



Money Smart for Young People

Grades 9-12

Dream job

1. What are your interests? What excites you?
2. What are you good at? What skills do you have?
3. What do you want to do after high school or college?
4. What is your dream job, and why?
5. What skills do you think are required for your dream job?
6. How do you think you could get the skills needed for your dream job?

Possible Employer Benefits

Health Insurance: helps cover employee medical costs related to illness or injury

Flexible Spending Accounts: tax-free money set aside by an employee often to be used for out-of-pocket medical expenses


Retirement Accounts:

- 401(k): an employer-sponsored plan to accumulate retirement savings that gives employees a choice of investment options, typically mutual funds. Employees who participate in a traditional 401(k) plan have a portion of their pre-tax salary invested directly in the option or options they choose.
- 403(b): exclusively for employees of public schools and certain tax-exempt organizations to accumulate retirement savings

Life Insurance: provides money to a beneficiary after the death of the insured

Extras: child care, relocation expenses, tuition reimbursement, transportation, wellness programs, discounts on products/services

Paycheck

Bank Main Street						
Electric Electronics Inc. 855 Electronic Avenue Midville, MA 02546				PAYROLL CHECK	Check No. 2756 Date 9/15/14	
Pay... Four Hundred Sixty Six Dollars 34 Cents				\$ 466.34		
To The Order Of <u>Jerome Roberts</u>				 Authorized Signature		
⑆876543210⑆ 456789123456⑈2756						
Electric Electronics Inc. 855 Electronic Avenue Midville, MA 02546				Earnings Statement		
Employee No.	Employee Name	Social Security No.	Period Beg.	Period End	Check Date	
543210	Jerome Roberts	xxx-xx-4321	9/1/2014	9/15/2014	9/15/2014	
Earnings	Hours	Rate	Current Amount	Withholdings/Deductions	Current Amount	Year to Date
Regular pay	40.00	15.00	600.00	FICA MED TAX	8.70	191.40
				FICA SS TAX	37.20	818.40
				FED TAX	59.57	1310.54
				MA ST TAX	28.19	620.15
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Choices



**Two-Year
College**



**Associate's
Degree**



**Four-Year
College**



**Bachelor's
Degree**



Apprenticeship



**On-the-Job
Training**



Military



**Armed Forces
Career**



**Direct to
Workforce**



Job




Entrepreneur




**Owning Your
Own Business**

Aisha's Goals

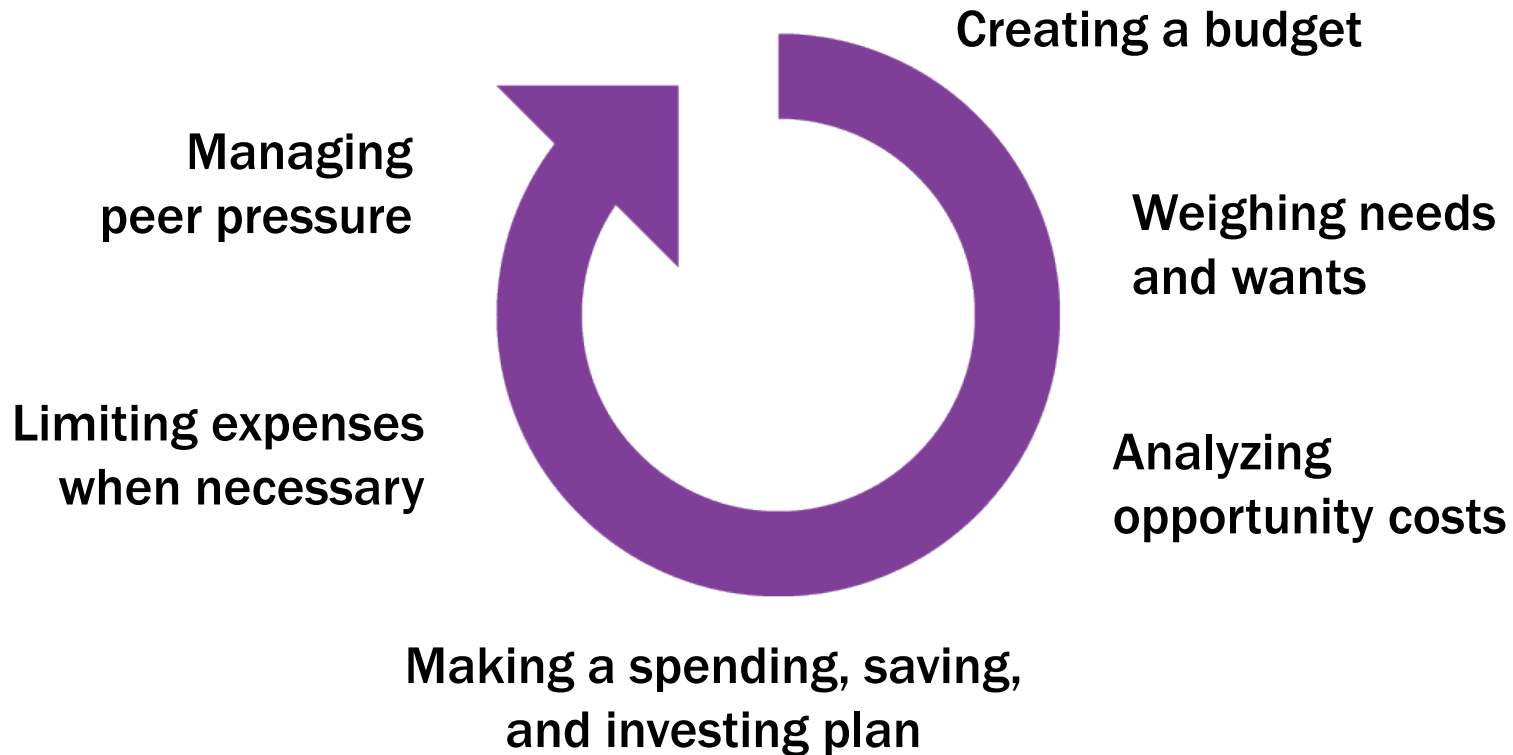
Short-term goal: work part-time in high school to save up money for college

 **Intermediate goal:** go to college for nursing and balance working part-time

 **Long-term goal:** obtain a job as a registered nurse

What's in a Plan?

A financial plan is a series of steps to take in order to reach a goal.



Poor Planning

“By the time they have been retired for two years, 78% of former NFL players have gone bankrupt or are under financial stress; within five years after retirement, an



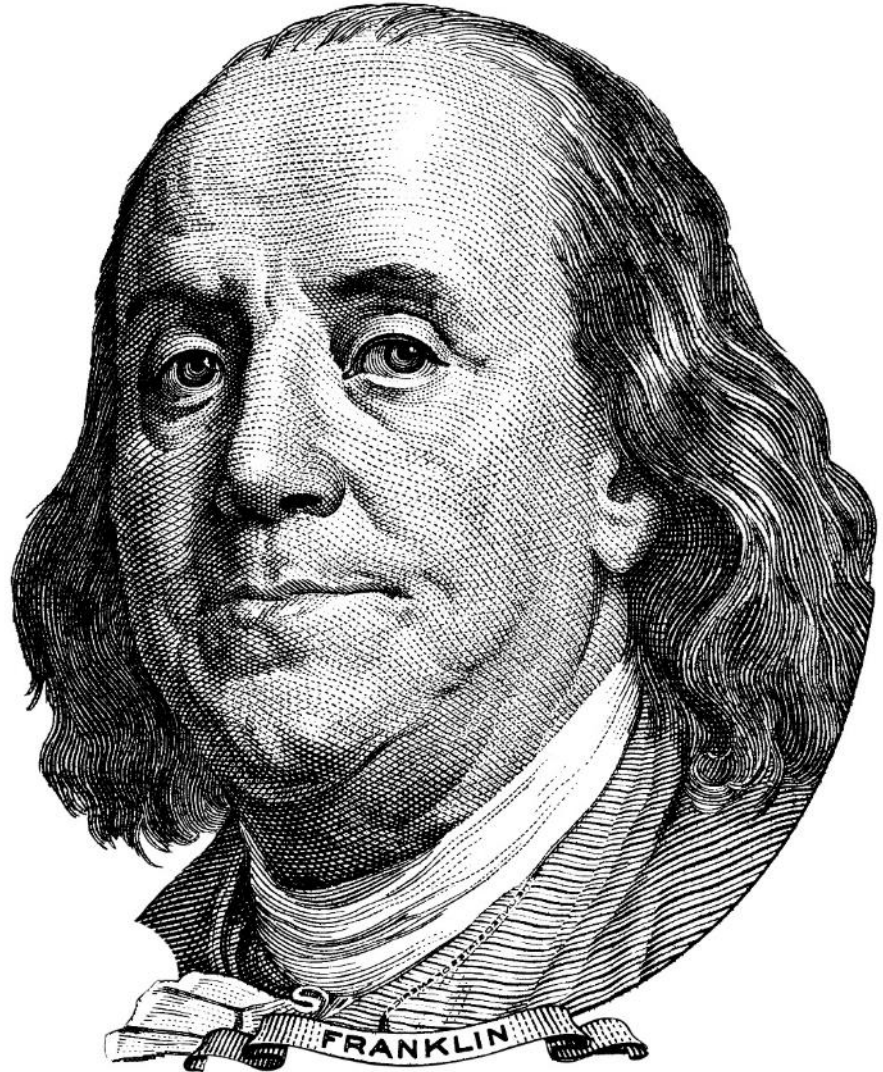
estimated 60% of former NBA players are broke.”

—*Sports Illustrated*

“How and Why Athletes Go Broke”
by Pablo S. Torre, March 23, 2009

Sinking Ship

**Beware of
little expenses.
A small leak
will sink a
great ship.**



1-2-3 Budget

Three steps to building a budget...

Keep track of your spending

Identify your income and expenses

Analyze cash flow and look for ways to increase your income and decrease expenses

Budget Breakdown

Income:

- Various jobs or work, like cutting grass or babysitting wages
- Full- or part-time employment
- Allowances
- Odd jobs
- Interest and dividends
- Other sources, including tips

Expenses:

- Bills (for example: cell phone or cable bill, rent)
- Transportation expenses (for example: vehicle payment, gas, insurance, bus or transit fares)
- Movies, music purchases, game downloads or other entertainment
- Clothes or accessories
- Eating out
- Personal items (makeup, cologne, and so on)
- Savings for college or other future purchases

Cash flow is the relationship between income and expenses

Fixed expenses do not change from month to month (for example: rent and auto loan payments)

Flexible expenses might change from month to month (for example: food and gas)

Pay Yourself First

Spend It or Bank It?



How Money Grows

Compound Interest

$$FV = P (1 + r/n)^{(nt)}$$

FV = Future value

P = Principal (the initial deposit or loan amount)

r = Annual interest rate

n= Number of times interest is compounded

t = Number of years money is invested or borrowed

Annual Percentage Yield (APY)

$$APY = 100 [(1 + \text{Interest}/\text{Principal})^{365/\text{Days in term}} - 1]$$

Compounding Interest Over Time

Compounding means calculating interest on both principal and previously earned interest.

	5 years	10 years
Mattress compounding— NO interest!	\$1,000.00 (unless stolen or lost)	\$1,000.00 (unless stolen or lost)
Annual compounding at 1%	\$1,051.01	\$1,104.62
Monthly compounding at 1%	\$1,051.25	\$1,105.12
Daily compounding at 1%	\$1,051.27	\$1,105.17

Savings Options

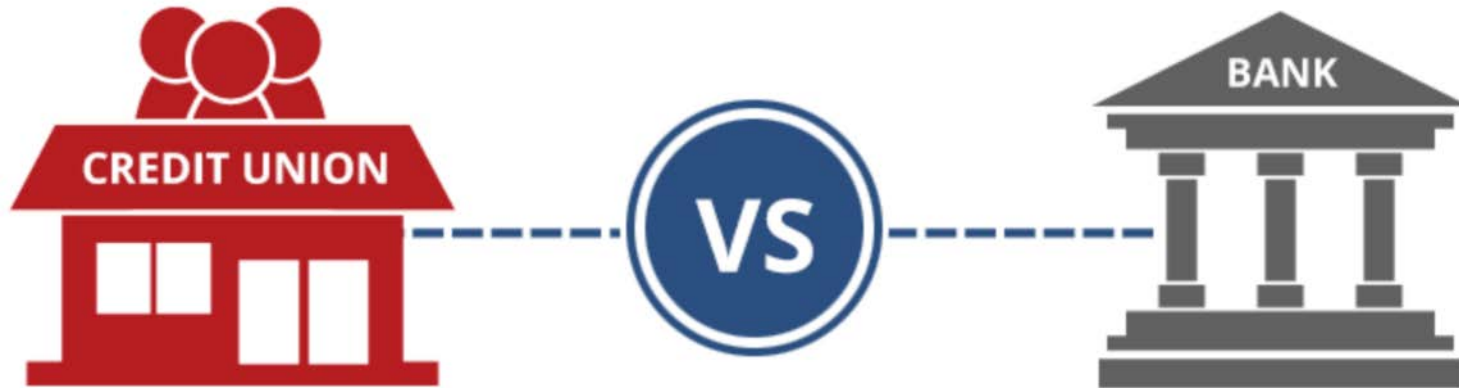
Certificate of Deposit (CD): typically offers a higher rate of interest than a regular savings account in exchange for you keeping the money on deposit for a set term (for example, 6 months or more)

Money Market Account: higher rate of interest, usually requires a higher minimum balance (for example, \$1,000), can make deposits and withdrawals

Savings Account: an account that typically allows unlimited deposits, but limits the number of fee-free withdrawals you can make during a month. You typically earn interest on the money you have on deposit and will receive a statement at least quarterly listing all transactions in the account

Protection: the Federal Deposit Insurance Corporation and National Credit Union Administration (NCUA) protect money saved in member financial institutions

Banking Institutions



- Not-for-profit institutions
 - Owned by members
 - Must meet criteria to become a member
 - Same services as banks and thrifts
 - Operate under state and federal laws and regulations
- Most are owned by shareholders. Some are owned by the people who deposit their money there.
 - Make loans, pay checks, accept deposits, and other financial services
 - Operate under state and federal laws and regulations

Checking and Savings Accounts

Checking Accounts allow you to pay bills, and buy goods and services with the money you have deposited.

A **Savings Account** is a safe place for you to save money and earn interest over time.

Deduction Introduction

Medicare




Income Tax



Social Security



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Predatory Lending



Types of Loans 1

With a CREDIT CARD, you can...

- Buy goods or services and pay for them over time
- Borrow money for household, family, and other personal expenses
- Get into big trouble if you're not careful with spending
- Either build a positive credit history or damage it depending on how you manage the card.



Types of Loans 2

With a **CONSUMER INSTALLMENT LOAN**, you...

- Can pay your personal expenses and your family's expenses
- Can pay the same amount each month in installments for a set period of time
- Can either build or damage credit, by whether you repay the loan on time as you agreed



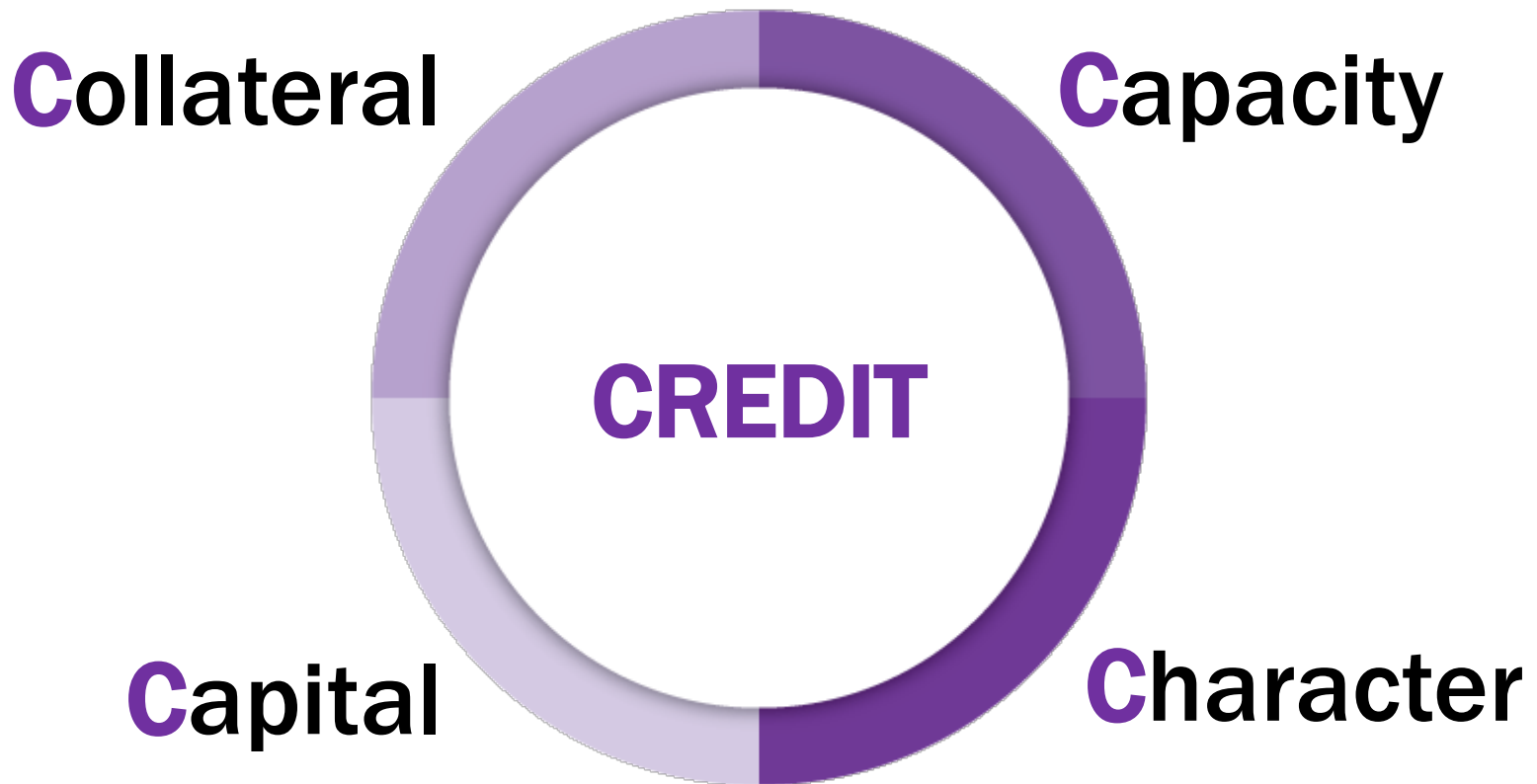
Types of Loans 3

With a **HOME LOAN** (mortgage), you can...

- Borrow money for the purpose of buying a house
- Build positive credit by paying on time
- Damage credit by skipping payments or paying late



The Four Cs of Credit



Credit Report

Example Credit Report						
<Date>	<Time>					
9/20/17	12:15 p.m. CT					
<Subject>	<SSN>	<Birthdate>				
Davis, Rashawn E.	458-28-1920	7/27/72				
<Also known as>	<Telephone>					
Davis, Ray E.	(555) 222 -3333					
<Current Address>						
123 24 th Street NW						
Western, NE 49301						
<Former Address>			<Current Employer and Address>			
3728 Maple Street			First Rate Supplies, LLC			
Eastern, NE 48029			47 First Street, Western, NE 49302			

SPECIAL MESSAGES						
None at this time.						

PUBLIC RECORDS						
Source	Date	Liab	ECOA	Assets	Paid	Docket#
Z 409581	10/12R	\$18930	Court			Attorney
Chapter 7 Bankruptcy			C	\$4000		012-1930
						A. Finch
ZP09741	05/12R	\$5700	I		6/11	012-1104
Paid Civil Judgment						J. McGill

COLLECTIONS						
Subname	Subcode	ECOA	Opened	Closed	\$Placed	Creditor
Account#			Verified		Balance	Remarks
ABC Collections	Y	I	6/12		\$2780	First Bank
09247501			7/15		\$0	

TRADES					
Subname	Subcode	Opened	High Cred	Terms	PayPat
Account#		Verified	CredLimit	PastDue	
ECOA	Collateral/ Loan Type	Clsd/PD	Balance	Remarks	
ABC Bank	N 46871	7/16	\$3500 K	MIN 200	111111111111
123478901234		5/17	\$4000 K		111111121111
I	/Credit Card		\$2580		
Your Bank	B 687111	1/17	\$220 K	360M1141	1111111
16-82093475		8/17	\$218,021		
C	/Mortgage				
Department Store	D 7483111	4/15	\$500	MIN25	11113211111
676518276152	/Credit Card	6/17	\$1500		11111111121
I			\$150		
First Credit Union	Q 9863522	12/14	\$20 K	60M396	111111111111
		7/17	\$10203		111111111111
I	/Automobile				

INQUIRIES					
Date	Subcode	Subname	Date	Subcode	Subname
12/16	Q8398233	Best Mortgage Co.			
12/16	B0383726	City Bank			
12/16	B0090923	Eastern Bank			

Managing Debt

- Am I overextending myself?
- Have I researched and compared rates (using the APR)?
- Do I have a plan in place for paying off the borrowed money?

Two Truths, One Lie

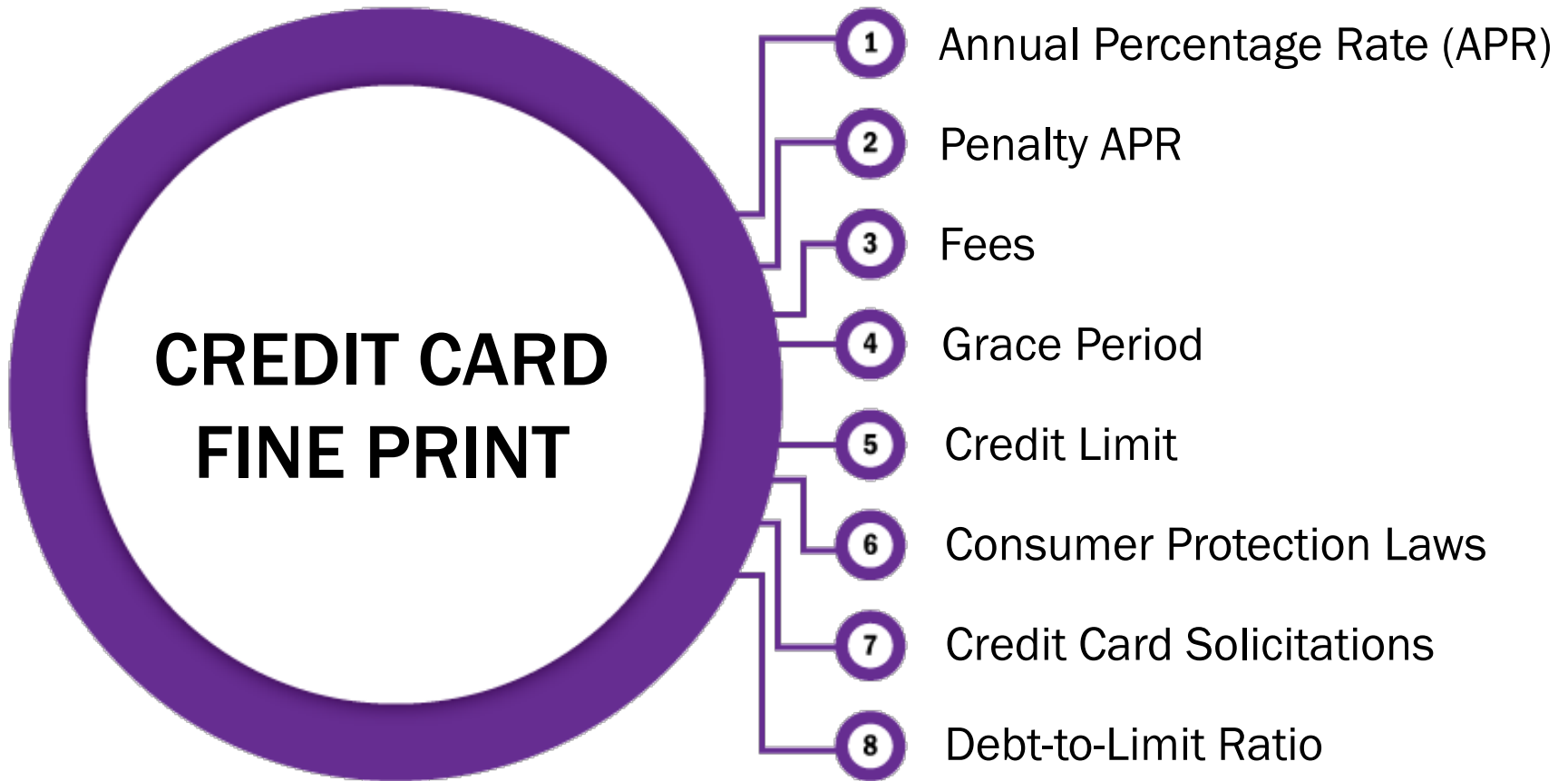
Credit cards...

1. Are used to purchase goods and services
2. Take money from your checking account when used to pay for purchases
3. Are subject to interest charges if not paid in full each month

Credit Versus Debit

1. Which card requires you to have enough money at the time you pay for something?
2. Which card's balance can increase and accrue charges if you do not pay the entire amount each month?
3. Which card(s) may have fees associated with them?
4. Which card generally offers purchase protections against faulty goods?
5. Which card allows you to pay for unexpected emergencies when you do not have enough money?

Credit Card Fine Print



Easy as Pi

3.14159265358979323846264338327950288419716939937510582097494459230781640628620899862803482534211706798214808651328230664709
384460955058223172535940812848111745028410270193852110555964462294895493038196442881097566593344612847564823378678316527120
190914564856692346034861045432664821339360726024914127372458700660631558817488152092096282925409171536436789259036001133053
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30119491298336733624406566430860213949463952247371907021798609437027705392171762931767523846748184676694051320056812714526
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338243003558764024749647326391419927260426992279678235478163600934172164121992458631503028618297455570674983850549458858692
699569092721079750930295532116534498720275596023648066549911988183479775356636980742654252786255181841757467289097777279380
008164706001614524919217321721477235014144197356854816136115735255213347574184946843852332390739414333454776241686251898356
948556209921922218427255025425688767179049460165346680498862723279178608578438382796797668145410095388378636095068006422512
520511739298489608412848862694560424196528502221066118630674427862203919494504712371378696095636437191728746776465757396241
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530506820349625245174939965143142980919065925093722169646151570985838741059788595977297549893016175392846813826868386894277
415599185592524595395943104997252468084598727364469584865383673622262609912460805124388439045124413654976278079717569143599
770012961608944169486855584840635342207225282848864815845602850601684273945226746767889525213852254995466672782398645659611
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856100550810665879699816357473638405257145910289706414011097120628043903975951567715770042033786993600723055876317635942187
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985998238734552833163550764791853589322618548963213293308985706420467525907091548141654985946163718027098199430992448895757
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30707469211201913020330380197621101100449231561608424448596376698389522868478312355265821314495768572624334418930396864262
434107732269780280731891544110104468232527162010526522721116603966655730925471105578537634668206531098965269186205647693125
705863566201855810072936065987648611791045334885034611365768675324944166803962657978771855608455296541266540853061434443185
867697514566140680070023787765913440171274947042056223053899456131407112700040785473326993908145466464588079727082668306343
285878569830523580893306575740679545716377525420211495576158140025012622859413021647155097925923099079654737612551765675135
751782966645477917450112996148903046399471329621073404375189573596145890193897131117904297828564750320319869151402870808599
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229661711963779213375751149595

Financial Ratios

Debt-to-Income:
monthly debt divided by monthly gross income

Vehicle Loan \div Gross income



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Financial Ratios

Debt-to-Assets: liabilities divided by assets

Liabilities are money owed, or debt obligations

Assets are items of value that can be converted into cash

Liability



Asset



Financial Ratios

Debt-to-Limits:

credit debt divided by credit limit



Reality Check 1



Reality Check 2



True Cost of Vehicles

How much money will I need for a down payment?

What can I afford right now?

What can I afford 1 year...2 years... 5 years from now?

How much will insurance cost?

Do I **NEED** a vehicle, or do I **WANT** one?

Should I lease or own?

What amount can I pay each month?

Will I need money for repairs?

GAS! I forgot about gas...how much will that cost over time?

Secure or Unsecured?

Types of Installment Loans

Secure = collateral



Unsecured = no collateral



Types of Insurance

