higher the interest rate, the better. T ☐ F ☐

2. When you use a credit card, you're getting a loan. T ☐ F ☐

3. Most credit cards don't have limits on how much you can spend, as long as you pay it back. T ☐ F ☐

4. Credit card companies commonly offer perks like rewards and low introductory rates to get you to choose their card. T ☐ F ☐

5. Compounding interest saves you money. T ☐ F ☐

6. Credit card companies make a lot of money on fees and interest. T ☐ F ☐

7. You should make more than the minimum payment when paying your credit card bills. T ☐ F ☐

8. Maxing out more than one credit card is a good idea because it allows you to have access to more money. T ☐ F ☐

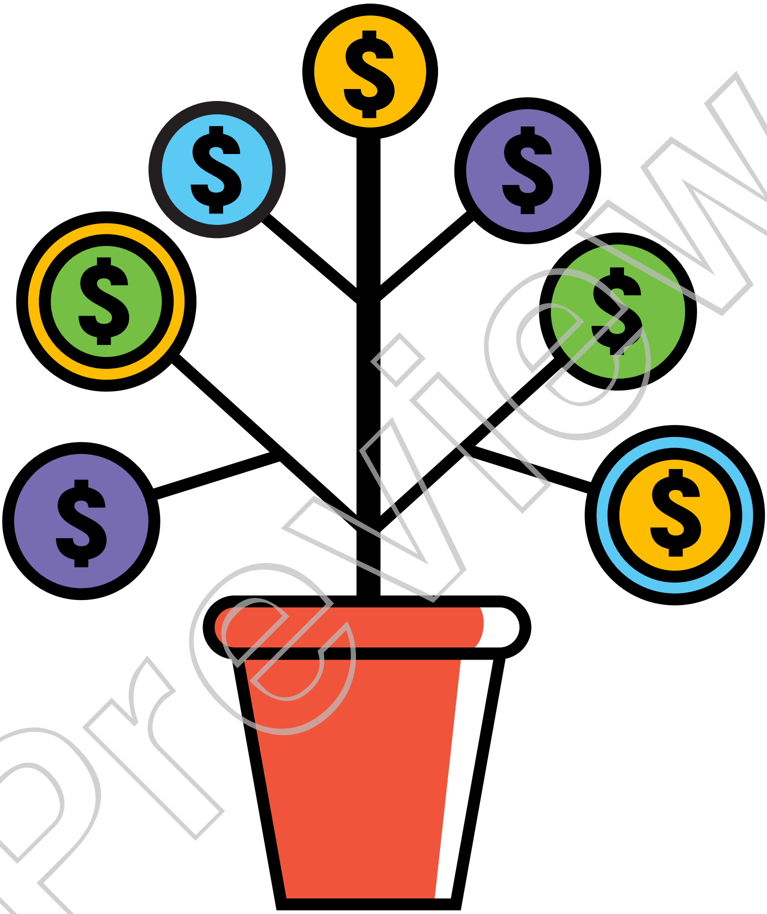
9. When you make a purchase using a credit card, you usually have a month to pay it back or you will get charged interest fees. T ☐ F ☐

10. Credit cards are never a good idea to use. T ☐ F ☐

A strong credit record will help put you on the path to financial success!

1. F 2. T 3. F 4. T 5. F 6. T 7. T 8. F 9. T 10. F

Investing



Activities to help you learn how to grow your money

Growing Your Money

Wealthy people seldom get rich overnight. Unless they've won the lottery or inherited their wealth, they work hard, spend less than they earn, and grow their money through investments.

When you have money invested, your investments can make money for you while you sleep. That's the way to really get ahead financially!

The younger you start investing, the more time your money has to grow!

Getting started

Many people find the idea of investing overwhelming and complicated, which is often why they don't bother with investments. However, learning how you can grow your money by investing it is well worth the time and effort. Here's what you need to do.

Be disciplined

Investing takes self-discipline. When you get a paycheck, the first thing you need to do is take a set amount of money (maybe it's only $10) and "pay yourself first." *Put this money into a savings account or invest it.*

Start early

Someone who spends every paycheck is not going to have anything extra when they retire. On the other hand, someone who starts investing $50 every month as a young adult is likely to have hundreds of thousands of dollars when it's time to retire.

To begin investing, you just need a small sum of money, an interest in growing your money, and the willingness to do a little research.

Be smart

There is a saying, *"If it sounds too good to be true, it probably is."* When it comes to growing your money, this is definitely the case. Don't fall for "get rich quick" schemes or proposals—they never work.

Types of Investments

You probably don't have money to invest now, but it's not too early to learn about the importance of investing—and to become familiar with the various ways you can grow your money.

Certificates of deposit (CDs)

Sold by banks, CDs pay a slightly higher interest rate than a traditional savings account. When you purchase a CD, you agree to keep your money in the bank for a specific period of time (usually three months to five years).

Stocks

When you purchase stock in a company, such as Apple or Ford, you become a shareholder. If the company does well, the value of your shares will increase and you'll make a profit when you sell them. Of course, if a company doesn't do well, you could lose some or all of your investment.

Bonds

The federal government, cities, and companies sell bonds as a way to raise money. When you purchase a bond, you are loaning your money to the bond issuer for a specific period of time. At the end of the term, you get your money back with interest.

Mutual funds

When you invest in a mutual fund, you are adding your money to a pool that's made up of many people's money. This pool of money is used to buy shares of stock (and bonds) in many different companies. Purchasing mutual funds ensures that you don't have "all of your eggs in one basket."

1. Which of these is the least risky? **CDs Stocks Bonds**
2. The safer the investment, the more money it's likely to make. **True False**
3. Some stocks are very safe and some are very risky. **True False**
4. Amazon and Honda shareholders own these. **Stocks Bonds**
5. With a mutual fund you get a more varied investment. **True False**

1. CD 2. False 3. True 4. Stocks 5. True

401(k) plans

A 401(k) plan is a smart way to grow your money. It allows employees to invest pretax dollars in an employer-sponsored retirement plan.

When you invest in a 401(k) plan, your employer deducts the amount you've designated from your paycheck and puts it into your account. The money in your account is then invested in an option of your choosing. The biggest advantage of a 401(k) plan is that many employers will make a matching contribution—*which means that they will add their money to your account.*

Here's how Jacob's 401(k) plan works:

> *Jacob has a new job earning $40,000 a year. He instructed his employer to put 10% of his salary in his 401(k) plan. Jacob knows that his employer will match his contributions up to 4% of his salary.*
>
> *At the end of the year, Jacob will have put $4,000 (10% of $40,000) into his 401(k) plan, and his employer will have added another $1,600 (4% x $40,000). This means that at the end of the year, Jacob will have $5,600 ($4,000 + $1,600) invested in his retirement plan.*

A 401(k) plan is an excellent—and relatively easy—way to grow your money. If you have an employer that offers this benefit, you would be wise to take advantage of it.

Cryptocurrency (or "crypto")

Crypto is digital money that can be used in a variety of ways—all without the use of a third-party, such as a bank or mobile payment service.

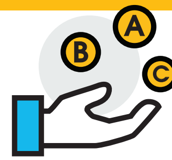
You can invest in crypto by purchasing emerging cryptos in the hopes that they eventually become more valuable than the dollars you put into them. However, the value of crypto rises and falls dramatically and frequently, making investing in crypto incredibly risky.

To learn more about cryptocurrency, watch this short video.

VIDEO

What Do You Think?

Fill in the letter for the investment that corresponds with each of the five statements below.



A. Certificate of deposit B. Stocks C. Bonds D. Mutual funds E. 401(k)

1. ______ John owns 10 shares of McDonald's.
2. ______ Sophia puts part of each paycheck into a retirement fund.
3. ______ Lucia gave $100 to the bank for one year.
4. ______ Koby purchased these to help his city build a new courthouse.
5. ______ The money Olivia invested is used to purchase stocks in lots of companies.

Answers are at the bottom of the page.

Imagine that you won $1,000 and you want to invest it. Put a check mark by the type of investment you would choose.

______ **Certificate of Deposit**: Risk level: very low. Average rate of return annually: 1%.

______ **Bonds**: Risk level: low. Average rate of return annually: 4%.

______ **Low-risk mutual fund**: Investments include 25% stocks, 45% bonds, and 30% money market funds. Risk level: low. Average rate of return annually: 5%.

______ **High-risk mutual fund**: Investments include 80% stocks and 20% bonds. Risk level: moderate. Average rate of return annually: 7%.

______ **XYZ Stock**: Risk level: high. Average rate of return annually: 10%.

Why did you choose that option? ______________________________

____

____

1. B 2. E 3. A 4. C 5. D

Asset Classes

An asset class is a group of investments that are alike or similar in some way.

Investments and asset classes

Below is a list of different types of investments, followed by four common asset classes: **stocks** (shares of a company that can be bought and sold); **bonds** (sold by governments and corporations who then pay the buyers back with interest); **real estate** (land and structures); and **cash**.

Write each investment type in the box of the asset class you think it belongs in.

Answers are below.

Types of investments:

- Money in a savings account
- Shopping mall property
- Microsoft shares
- Money in a checking account
- Treasury notes
- Disney company shares
- Apartment building
- Money in your pocket

Stocks	Bonds	Real estate	Cash
			Money in a savings account

Stocks: Microsoft shares, Disney company shares; **Bonds**: treasury notes;
Real estate: shopping mall property, apartment building;
Cash: money in savings account, money in a checking account, money in your pocket

Think about it

Which asset class would you feel most comfortable investing in, and why?

____

____

Creating a Portfolio

A financial portfolio is a collection of investments such as stocks, bonds, mutual funds, real estate, and more.

How might you invest your dollars to create a portfolio?

Suppose that, after several years of work, you have $10,000 to invest.

To create your portfolio, distribute the funds across the asset classes and write why you chose that allocation. Remember, it's usually a good idea to spread your money out over different types of investments—this is called *diversifying*.

Asset class	Allocation ($)	Why did you choose this allocation?
Stocks		
Bonds		
Real estate		
Cash		
Total	$10,000	

Think about it

Why do you think it's important to spread your investments around in different asset classes?

How might your investment strategy change as you get older, and why?

Test Your Knowledge

True or False?

1. It is best to wait until you have a good income to start investing. T ☐ F ☐
2. Purchasing a CD is a great way to diversify your investment. T ☐ F ☐
3. When you purchase a bond you will get your money back (with interest) at the end of a specific period of time. T ☐ F ☐
4. Purchasing a bond is a way to add your money to a pool that's made up of many peoples' money. T ☐ F ☐
5. Real estate, stocks, bonds, and cash are all examples of assets. T ☐ F ☐
6. A 401(K) is an employer-sponsored retirement plan. It is a smart way to grow your money. T ☐ F ☐
7. All stocks are pretty much the same and have the same amount of risk. T ☐ F ☐
8. The safest place to purchase crytocurrency is at a bank. T ☐ F ☐

The best way to get ahead financially is to "pay yourself first." What does this mean?

____

____

VIDEO

For more on investing, watch this short video.

1.F 2.F 3.T 4.F 5.T 6.T 7.F 8.F

Paying for College

Activities to teach you ways to pay for college

Financial Aid

Financial aid is money that is given, earned, or lent to help students pay for their education. Financial aid makes it possible for millions of students to go to college.

Types of Financial Aid

Grants are awarded to students with financial need. They do not have to be paid back. The Pell Grant, for example, is a federally-funded grant that provides billions of dollars each year to income-eligible families.

Scholarships are generally awarded for exceptional academic achievement, outstanding talent, and/or financial need. Scholarships do not need to be repaid. Most scholarships are awarded by colleges.

Loans are funds borrowed from a lender that must be paid back. Over half the financial aid awarded is in the form of a loan.

Work-study gives students with financial need the opportunity to earn money and gain valuable work experience while attending college.

Need-Based and Merit-Based Financial Aid

Most of the financial aid that's awarded is "need-based."

Need-based financial aid – This type of financial aid is awarded to students whose families do not have sufficient financial resources to pay for college. Most financial aid, including grants, loans, and work-study, is need-based. When determining eligibility for need-based aid, a family's financial situation is the only thing that's considered; the student's academic record is not a factor.

Merit-based financial aid – When awarding merit-based aid (scholarships), the family's financial situation is not taken into consideration. The award is based entirely on the student's merit.

Test Your Knowledge

Answer the following questions.

1. Most financial aid is awarded in the form of ________________.
   a. grants c. loans
   b. scholarships d. work-study

2. Work-study is a part-time job to help students pay for college.
   True **False**

3. Most scholarships are awarded by community organizations.
   True **False**

4. Grants and scholarships are both examples of merit-based aid.
   True **False**

5. Most financial aid is need-based.
   True **False**

6. You do not need to pay back any grants you receive.
   True **False**

7. To be eligible for need-based financial aid, a student must have at least a B average in high school.
   True **False**

Financial aid packages

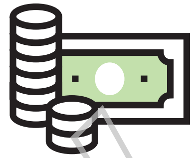
Every college has a financial aid office that puts together financial aid packages for students who are eligible. These packages can be made up of any combination of grants, scholarships, work-study, and/or loans.

To learn more about financial aid, watch this short video.

VIDEO

Answers: 1.c 2.T 3.F 4.F 5.T 6.T 7.F

Financial Need



Financial need is the difference between the cost of attending a college (COA) and what your family can afford to pay. When figuring the COA of a college, include the following: tuition (the cost of instruction), books and fees, room and board, and personal expenses.

Estimating Financial Need

Because need-based financial aid is awarded to students whose families need help paying for college, having a fair and objective way to estimate how much a family can afford to contribute is very important. The Free Application for Federal Student Aid (FAFSA) is the federal form that's used to help determine a student's eligibility for financial aid.

To get an idea of his financial need at three different colleges, Jayden put together the following chart. He subtracted the approximate amount his family would be expected to be able to afford from the cost of attending each college. Notice how much his financial need changes depending on the cost of the college.

	Community College	State College	Private University
Cost of college	$18,000	$26,000	$45,000
Family contribution	$7,000	$7,000	$7,000
Financial need	$11,000	$19,000	$38,000

At which college does Jayden have the most financial need?

____

At which college does Jayden have the least financial need?

____

Aid Packages

If a student is eligible for financial aid, the college will put together a financial aid package for them. Packages can be any combination of grants, scholarships, work-study, and/or loans. Most packages include loans. In some cases, the entire package may consist of loans.

Jayden applied to all three colleges and each college's financial aid office put a financial aid package together for him. Each package met his financial need for that college. Take a look at their financial aid packages.

	Community College	State College	Private University
Scholarships	$4,000	$3,000	$8,000
Grants	$2,000	$8,000	$0
Loans	$0	$8,000	$25,000
Work-study	$5,000	$0	$5,000
Total aid	$11,000	$19,000	$38,000

1. Which college is offering the most free money (grants and scholarships)?

____

2. Which college's package includes the least amount of loans?

____

3. Which college is offering the most total financial aid?

____

4. Which college would you choose? Why? ____________________

____

When considering financial aid packages, it's important to not only look at the total amount of aid being awarded, but to also look at how the aid is distributed.

The FAFSA

Students and parents must complete a FAFSA in order to be eligible to receive any federal financial aid. States and colleges also use this information to determine eligibility for state and institutional aid.

The FAFSA is the most important part of the financial aid process. *Any student who needs money to pay for their education should complete the FAFSA—even if they think that they won't be eligible for any financial aid.* Here's what you need to know.

- The FAFSA asks parents and students for information on their income and assets.
- It can be completed free online at fafsa.gov. This site provides step-by-step instructions.
- The FAFSA can be submitted for the following school year as early as October 1. This means that a high school senior who plans to go to college the following year should complete a FAFSA that fall/winter. Financial aid is often awarded on a first come, first served basis, so it's wise to complete applications early.
- When you complete the FAFSA, you are automatically applying for a Pell Grant (free money from the government).

Test Your Knowledge

1. It costs $50 to complete the FAFSA.

   True **False**

2. Even if you don't fill out the FAFSA, you can still get free money from the federal government for college.

   True **False**

3. You apply for a Pell Grant (free money) when you complete a FAFSA.

   True **False**

Answers: 1. False 2. False 3. True

Know Your Loans

Loans are the most commonly awarded type of financial aid, which is why it's very important that students understand their loan options.

Types of Loans

College students are eligible for Federal Direct Loans. First-year students can borrow up to $5,500 a year and second-year students can borrow up to $6,500 a year. Repayment doesn't begin until six months after the student has graduated or withdrawn from college.

Direct Loans are either **subsidized** or **unsubsidized**. Direct Subsidized Loans are available for students with financial need. Direct Unsubsidized Loans are available for students without financial need. A Direct Subsidized loan is preferable because the government pays the interest on the loan while the student is in college.

PLUS Loans are available to parents with good credit. Parents can apply for a PLUS Loan for the total cost of attendance, minus any financial aid the student has received. A college financial aid office can provide instructions on applying for a PLUS Loan.

Private loans are available through banks and other lending services. Private loans typically have a higher interest rate than loans from the federal government. Families should exhaust their federal loan options before ever considering a private loan.

Check your knowledge! Which type of loan is preferable?

a. subsidized **c.** unsubsidized

b. private **d.** all of these are equally preferable

For more on loans, watch this short video.

VIDEO

Answer: a

Cutting College Costs

College is an investment in your future! On average, college graduates earn $1,000,000 more than high school graduates over a lifetime.

As you've learned, college can be expensive. Fortunately, there are a number of ways for students to significantly cut college costs.

Ways To Cut College Costs

Here are some ways that you can make college more affordable. Put a check mark next to any that may be an option for you.

- [ ] **Live at home and commute.**
  Room and board can add a significant amount of money to the cost of a college education. Students can save a great deal of money by living at home and commuting.

- [ ] **Start at a two-year college.**
  It costs about twice as much to attend an in-state four-year college for one year as it does to attend a two-year college. Students who want to earn a bachelor's degree can save a lot of money by starting at a two-year college and then transferring to a four-year college.

- [ ] **Earn while you learn.**
  Many colleges have paid internship and/or co-op programs. These programs are excellent ways to earn money for college while also acquiring valuable work experience.

- [ ] **Spend less time in college.**
  The highly motivated student can finish college in less than four years by taking more than the normal course load each semester and/or taking classes during the summers.