

Unit Eighteen

Taking Care of Yourself:

UNDERSTANDING

FINANCES

&

MANAGING

MONEY

UNIT EIGHTEEN: UNDERSTANDING FINANCES & MANAGING MONEY

Suggestions for the Instructor

Pg. 18-26 - 18-28 -- Words of Wisdom: Money

Ask volunteers to take turns reading the quotes aloud. Ask students to pick a quote that interests them and to write about it, reflecting on:

- what they think the speaker means
- whether they agree and why or why not
- how the quote is or is not relevant to their lives
- specific examples from their lives or the lives of others which highlight its meaning

Ask students to share their reflections with the class.

Pg. 18-29 -- Show Me the Money: Examining Your Financial Needs and Spending Habits

Ask students to think about their past experiences with money and answer the following questions honestly so that they can assess whether their strategies have worked well and, if not, what information they might need to help them make financial decisions in the future.

Pg. 18-30 - 18-33 -- What's Your Financial I.Q.?

Ask students to read each statement, then to write T (true) or F (false) on the line. If the sentence is false, ask them to explain why. Review the correct answers and explanations aloud as a group.

Pg. 18-34 -- The Vocabulary of Income

Have students study the chart of income-related vocabulary, then use it to help them answer the questions about income which follow.

ANSWERS:

1. What is the difference between gross income and net income?

Gross income is the money in your pay check before taxes; net income is the amount of money you receive after taxes have been withheld.

(continued)

2. What is another term for “net income”?
Take home pay
3. What does it mean if money is “withheld” from your paycheck?
If money is withheld it is deducted from your gross pay for taxes or for later use (as in Social Security.) The withholding amount is the amount of taxes that you are having withheld.
4. Who pays the FICA tax?
Both the employer and the employee
5. How do FICA deductions benefit workers?
The Federal Insurance Contributions Act (FICA) tax funds Social Security and Medicare, which provide benefits for retirees, the disabled, and children of deceased workers.
6. What do federal taxes pay for?
Federal taxes are used to finance programs that help defend, educate, financially support, care for, transport and/or perform other similar functions for individuals living within the United States.

Pg. 8-35 – 18-36 -- What’s On Your Pay Stub?

Tell students that every pay stub has valuable information about how much you are earning and how much you are paying in taxes. Ask them to read the definitions of terms and use them answer the questions about each of the pay stubs on the handout.

ANSWERS

Easy Dollar Discount Store:

1. What is John Chester’s base pay? **\$8.50 / hour**
2. What is his YTD gross pay? **\$3400.00**
3. What is John’s gross pay this week? **\$340.00**
4. Which taxes are deducted from John’s gross pay? **Federal withholding and FICA**
5. How much is deducted from this week’s check? **\$61.20**
6. What is John’s net pay this week? **\$278.80**

Country Buffet:

1. What is May Jackson’s base pay? **\$12.00 / hour**
2. How much (gross) did May earn in OT pay this week? **10 x (1.5 x \$12) = \$180**
3. What is May’s total gross pay this week? **\$660.00**
4. What is her YTD gross pay? **\$6600.00**
5. Which taxes are deducted from May’s gross pay?
Federal withholding tax, FICA, health insurance, union dues
6. How much is deducted from this week’s check? **\$165.99**
7. What is May’s net pay this week? **\$494.01**

Pg. 18-37 - 18-41 -- How Much Do You Make? Figuring Take-home Pay

Use these worksheets to help students learn the vocabulary of wages and to calculate earnings after deductions. Tell them to figure out the take home earnings of the workers in the scenarios by breaking down the steps to do the math.

ANSWERS:

I. Lance earns \$7.95 an hour for a 37 1/2 hour week. What will his take-home pay be every 2 week pay period?

- Figure out how much he earns in gross income each week, by multiplying hourly wage x hours worked.) $\$7.95 \times 37.5 = \$\underline{298.12}$ /week
- Figure out his monthly gross income, by multiplying weekly gross income by 2 weeks in a pay period.)
 $\$298.12 \times 2$ (weeks in a month) = $\$\underline{596.24}$ /pay period

PERCENTAGE DEDUCTION METHOD 1

- Figure out how much he will receive in net income if approximately 10% of his earnings are taken for deductions by multiplying gross income x 10% (.10). $\$596.24 \times .10 = \$\underline{59.62}$
- Figure out Lance's net income, by subtracting deductions from gross monthly earnings to find net income.
 $\$596.24$ (gross pay period income)
 $- \$ 59.62$ (deductions)
 $= \$ 536.62$ (net pay period income)

10% deduction can be calculated by simply moving the decimal point 1 place to the left (and rounding if necessary). 10% of 596.24 is 59.624 which rounds to 59.62.

PERCENTAGE DEDUCTION METHOD 2

- Figure out the net income percentage if approximately 10% of his earnings are taken for deductions by subtracting 10% (.10) deduction from 100% (1.00).
 $1.00 - .10 = \underline{.90}$ (90%)
- Figure out Lance's net income, by multiplying net income percentage by gross pay period earnings to find net income.
 $\$596.24$ (gross pay period income)
 $.90$ (net income percentage)
 $\$ 536.62$ (net pay period income)

2. Jasmine's gross earnings are \$9.00 an hour for a 30 hour week. What will she earn in take-home pay every month?

- How much does she earn in gross income each week?
(Multiply hourly wage x hours worked.) $\$ \underline{9} \times \underline{30} = \$ \underline{270}$
- What is her monthly gross income? *(Multiply weekly gross income x weeks in a month.)*
 $\$ \underline{270} \times 4$ (weeks in a month) = $\$ \underline{1080}$

(continued)

- If approximately 9% of her earnings are taken for deductions, how much will she receive in net income? *(Multiply gross income x 9% (.09.)*

$$\$ \underline{1080} \times .09 = \$ \underline{97.20}$$
(Subtract deductions from gross earnings to find net income.)

$$\underline{\$ 1080} \text{ (monthly gross income)} - \underline{\$ 97.20} \text{ (deductions)} = \underline{\$ 982.80} \text{ (net income)}$$

3. Marla's gross earnings are \$12.50 an hour for a 24 hour week. What will she earn in take-home pay every month?

- How much does she earn in gross income each week?
(Multiply hourly wage x hours worked.)
$$\underline{\$ 12.50} \times \underline{24} = \underline{\$ 300}$$
- What is her monthly gross income? *(Multiply weekly gross income x weeks in a month.)*

$$\underline{\$ 300} \times 4 \text{ (weeks in a month)} = \underline{\$ 1200}$$
- If approximately 8% of her earnings are taken for deductions, how much will she receive in net income? *(Multiply gross income x 8% (.08.)*

$$\underline{\$ 1200} \times .08 = \underline{\$ 96}$$
(Subtract deductions from gross earnings to find net income.)

$$\underline{\$ 1200} \text{ (gross earnings)} - \underline{\$ 96} \text{ (deductions)} = \underline{\$ 1104} \text{ (net income)}$$

4. Jerry's gross earnings are \$9.50 an hour for a 35 hour week. What will he earn in take-home pay every month?

- How much does he earn in gross income each week?
(Multiply hourly wage x hours worked.)
$$\underline{\$ 9.50} \times \underline{35} = \underline{\$ 332.50 / \text{week}}$$
- What is his monthly gross income? *(Multiply weekly gross income x weeks in a month.)*

$$\underline{\$ 332.50} \times 4 \text{ (weeks in a month)} = \underline{\$ 1330 / \text{month}}$$
- If approximately 9% of his earnings are taken for deductions, how much will he receive in net income? *(Multiply gross income x 9% (.09.)*

$$\underline{\$ 1330.00} \times .09 = \underline{\$ 119.70}$$
(Subtract deductions from gross earnings to find net income.)

$$\underline{\$ 1330} \text{ (monthly gross income)} - \underline{\$ 119.70} \text{ (deductions)} = \underline{\$ 1210.30} \text{ (net income)}$$

5. Marcus's gross earnings are \$11.25 an hour for a 20 hour week. What will he earn in take-home pay every month?

- How much does he earn in gross income each week? *(Multiply hourly wage x hours worked.)*

$$\underline{\$ 11.25} \times \underline{20} = \underline{\$ 225 / \text{week}}$$
- What is his monthly gross income? *(Multiply weekly gross income x weeks in a month.)*

$$\underline{\$ 225} \times 4 \text{ (weeks in a month)} = \underline{\$ 900 / \text{month}}$$
- If approximately 8% of his earnings are taken for deductions, how much will he receive in net income? *(Multiply gross income x 8% (.08.)*

$$\underline{\$ 900} \times .08 = \underline{\$ 72}$$
(Subtract deductions from gross earnings to find net income.)

$$\underline{\$ 900} \text{ (gross earnings)} - \underline{\$ 72} \text{ (deductions)} = \underline{\$ 828} \text{ (net income)}$$

(continued)

6. **Ron packs boxes at the rate of \$1.25 per box. He averages 11 boxes an hour.**

- What will be his average gross income per hour? $\$1.25 \times 11 = \13.75
- What will be his average gross income for an eight hour day?
 $\$13.75 \times 8 = \110
- What will be his average gross income for a week? $\$110 \times 5 = \550
- If 10% of his gross is deducted, what will be his net weekly income?
 $\$550 \times .10 = \55 / $\$550 - \$55 = \$495$
- What will be his net monthly income? $\$495 \times 4 = \1980

7. **Marie works 28 hours a week at a rate of \$13.00 an hour. Six percent of her income is deducted for Federal income tax and three percent for FICA.**

- What is her weekly gross income? $28 \times \$13 = \364
- What is her monthly gross income? $\$364 \times 4 = \1456
- What is her monthly net income?
 $\$1456 \times .09 = \131.04 / $\$1456 - \$131.04 = \$1324.96$

8. **Manny works 35 hours a week at a rate of \$10.50 an hour. Although some months have more days and work hours than others, Manny's pay is evened out based on an average of a little over 4 1/3 weeks per month, so weekly gross pay is multiplied by 4.35 instead of 4. Nine percent of his income is deducted each week.**

- What is his weekly gross income? $35 \times \$10.50 = \367.50
- What is his monthly gross income? $\$367.50 \times 4.35 = \1598.62
- What is his monthly net income?
 $\$1598.62 \times (1 - .09) = \$1598.62 \times .91 = \$1454.74$

9. **Make up a problem in which you figure out take-home pay, using wages and hours from a previous job you or a partner has had, and estimating 10% in deductions.**

Answers will vary. Encourage students to check their problems for correctness, then copy them for other students to solve.

Pg. 18-42 -- Get a Handle on Your Finances

Ask students if they have ever been in debt. Have they ever tried to figure out how to get ahead and not be in trouble financially at the end of the month? Read the handout aloud with the students, reviewing the suggestions for helping them take charge of their finances. After they read the suggestions, ask them to write answers to the following questions:

- Do you think any of these steps would work for you?
- Have you taken any of these steps before?
- What other strategies might help you keep a handle on your finances?

Ask them to share their thoughts with the class.

Pg. 18-43 – 18-46 -- The High Cost Payday Loans

Many low-income confronted with emergency expenses come to rely on payday loan stores in their communities, but the disadvantages of quick cash outweigh the advantages. Have students read the scenario in order to understand the high finance charges and long term costs of such loans.

Individually or ask a group, have students calculate the math of payday loans and annual percentage rates.

1. Do the math: If Quick Pay Day Loans charges Joseph \$15 for every \$100 he's borrowing, how much will he have to pay in fees? \$75

2. Do the math: If Quick Pay Day Loans charges Joseph \$15 for every \$100 he's borrowing, how much total money will be debited from Joseph's account? \$575

3. Do the math: If Joseph has to roll the loan over another two weeks, how much will he owe then? \$650

4. Do the math: If you were to take out a two-week payday loan for \$100 and were charged a fee of \$15, you would owe \$115 at the end of those two weeks. How much is that per day?
\$15 divided by 14 days = \$1.07 per day

5. Do the math: What if you couldn't afford to pay off this loan for a year?
Multiply the daily fee times 365 days a year. \$1.07 x 365 days = \$391

6. Do the math: If you were to take out a two-week payday loan for \$200 and were charged a fee of \$12, you would owe \$212 at the end of those two weeks. How much is that per day?
\$12 divided by 14 days = \$.86 per day

7. Do the math: What if you couldn't afford to pay off the loan with the \$12 fee for a year?
Multiply the daily fee times 365 days a year. \$312.86
That means your Annual Percentage Rate (APR) is 313 percent.

(continued)

8. Do the math: If you were to take out a two-week payday loan for \$300 and were charged a fee of \$13, you would owe \$313 at the end of those two weeks. How much is that per day?
\$13 divided by 14 days = \$.93 per day

7. Do the math: What if you couldn't afford to pay off the loan with the \$13 fee for a year?
Multiply the daily fee times 365 days a year. \$338.92
That means your Annual Percentage Rate (APR) is 338 percent.

Pg. 18-47-- Take Charge of Your Finances During the Holidays

Discuss with students the fact that the holidays can be a stressful time for many reasons. One reason the holidays cause stress is because there are so many demands on us to spend money! Read the handout aloud with the students, reviewing the suggestions for helping them take charge of their finances during the holidays. After they read the suggestions, ask them to write answers to the following questions:

- Do you think any of these steps would work for you?
- Have you taken any of these steps before?
- What other strategies might keep the holidays less stressful financially?

Ask them to share their thoughts with the class.

Pg. 18-48 -- Keeping a Budget: Vocabulary

Use this handout to help students learn the vocabulary of budgeting, then use the words in the table to complete the sentences.

ANSWERS:

To plan how you will spend or save your money, it can be very helpful to make a **budget**. On a regular basis (**monthly** is preferable), subtract your fixed and flexible **expenses** from your work (or other) **income** in order to find out your monthly **balance**. At the end of the year, review your income and expenses by doing an **annual budget**. A person who saves money for a trip, for tuition, or for a purchase has a **financial** goal.

Pg. 18-49 -- How Would a Budget Help?

The people in the stories on this handout want to manage their finances, but they are having money problems. Ask students to read each scenario to determine in what way a budget would help each person. Tell them to choose a reason from the list provided and write it in the blank.

ANSWERS:

1. To give records to use in filling out income tax forms
2. To help set aside money for unexpected expenses
3. To tell how and where money is being spent
4. To help plan for large purchases or credit payments
5. To help plan how to live on your income

Pg. 18-50 – 18-53 -- “Who Needs a Budget?” Scene One

Provide students with copies of the three scenes in the play “Who Needs a Budget?” Ask volunteers to read the lines of the characters Millie, Howard, David and Edna. Ask them to think, as they read, about what the Jones family could do to solve some of their financial problems and meet their financial needs, and to answer the questions which follow:

ANSWERS:

1. Why does Millie say the family needs a budget? **She wants to see why their expenses always seem to be more than their income.**
2. What does “expenses” mean? **“everything we spend money on”**
3. What is “income”? **“how much money we have coming in”**
4. The Jones family has been able to borrow money from Millie’s brother when they needed money in the past. Why might this become a problem?
They will eventually have to pay him back and will get deeper in debt.
5. What are the family’s short-term goals?
 - Get a new TV**
 - Take a trip to Disney World**
 - Pay bills every month**
 - Not have the lights turned off**
 - Go to Chuck E. Cheese** (continued)
6. What are the family’s long-term goals? **Buy a new car**
7. After they decide they need to gather information in order to make a budget, what do they agree to do? **Save receipts in order to keep a record**
8. Have you ever encountered some of the problems this family faces?
Answers will vary.
9. How have you dealt with them? **Answers will vary.**
10. Have you kept a budget before? **Answers will vary.**

Pg. 18-54 – 18-57 -- “Who Needs a Budget?” Scene Two

In Scene Two, the Jones family begins to record all of their income and expenses. Ask students to read the scene through first as a play, then re-read it in order to record their financial information on the **Jones Family Budget Worksheet**. The financial figures they will need are highlighted in bold.

Pg. 18-58 - 18-59 -- Jones Family Budget Worksheets

Monthly Income

On this worksheet, students record the Jones family’s income on the appropriate lines, based on the information found in the play. The financial figures they will need are highlighted in bold.

ANSWERS:

Take-home pay / net income (first person)	\$ 1324
Take-home pay / net income (second person)	\$ 400
Additional wages / income	\$
Social Security benefits (Disability, Retirement)	\$
Child Support / Alimony	\$
Public Assistance / TANF*	\$
Government Housing Assistance	\$
Food Stamps	\$ 75
WIC**	\$ 48
Unemployment Benefits	\$
Earned Income Tax Credit *** (and/or tax refund) (divided by twelve months)	\$ 250
Other	\$ _____
Total Income	\$ 2,097

Monthly Expenses

On this worksheet, students record the Jones family’s expenses on the appropriate lines, based on the information found in the play. The financial figures they will need are highlighted in bold.

ANSWERS:

Rent or Mortgage	\$ 850
Gas Utility	\$
Water / Sewage / Garbage	\$ 28
Electricity / Lights	\$ 110
Cable TV	\$ 40
Telephone	\$ 50
Household Insurance	\$
Automobile Insurance	\$ 70
Gas and Maintenance for Automobile	\$ 115
Public Transportation	\$ 40
Groceries (inc food stamps & WIC) $93 + 75 + 48 = 168$	\$ 216
Clothing	\$ 32
Health Care (medical, dental, prescriptions)	\$
Child Care	\$ 240

Children's Needs (diapers, formula, baby food)		\$ 35
Child support		\$ 200
Entertainment	5 + 5 = 10	\$ 10
Restaurants / fast food		\$ 56
Non-food / Household Groceries		\$ 43
Education (tuition, books, other)		\$
Furniture Rental / Other Rental		\$
Non-essentials (alcohol, cigarettes)	48 + 180 = 228	\$ 228
Loans / Credit Card Debt		\$
Car Payments		\$ 200
Other		\$ _____
Total Expenses		\$ 2,563

Balance Sheet

Total Income	\$2,097
Minus ----	
Total Expenses	<u> -- 2,563</u>
Current Remaining Balance	\$ -- 466

Pg. 18-60-- Jones Family Estimated Annual Budget

Ask students to use the information gathered in scenes one and two in order to record their financial information on the Jones Family Current Annual Budget Worksheet. After students record the information, ask them to multiply the figures by 12 in order to determine the estimated annual income and estimated annual expenses. After they've filled out the form, they'll have the information they need to figure out the estimated annual remaining balance.

ANSWERS:

Income source	Current monthly income	x 12 months	Estimated annual income
____ First person's income ____	1,324	x 12 months	15,888
____ Second person's income ____	400	x 12 months	4,800
____ Food stamps ____	75	x 12 months	900
____ WIC ____	48	x 12 months	576
____ Earned Income Tax Credit ____	250	x 12 months	3,000

(continued)

TOTAL ESTIMATED ANNUAL INCOME _____ **25,164** _____

Expense source	Current monthly expense		Estimated annual expenses
Rent	850	x 12 months	10,200
Water	28	x 12 months	336
Electricity	110	x 12 months	1,320
Cable TV	40	x 12 months	480
Phone	50	x 12 months	600
Auto insurance	70	x 12 months	840
Gas and maintenance	115	x 12 months	1,380
Car payments	200	x 12 months	2,400
Public transportation	40	x 12 months	480
Groceries	216	x 12 months	2,592
Clothes	32	x 12 months	384
Childcare	240	x 12 months	2,880
Children's needs	35	x 12 months	420
Child support	200	x 12 months	2,400
Entertainment	10	x 12 months	120
Restaurants / fast food	56	x 12 months	672
Non-food groceries	43	x 12 months	516
Non-essentials	228	x 12 months	2,736

TOTAL ESTIMATED ANNUAL EXPENSES _____ **30,756** _____

Total annual income	_____ 25,164 _____
Minus ---- Total expenses	-- _____ 30,756 _____
Estimated annual remaining balance	_____ -- 5,592 _____

Pg. 18-61 – 18-63-- “Who Needs a Budget?” Scene Three

In Scene Three, the Jones family makes some important financial decisions after completing their family budget. Have students read the scene through, and then discuss the choices and changes the Jones family is considering.

Pg. 18-64-- “Who Needs a Budget?” Questions for Reflection

After reading all three plays “Who Needs a Budget?” Scenes One, Two and Three, ask students to answer the Questions for Reflection individually or in small groups.

ANSWERS:

1. How does it help the Jones family to prepare a budget?
 - **to find out what their income and expenses are so they can evaluate any changes they might need to make**
 - **to plan for the future**
 - **to achieve financial goals**
2. What are the two main parts of a budget? **income and expenses**
3. What is the Jones family’s total income? **\$2,097**
What are their total monthly expenses? **\$2,563**
What is their negative balance? **\$466**
4. Does the Jones family have fixed expenses? **Yes** What are they? **rent, water, babysitting, insurance, car payments, child support, bus transportation**
5. Do they have flexible expenses? **yes**
6. Which of their expenses are flexible? **electric, phone, entertainment, food, car maintenance, children’s expenses, non-food groceries, non-essential extras, restaurants**
Which of their expenses are flexible, but essential? **electric, phone, food, car maintenance, children’s expenses, non-food groceries** (continued)
7. Which expenses are flexible but non-essential?
entertainment, non-essential extras, restaurants
8. Does the Jones family have any financial goals? What are they?
 - **take a trip**
 - **buy another car**
 - **pay the bills on time**
 - **buy a house**
 - **stay out of debt**
9. What are three ways they could increase their income in order to meet their financial goals?
 - **get an extra job**
 - **work more hours**
 - **look for work that pays better**
10. What are three ways in which the Jones family could reduce their expenses in order to meet their financial goals? **trade babysitting instead of paying for childcare, spend less on non-essential items (cigarettes, alcohol)**

Pg. 18-65 -- Do You Need a Budget? Questions for Reflection

On this handout, students reflect on their own financial histories in order to answer the following questions about keeping a budget: Answers will be varied and personal. Ask volunteers to share their responses aloud.

Pg. 18-66 - 18-67 -- Your Budget Worksheet

Use this handout to help students begin the process of making and keeping a budget. This is only an exercise, of course, if students are incarcerated and have neither income nor expenses. But tell them that the more they think through the kind of income they may have in the future, based on previous experiences, the better equipped they will be to start the process after they are released.

Pg. 18-68 -- Does Your Money Go Up in Smoke?

On this handout, students answer the question: Do you use your money as wisely as you might? Ask them to think about some of the things they typically spend money on that they don't need (and may not be good for them.) How much money do they spend on these things every day? Every week? Every year? Ask them to calculate these totals on the handout, in order to determine how much they would save if they decided to cut down, or not to spend money on these items at all. Ask them to write about what healthy, useful or productive thing they could do with the money instead.

Pg. 18-69 -- Can You Eat Healthier on a Budget?

Using this handout as a guide, students discuss how difficult it can be to eat a healthy diet on a limited income. They read about the importance of eating a healthy diet then discuss the following questions as a group:

- What are some examples of healthy foods?
- Are fruits and vegetables so expensive that many people cannot afford to eat a healthy diet?
- Is it easy or difficult to find healthy food in most neighborhoods? Why?
- What are some strategies people can use to stretch their income and still buy healthy food?
- Which is cheaper: preparing healthy food at home or buying prepared food?
- What social and economic changes would you recommend in order for more people to eat a healthier diet?

Pg. 18-70 – 18-71 -- You CAN Eat Healthier on a Budget

The USDA website, ChooseMyPlate.gov, offers a wide variety of easy-to-use materials for the classroom. Print the handouts which can be found at the links below and ask students to read them in order to answer the questions which follow.

- **The 3 P's** - [Plan, Purchase, and Prepare Food on a Budget](#)
- **Healthy Shopping** - [Smart Shopping for Veggies and Fruits](#)
- **Ten Tips** - [Eating Better on a Budget](#)
- **Meal Plan** - [Sample 7-Day Menu](#)

Pg. 18-72 – 18-73 -- Eating Right When Money's Tight

If your students have access to the internet, ask them to choose one of the links below. Have them read the information about how to stretch food dollars and eat healthy food on a budget. If they do not have access to the internet, ask them to tell you which informational brochure interests them. Print it for them to read.

In pairs or groups of three, ask students to read and discuss the information in order to prepare a report to the class about the key details found in the reading.

- What information was the same in the reports?
- Was any of the advice contradictory or different?
- What tips and suggestions from these handouts have you used in the past?
- What information do you think you might be able to use in the future?
-

[Plan a Healthy Meal](#)

<http://www.letsmove.gov/plan-healthy-meal>

Learn tips to plan a healthy menu and link to useful tools like a shopping list template and goal tracking sheet.

[30 Ways in 30 Days to Stretch Your Fruit & Vegetable Budget](#)

<http://www.fruitsandveggiesmorematters.org/30-ways-in-30-days-to-stretch-your-food-budget>

A tip a day to help you stretch your fruit and vegetable budget for National Fruits & Veggies-More Matters Month.

[Basic Foods for Cupboard, Fridge & Freezer: Create Your Own List!](#)

<http://www.food.unl.edu/web/fnh/basic-list>

A "starter list" of basic foods that can be combined and recombined in a variety of new, delicious (and nutritious!) ways.

[Farmers Markets: Fresh, Nutritious, Local](#)

<http://www.nutrition.gov/shopping-cooking-meal-planning/food-shopping-and-meal-planning/farmers-markets>

This page provides information and resources on farmers' markets including a video detailing the benefits of buying foods there and a 'Top 10 Reasons to Shop at a Farmers' Market' list. One of the Top 10 Reasons is the fact that SNAP and WIC cards are accepted at many farmers markets.

[Shopping for Health and Budget \(PDF | 79 KB\)](#)

<http://healthdcouncil.org/network/BudgetHealthShop.pdf>

This handout explains how to balance your budget and health while shopping.

[Spend Smart. Eat Smart.](#)

<http://www.extension.iastate.edu/foodsavings>

This website provides information and ideas on how to make or buy affordable, healthy meals. Interactive games; comparing prices of at-home vs. purchased meals; blog for real life tips and advice.

[Squeezed by Rising Food Prices?](#)

<http://extension.missouri.edu/p/MP905>

This handout contains tips on how you can save money at the grocery store, when eating out, when eating at home, and when eating at work.

[Eat Well for Less Web based Learning: Stretching Food Dollars](#)

http://extension.oregonstate.edu/fcd/nutrition/ewfl/module_03/

This web-based learning module will teach you about food shopping and cooking on a budget. Two sections include "Strategies at Home," and "Strategies at the Store."

Pg. 18-74 - 18-75 - Get Financially Organized! Vocabulary

Have students use the terms in the table to complete the sentences on this handout.

Then ask students to use three words in the table in original sentences.

ANSWERS:

Joe Freeman opened a bank account at Independence Bank with \$100 he saved after he started his new job. He opened the account so his employer could pay him by direct deposit. He walked into the bank one Friday afternoon after work to withdraw \$20 to give his girlfriend and deposit a \$150 check from his grandmother. The teller asked him to endorse the check, and then she gave him a receipt which listed how much he withdrew, how much he deposited, and his current balance.

Joe asked if he could have a register. He decided he wanted to record the money he earned (his income) and the money he spent (his expenditures) so he'd know how much he had in the account at all times, and so his account wouldn't ever be overdrawn. He knew he would have to balance his checkbook regularly.

A couple of weeks later, he got his monthly bank statement in the mail. He compared all the withdrawals and deposits listed on the bank statement to what he had written in his register. From the total on the statement, he subtracted all his outstanding payments to find his actual balance.

Pg. 18-76 - 18-79 -- Your Checking Account: Always Keep Track!

Use this handout to help students review the importance of keeping a running balance of their accounts. Remind them they should never write checks for or use a debit card for more money than they have in their checking accounts, because there will be consequences.

Give students the opportunity to practice writing checks and keeping a register. Have them use the figures in the handout to write checks for all the expenditures not paid by debit card, then use the checkbook register to record all of the financial transactions listed below.

What is the balance of your account on May 2nd? \$487.27

Your Checking Account Answer Key

Define these words:

- register: *a record book used to keep an account of your deposits, withdrawals and expenditures*
- balance (verb) *do the math to keep checkbook from being overdrawn*
- balance (noun) *the amount of money that remains in your account after your transaction*
- deposit: *money added to a checking or savings account*
- withdrawal: *money taken out of a bank account*
- overdrawn: *your account balance when you've written checks for more than you have money to cover*
- outstanding checks: *checks that you have written, but have not yet appeared on your bank statement*
- endorse: *write one's name on the back of a check in order to cash or deposit it*

Keeping a Register:

Check #	Date	Check Issued To	Amount of Check	Amount of Deposit	Balance
	4/5				302.00
	4/6	Deposit Paycheck		180.00	482.00
1001	4/7	Grocery Store	25.28		456.72
1002	4/10	Child Support	120.00		336.72
	4/13	Deposit Paycheck		180.00	516.72
Debit Card	4/19	Store	10.69		506.03
	4/20	Deposit Paycheck		180.00	686.03
	4/23	Deposit Tax Refund		223.00	909.03
1003	4/23	Grocery Store	133.76		775.27
ATM	4/23	Friend	18.00		757.27
	4/30	Deposit Paycheck		180.00	937.27
1004	5/1	Rent	348.00		589.27
1005	5/1	Utility Bill	102.00		487.27

Pg. 18-80 – 18-81 -- Using Percentage for Everyday Finances

Percentage is used in many of the calculations we have to do in daily life. Use this handout to teach the formula for calculating interest (or tax) [$p \times r \times t = I$, where i = interest, p = principle, r = rate and t = time.] Have students use the formula to solve the word problems, individually or in small groups.

ANSWERS:

1. How much interest will you pay if you borrow \$500 at an interest rate of 18% over 1 year?

$$\begin{aligned} p \times r \times t &= i \\ \$500 (p) \times .18(r) \times 1(t) &= i \\ \$500 (\text{principal}) \times .18 (\text{rate}) \times 1 &= \$90.00 \end{aligned}$$

2. What is the total amount owed to the lender in problem #1 after one year?

$$\$500 + \$90 = \$590$$

3. Use the formula to figure out how much interest you will pay if you borrow \$600 at an interest rate of 16% over 1 year:

$$\begin{aligned} \$600 (p) \times .16(r) \times 1(t) &= i \\ \$600 (\text{principal}) \times .16 (\text{rate}) \times 1 &= \$96.00 \end{aligned}$$

4. What is the total amount owed to the lender in problem #3 after one year?

$$\$600 + \$96 = \$696$$

5. If you have \$600.00 in the bank and the interest rate is 2%, how much interest will you earn in one year?

$$\$600 \times .02 \times 1 = \$12.00$$

What is the total amount you'll have in the bank (principal plus interest?)

$$\$600 + \$12 = \$612.00$$

6. If you have \$400.00 in the bank and the interest rate is 3%, how much interest will you earn in one year?

$$\$400 \times .03 \times 1 = \$12.00$$

What is the total amount you'll have in the bank (principal plus interest?)

$$\$400 + \$12 = \$412.00$$

7. If you spend \$16.00 on clothes, how much sales tax will you pay, if sales tax rate is 7%?

$$\$16.00 \times .07 = \$1.12$$

What will your total bill be (money owed on items plus tax?)

$$\$16.00 + \$1.12 = \$17.12$$

8. If you spend \$23.00 on clothes, how much sales tax will you pay, if sales tax rate is 7%?

$$\$23.00 \times .07 = \$1.61$$

What will your total bill be (money owed on items plus tax?)

$$\$23.00 + \$1.61 = \$24.61$$

(continued)

9. Tom and his guest both ordered the \$8 lunch special. The sales tax rate was 8%. He wanted to tip about 15%. How much did he pay for both of their meals, tax and tip?

$$\begin{aligned} \$8 \times 2 &= \$16 \\ \$16 \times .08 &= \$1.28 \\ \$16 + \$1.28 &= \$17.28 \\ \$17.28 \times .15 &= \$2.59 \\ \$17.28 + \$2.59 &= \$19.87 \end{aligned}$$

10. Janie ordered the \$9 breakfast. The sales tax rate was 7%. She wanted to tip about 20%. How much did she pay for her meal, tax and tip combined?

$$\begin{aligned} \$9 \times .07 &= \$0.63 \\ \$9 + \$0.63 &= \$9.63 \\ \$9.63 \times .20 &= \$1.92 \\ \$9.63 + \$1.92 &= \$11.55 \end{aligned}$$

11. Larisa wants to buy tires for \$225 each, but fortunately there is a 40% discount if you buy 4. What will it cost her for a set of four tires?

$$\begin{aligned} \$225 \times 4 &= \$900 \\ \$900 \times .40 &= \$360 \\ \$900 - \$360 &= \$540 \end{aligned}$$

Pg. 18-82 – 18-84 -- What You Need to Know About Credit

On these handouts, students learn vocabulary related to buying on credit and they come to understand that when we buy something on credit, we are taking on a **debt** and making a promise to pay the money back. They learn about **interest**, **minimum monthly payments** and **annual percentage rates (APR.)**

Have students read about the four dangers of buying on credit and to use the information to decide which of the four dangers applies to the shoppers in the scenarios.

ANSWERS:

- 1. Credit discourages comparative shopping.**
- 2. Credit makes it easy to spend too much.**
- 3. If you don't pay in full when the credit card bill is due, you must pay interest and late fees. There are penalties for not paying your bills on time.**
- 4. If you don't pay in full when the credit card bill is due, you must pay interest and late fees.**
- 5. Credit makes it easy to spend too much.**
- 6. If you don't pay in full when the credit card bill is due, you must pay interest and late fees.**

(continued)

Follow up by assessing student understanding of credit, based on the information they learned from the worksheets **What You Need to Know About Credit** and **The Dangers of Buying on Credit**.

ANSWERS:

1. When you are in debt, you: **d) all of the above**
2. What is interest? **c) a percent of money you borrowed**
3. Why is credit card use risky? **d) all of the above**
4. You will have good credit if you: **d) all of the above**
5. What is another name for the interest rate you pay on a credit card?
d) both a and c
6. What else might you have to pay a credit card company in addition to a monthly finance charge? **d) an annual fee**
7. What is a FICO score? **A FICO score is a credit score.**
8. How does a person get a good credit report? **A person gets a good credit report by paying bills in a timely manner, having an excellent history of repaying money borrowed, and having an excellent credit score (also called a FICO score.)**
9. Why does a good credit report matter? **Credit reports are used by potential lenders to decide whether someone is a good credit risk or a bad credit risk.**

Pg. 18-85 – 18-86 -- What You Need to Know About Taxes

Read this handout aloud with students and answer any questions they have as you go. Individually or in small groups, ask to complete the questions that follow.

ANSWERS:

1. What are taxes?
Taxes are payments to the government used to pay for programs and services that benefit everyone, such as schools, roads, fire and police, and the armed forces.
2. What are deductions?
Deductions are monies taken from your paycheck. Some are used by the government for services and others are benefits to you.
3. Give an example of deductions that might be taken from your pay check:
 - **FICA (Federal Insurance Contributions Act) Social Security -- a government pension program that provides you with income in your retirement.**
 - **Retirement -- a deduction that helps pay for benefits after you retire. The company and the employee both contribute.**

Health insurance -- a deduction that helps pay for health benefits while you work. The company and the employee both contribute.

(continued)

4. Why will your employer ask you to fill out a W-4 form?
The W-4 form is used to determine how much money to take out of your paycheck in tax deductions.
5. When do you need to fill out a tax return?
You need to fill out your income tax return with the IRS (Internal Revenue Service) by April 15th.
6. What form do you need to file a tax return?
Every January you will get a summary of your earnings for your employer, called a W-2 form. You will need to use this form when you fill out your income tax return
7. What is the EITC and how is it helpful?
The Earned Income Tax Credit (EITC) assists low income people by reducing their tax payments. In order to claim the Earned Income Tax Credit, you must file an income tax return.

Pg. 18-87 - 18-89 - Financial Vocabulary Matching Game

Make a copy of these pages. Cut up the cards and give each student an "I Have" / "Who Has" card. Ask for a volunteer to go first and read his or her card. Ask the student who has the answer to read the "I Have" answer on the card aloud, then to read the "Who Has?" question on the card. Keep going around until all of the terms have been matched with their definitions. Collect the cards and play again to help students practice matching financial vocabulary.

ANSWERS:

I have: Needs	Who has? Something you have to have
I have: Want	Who has? Something you would like to have
I have: Expenditure	Who has? An amount of money spent
I have: Income	Who has? Money that you earn
I have: A full credit history within a consumer's credit file at the credit bureaus	Who has? Credit Report
I have: A calculation based on a consumer's credit history that is intended to predict future credit performance for that consumer	Who has? Credit Score
I have: Credit Cards	Who has? A plastic card that allows you to buy goods or services and pay for them over time, receiving a bill each month
I have: Budget	Who has? An estimate of income and expenditure for a set period of time
I have: Credit	Who has? The ability to borrow money

I have: Interest	Who has? The amount of money a financial institution charges for letting you use its money
I have: Withdrawal	Who has? Taking money out of your bank account
I have: Savings Account	Who has? An account that earns interest
I have: Money borrowed on credit	Who has? Loan
I have: A business that offers you a safe place to keep your money and uses your deposits to make loans	Who has? Bank
I have: One method your employer or a government agency might choose to give you your paycheck of benefits check	Who has? Direct Deposit
I have: Balance	Who has? The amount of money you have in your account

Pg. 18-90 -- Needs vs. Wants

Distribute the handout and discuss with students the difference between needs and wants. Then distribute a stack of notecards to each student. Have the students write on notecards each of their expenditures (things they spend money on) on a separate notecard. Then ask them to decide if the item on the notecard represents a need or a want. Have them put their notecards on the appropriate brown bag (or use actual paper lunch bags.)

Discuss:

- Which pile is higher?
- Are there any items in the “wants” pile that you could omit?
- Are there any items in the “wants” pile that you could spend less on, or put off till later, in order to have more money for “needs”?

Supplemental Financial Literacy Resources

<http://www.handsonbanking.org/en/instructional-resources.html>

Hands on Banking® is designed for both self-paced, individual learning and classroom use. Instructor Guides help teachers prepare, extend or modify lessons, and assess participant progress. Each Guide may be used alone or as an adjunct to the online program. Includes pre- and post-tests. Lessons include:

* Adults Instructor Guide

- * Basics of Banking
- * Money Management Tools and
- * Protect Yourself
- * Using Credit to Your Advantage
- * Planning Your Future
- * Buying a Home

* Entrepreneurship Instructor Guide

- * Starting a Business
- * Managing a Business
- * Growing a Business

MoneySKILL

MoneySKILL is an online, interactive, reality-based personal finance course for high school and college students developed by the American Federation of School Administrators (AFSA) Education Foundation.

Financial Literacy course

A free, online introductory course about personal financial management.

Florida Choices

Florida Department of Education webpage that includes assistance with financial aid planning, descriptions of Florida's financial aid programs, a link for finding scholarships, building a financial aid plan, and a Financial Fitness page that teaches students money management, avoiding debt and wise use of credit.

Navigating Your Financial Future

This resource is offered by the Florida Department of Education's Office of Student Financial Assistance to help students and their families make sound financial decisions about their postsecondary education goals, debt management and budgeting.

Your Money Matters

This resource is offered by Florida's chief financial officer, Jeff Atwater. It contains a wealth of information on the topics of Credit and Debt, Saving and Spending, Life Events and Small Business. It also includes games, calculators and a list of other resources available.

[Florida Council on Economic Education](#)

Offers resources for teachers and students including standards-based curriculum, teacher workshops, and the Financial Freedom financial literacy guide.

[Jump\\$tart Coalition for Personal Financial Literacy](#)

Clearinghouse page contains lesson plans and materials (some free, some not).

[MyMoney.gov Resources for Teachers and Educators](#)

Contains lesson plans, professional development and other resources for teaching financial capability concepts specifically designed for teachers and educators.

[National Endowment for Financial Literacy High School Financial Planning Program](#)

Materials and Resources on a large number of topics available for teachers, students and parents. Some materials require registration and login.

[Federal Reserve Education Lesson Plans](#)

Lesson plans searchable by title, grade, topic and more, as well as videos and other activities.

[Federal Reserve Bank of Atlanta Jacksonville Branch](#)

Access to free teacher training across the state as well as curriculum materials for teachers, including "Katrina's Classroom: Financial Lessons from a Hurricane."

[CredAbility](#)

Non-profit credit counseling and education that includes online courses in debt management, housing and mortgages, budget and credit and life events, in a variety of formats.

[Discover Pathways to Financial Success](#)

Personal finance tips and tools, videos, games and a glossary for students. Sponsored by Discover Financial Services.

[Financial Football](#)

A fast-paced, NFL-themed video game developed by Visa in which students test their money management skills by answering financial questions that allow them to move down the field and score touchdowns. Sponsored by Visa and the NFL.

[Practical Money Skills and the Khan Academy](#)

Designed to help improve money management skills, these educational videos from the Khan Academy were made in partnership with Practical Money Skills.

Unit Eighteen

Taking Care of Yourself:

UNDERSTANDING

FINANCES

&

MANAGING

MONEY

Student Activities

Words of Wisdom: Money

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For the love of money is the root of all evil: which while some coveted after, they have erred from the faith, and pierced themselves through with many sorrows.

1 Timothy 6:10, King James Bible

The lack of money is the root of all evil.

Mark Twain

Time is money.

Benjamin Franklin

Remember that credit is money.

Benjamin Franklin

If you would know the value of money, go and try to borrow some.

Benjamin Franklin

Money is not the only answer, but it makes a difference.

Barack Obama

Money is only a tool. It will take you wherever you wish,
but it will not replace you as the driver.

Ayn Rand

Money has never made man happy, nor will it; there is nothing in its nature to produce happiness. The more of it one has the more one wants.

Benjamin Franklin

Money won't make you happy... but everybody wants to find out for themselves.

Zig Ziglar

Money may not buy happiness, but it can damn well give it!

Freddie Mercury

What's the use of happiness? It can't buy you money.

Henny Youngman

I don't care too much for money, money can't buy me love.

The Beatles

Words of Wisdom: Money, cont.

When you ain't got no money, you gotta get an attitude.

Richard Pryor

For I can raise no money by vile means.

William Shakespeare

We have an obligation and a responsibility to be investing in our students and our schools. We must make sure that people who have the grades, the desire and the will, but not the money, can still get the best education possible.

Barack Obama

A nation that continues year after year to spend more money on military defense than on programs of social uplift is approaching spiritual doom.

Martin Luther King, Jr.

I haven't been as wild with my money as somebody like me might have been. I've been very safe, very conservative with investments. I don't blow money.

I don't have a ton of houses. I know things can go away.

I've already had that experience.

Jim Carrey

If I win and get the money, then the Oakland Police department is going to buy a boys' home, me a house, my family a house, and a Stop Police Brutality Center.

Tupac Shakur

Getting money is not all a man's business:
to cultivate kindness is a valuable part of the business of life.

Samuel Johnson

To fulfill a dream, to be allowed to sweat over lonely labor, to be given a chance to create, is the meat and potatoes of life. The money is the gravy.

Bette Davis

A real gentleman, even if he loses everything he owns, must show no emotion.

Money must be so far beneath a gentleman
that it is hardly worth troubling about.

Fyodor Dostoevsky

I've got all the money I'll ever need, if I die by four o'clock.

Henny Youngman

Words of Wisdom: Money

\$\$\$\$\$\$\$\$\$\$\$\$ Reflections \$\$\$\$\$\$\$\$\$\$\$\$\$

Pick a quote that intrigues you. Write about the quote, reflecting on:

- what you think the speaker means*
- whether you agree and why or why not*
- how the quote is or is not relevant to your life*
- specific examples from your life or the lives of others which highlight its meaning*

\$\$ Show Me the Money \$\$

Examining Your Financial Needs and Spending Habits

Think about your past experiences with money. Answer the following questions honestly so that you can assess whether your strategies have worked well and, if not, what information you might need to help you make financial decisions in the future.

1	Ask yourself:	Yes	No
2	Do you often wonder where all your money went?		
3	Does your money always seem to disappear before the next pay check?		
4	Do you ever run out of food or gas or money to pay bills before the next pay check?		
5	Have you ever gotten collection notices or had utilities turned off because you were not able to pay your bills?		
6	Do you borrow money from family or friends?		
7	Do you owe money on credit cards?		
8	Do you owe money on student loans?		
9	Do you owe money on a mortgage?		
10	Do you owe car payments?		
11	Do you owe restitution?		
12	Do you owe child support?		
13	Do you owe court costs? Do you know what they are and how you will pay them?		
14	Do you wish you could make more money so you could take care of your financial responsibilities?		
15	Have you ever gotten money illegally because you felt you had no choice?		

Did you answer "yes" to any of these questions? Would you like financial help or advice?

What's Your Financial I.Q.?

Read each statement, then write T (true) or F (false) on the line. If the sentence is false, explain why.

1. _____ People with criminal records are prohibited from getting credit cards.

2. _____ Banks charge ex-offenders additional fees for opening bank accounts.

3. _____ All bank ATMs charge a fee.

4. _____ You should avoid all types of debt.

5. _____ There are no interest payments on debit cards. Debit cards act like checks. Money is drawn from your checking account.

6. _____ Most individual savings accounts are insured by the federal government for up to \$250,000.00

7. _____ It's better to pay the minimum balance on your credit card than to pay in full the total due.

8. _____ Your net income is the amount you take home after taxes, insurance and other costs have been deducted.

9. _____ Payday loans are a good way to get emergency money quickly because you can get quick funds for a low interest rate.

10. _____ Car payments, insurance, utilities, rent and a home mortgage are examples of fixed expenses.

What's Your Financial I.Q.?, cont.

11. ____ Payday loan rates are usually cheaper than credit card interest rates.
-
12. ____ You need to pay the minimum payment every month on your credit card bill, but it's better to pay off your entire balance to avoid interest charges.
-
13. ____ Annual Percentage Rate (APR) means the interest rate for a whole year (annualized).
-
14. ____ Deductions are amounts subtracted from gross pay.
-
15. ____ Gross pay is hourly pay multiplied by the number of hours worked, before deductions are taken out.
-
16. ____ Flexible expenses are expenses that do not change from month to month.
-
17. ____ A budget can help you plan for large purchases or credit payments, help you plan how to live on your income, and help save money for unexpected expenses.
-
18. ____ The interest rate is a percentage of principal charged to a borrower for the use of the money. Interest rates are typically noted on an annual basis, known as the annual percentage rate (APR).
-
19. ____ If you don't pay in full when the credit card bill is due, you must pay interest and late fees.
-
20. ____ The Earned Income Tax Credit (EITC) assists low income people by reducing their tax payments.

What's Your Financial I.Q.? ANSWERS

1. F People with criminal records are prohibited from getting credit cards.
Being able to get a credit card is based on your FICO Score, not your criminal history.
2. F Banks charge ex-offenders additional fees for opening bank accounts.
Banks use ChexSystems to see how a consumer uses and handles bank accounts and determines eligibility based on the reports, not on criminal history.
3. F All bank ATMs charge a fee.
Only if you use an ATM outside your network will you be charged a fee for each transaction.
4. F You should avoid all types of debt.
Debt can be very beneficial if you do not live beyond your income means and if you pay your bills on time.
5. T There are no interest payments on debit cards. Debit cards look just like credit cards and act like checks. Money is drawn from your checking account.
6. T Most individual savings accounts are insured by the federal government for up to \$250,000.00
7. F It's better to pay the minimum balance on your credit card than to pay in full the total due.
Paying your credit card in full is better than paying the minimum balance because you avoid monthly interest rates and late fees.
8. T Your net income is the amount you take home after taxes, insurance and other costs have been deducted.
9. F Payday loans are a good way to get emergency money quickly because you can get quick funds for a low interest rate.
Payday loans have very high interest rates.
10. T Car payments, insurance, utilities, rent and a home mortgage are examples of fixed expenses.

- 11._F_Payday loan rates are usually cheaper than credit card interest rates.
Payday loans rates are calculated every two weeks, while credit card interest rates are calculated every month. Payday loan Annual percentage Rates are usually much higher than credit card rates.
- 12._T_You need to pay the minimum payment every month on your credit card bill, but it's better to pay off your entire balance to avoid interest charges.
- 13._T_Annual Percentage Rate (APR) means the interest rate on a loan for a whole year (annualized).
- 14._T_Deductions are amounts subtracted from gross pay.
- 15._T_Gross pay is hourly pay multiplied by the number of hours worked, before deductions are taken out.
- 16._F_Flexible expenses are expenses are expenses that do not change from month to month.
Flexible expenses are not fixed; they can change or be adjusted depending on circumstances.
- 17._T_A budget can help you plan for large purchases or credit payments, help you plan how to live on your income, and help save money for unexpected expenses.
- 18._T_The interest rate is a percentage of principal charged to a borrower for the use of the money. Interest rates are typically noted on an annual basis, known as the annual percentage rate (APR).
- 19._T_If you don't pay in full when the credit card bill is due, you must pay interest and late fees.
- 20._T_The Earned Income Tax Credit (EITC) assists low income people by reducing their tax payments.

\$\$ The Vocabulary of INCOME \$\$

Use the vocabulary chart to help you answer the questions about income below.

Income	Income is the money that one receives regularly, usually as salary for paid work.
Gross income	Gross income is the amount of money a worker makes, before deductions.
Deductions	Deductions are amounts subtracted from gross pay. Deductions may include both FICA and federal taxes. This money is primarily used to finance programs that help defend, educate, financially support and care for individuals living within the United States.
Withholding	The withholding amount on a paycheck is the amount that is deducted from your gross pay for taxes or for later use (as in Social Security.) The withholding amount is the amount of taxes that you are having withheld.
FICA	The Federal Insurance Contributions Act (FICA) tax is a United States Federal payroll (or employment) tax paid by both employees and employers to fund Social Security and Medicare.
Social Security	Social Security is a federal program that provides benefits for retirees, the disabled, and children of deceased workers.
Medicare	Medicare is a federal program that provides health and hospital insurance benefits for the elderly.
Net income	Net income is the amount of money left after withholding taxes are withheld. Net income is also called take home pay.

1. What is the difference between gross income and net income?
2. What is another term for “net income”?
3. What does it mean is money is “withheld” from your paycheck?
4. Who pays the FICA tax?
5. How do FICA deductions benefit workers?
6. What do federal taxes pay for?

What's On Your Pay Stub?

Every pay stub has valuable information about how much you are earning and how much you are paying in taxes. Read the definitions of terms below and use them to help you answer the questions about each of the pay stubs which follow.

Base pay rate	Your base pay rate is your hourly wage. The base pay multiplied by the hours worked equals the weekly gross pay.
Gross pay	Gross pay is the amount of money you earn BEFORE deductions.
Deductions	Deductions are amounts of money taken out of your pay for income taxes, social security, health insurance, etc.
FICA (Social Security)	The Social Security deduction is a government pension program that provides you with income in your retirement.
Federal W/H (withholding tax)	Federal withholding tax is the income tax that you pay to the federal government. You may receive a partial or full refund after filing your income tax return.
Net pay	Net pay is the amount of money left AFTER deductions. Net pay is also called "take home pay."
Current pay	Current pay is the amount of money paid in this pay period.
YTD	YTD stands for Year to Date. This lists the total amount of pay earned since the beginning of the year.

Easy Dollar Discount Store			
Employee name: John Chester Soc Sec # 445-007-9985 Pay period: 3/5 - 3/9/12			
Regular Hours	Overtime Hours	Base Rate	Earnings
40.00	0	8.50	340.00
DESCRIPTION	CURRENT	YTD	
Gross pay	340.00	3440.00	
Federal W/H Tax	37.40	374.00	
FICA (7%)	23.80	238.00	
TOTAL DEDUCTIONS	61.20	612.00	
NET PAY	278.80	2788.00	

1. What is John Chester's base pay? _____
2. What is his YTD gross pay? _____
3. What is John's gross pay this week? _____
4. Which taxes are deducted from John's gross pay? _____
5. How much is deducted from this week's check? _____
6. What is John's net pay this week? _____

What's On Your Pay Stub? Cont.

Overtime pay	Overtime pay is more than the regular pay (often 1 ½ times the base rate of pay) for hours worked over the regular time worked.
Health insurance	Health insurance is a deduction that helps pay for health benefits while you work. The company and the employee both contribute.
Retirement	Retirement is a deduction that helps pay for benefits after you retire. The company and the employee both contribute.
Union Dues	Union dues are paid to the union, an organization that supports workers and helps protect their rights.

Country Buffet, Inc.				
Employee name: May Jackson Soc Sec # 443-007-0864 Pay period: 3/5 - 3/9/12				
Regular Hours	Overtime Hours	Base Rate	Earnings	
40.00	10	12.00	660.00	
DESCRIPTION	CURRENT	YTD		
Gross pay	660.00	6600.00		
Federal W/H Tax	72.60	726.00		
FICA (7%)	46.20	462.00		
Health insurance	40.00	400.00		
Retirement				
Union dues	7.19	79.09		
TOTAL DEDUCTIONS	165.99	1659.90		
NET PAY	494.01	4940.10		

1. What is May Jackson's base pay? _____
2. How much (gross) did May earn in overtime pay this week? _____
3. What is May's total gross pay this week? _____
4. What is her YTD gross pay? _____
5. Which taxes are deducted from May's gross pay? _____

6. How much is deducted from this week's check? _____
7. What is May's net pay this week? _____

How Much Do You Make?

\$\$\$ Figuring Take-home Pay \$\$\$

Hourly pay	Hourly pay is how much money an employee earns for every hour worked.
Gross pay	Gross pay is hourly pay multiplied by the number of hours worked, before deductions are taken out.
Deduction	Deductions are the money taken out of an employee's paycheck; deductions might include health insurance, income tax, Social Security (FICA), or union dues.
Net pay	Net pay is how much a worker has available to spend after deductions have been taken out. Net pay is also called take-home pay.

To figure out the earnings of the workers in the scenarios below, break down the steps to do the math. The first one is done for you.

I. Lance earns \$7.95 an hour for a 37 ½ hour week. What will his take-home pay be every 2 week pay period?

- Figure out how much he earns in gross income each week, by multiplying hourly wage x hours worked.) $\$7.95 \times 37.5 = \$\underline{298.12}$ /week

- Figure out his monthly gross income, by multiplying weekly gross income by 2 weeks in a pay period.) $\$298.12 \times 2$ (weeks in a month) = $\$\underline{596.24}$ /pay period

PERCENTAGE DEDUCTION METHOD 1

- Figure out how much he will receive in net income if approximately 10% of his earnings are taken for deductions by multiplying gross income x 10% (.10.) $\$596.24 \times .10 = \$\underline{59.62}$

- Figure out Lance's net income, by subtracting deductions from gross monthly earnings to find net income.

$$\begin{array}{r} \$596.24 \text{ (gross pay period income)} \\ - \$ 59.62 \text{ (deductions)} \\ = \underline{\$ 536.62} \text{ (net pay period income)} \end{array}$$

10% deduction can be calculated by simply moving the decimal point 1 place to the left (and rounding if necessary). 10% of 596.24 is 59.624 which rounds to 59.62.

How Much Do You Make? cont.

PERCENTAGE DEDUCTION METHOD 2

- Figure out the net income percentage if approximately 10% of his earnings are taken for deductions by subtracting 10% (.10) deduction from 100 % (1.00).

$$1.00 - .10 = \underline{\quad}.90 \text{ (90\%)}$$

- Figure out Lance’s net income, by multiplying net income percentage by gross pay period earnings to find net income.

\$596.24 (gross pay period income)

.90 (net income percentage)

\$ 536.62 (net pay period income)

TRY THESE:

2. Jasmine’s gross earnings are \$9.00 an hour for a 30 hour week.
What will she earn in take-home pay every month?

How much does she earn in gross income each week? <i>(Multiply hourly wage x hours worked.)</i> \$ _____ x _____ = \$ _____
What is her monthly gross income? <i>(Multiply weekly gross income x weeks in a month.)</i> \$ _____ x 4 (weeks in a month) = \$ _____
If approximately 9% of her earnings are taken for deductions, how much will she receive in net income? <i>(Multiply gross income x 9% (.09.)</i> \$ _____ x .09 = \$ _____
<i>(Subtract deductions from gross earnings to find net income.)</i> \$ _____ (gross earnings) - \$ _____ (deductions) = \$ _____ (net income)

How Much Do You Make? cont.

3. Marla's gross earnings are \$12.50 an hour for a 24 hour week.
What will she earn in take-home pay every month?

How much does she earn in gross income each week?

(Multiply hourly wage x hours worked.)

\$ _____ x _____ = \$ _____

What is her monthly gross income?

(Multiply weekly gross income x weeks in a month.)

\$ _____ x 4 (weeks in a month) = \$ _____

If approximately 8% of her earnings are taken for deductions,
how much will she receive in net income?

(Multiply gross income x 8% (.08).)

\$ _____ x .08 = \$ _____

(Subtract deductions from gross earnings to find net income.)

\$ _____ (gross earnings)
- \$ _____ (deductions)
= \$ _____ (net income)

How Much Do You Make? cont.

4. Jerry's gross earnings are \$9.50 an hour for a 35 hour week.
What will he earn in take-home pay every month?

How much does he earn in gross income each week? (Multiply hourly wage x hours worked.) \$ _____ x _____ = \$ _____
What is his monthly gross income? (Multiply weekly gross income x weeks in a month.) \$ _____ x 4 (weeks in a month) = \$ _____
If approximately 9% of his earnings are taken for deductions, how much will he receive in net income? (Multiply gross income x 9% (.09.) \$ _____ x .09 = \$ _____ (Subtract deductions from gross earnings to find net income.) \$ _____ (gross earnings) - \$ _____ (deductions) = \$ _____ (net income)

5. Marcus's gross earnings are \$11.25 an hour for a 20 hour week.
What will he earn in take-home pay every month?

How much does he earn in gross income each week? (Multiply hourly wage x hours worked.) \$ _____ x _____ = \$ _____
What is his monthly gross income? (Multiply weekly gross income x weeks in a month.) \$ _____ x 4 (weeks in a month) = \$ _____
If approximately 8% of his earnings are taken for deductions, how much will he receive in net income? (Multiply gross income x 8% (.08.) \$ _____ x .08 = \$ _____ (Subtract deductions from gross earnings to find net income.) \$ _____ (gross earnings) - \$ _____ (deductions) = \$ _____ (net income)

How Much Do You Make? cont.

6. Ron packs boxes at the rate of \$1.25 per box. He averages 11 boxes an hour.

- What will be his average gross income per hour?
- What will be his average gross income for an eight hour day?
- What will be his average gross income for a week?
- If 10% of his gross is deducted, what will be his net weekly income?
- What will be his net monthly income?

7. Marie works 28 hours a week at a rate of \$13.00 an hour. Six percent of her income is deducted for Federal income tax and three percent for FICA.

- What is her weekly gross income?
- What is her monthly gross income?
- What is her monthly net income?

8. Manny works 35 hours a week at a rate of \$10.50 an hour. Although some months have more days and work hours than others, Manny's pay is evened out based on an average of a little over 4 1/3 weeks per month, so weekly gross pay is multiplied by 4.35 instead of 4. Nine percent of his income is deducted each week.

- What is his weekly gross income?
- What is his monthly gross income?
- What is his monthly net income?

9. Make up a problem in which you figure out take-home pay, using wages and hours from a previous job you or a partner has had, and estimating 10% in deductions.

Get a Handle on Your Finances

Have you ever been in debt? Have you ever tried to figure out how to get ahead and not be in trouble financially at the end of the month? The following suggestions will help you take charge of your finances. After you read these suggestions, write answers to the following questions:

- ~ Do you think any of these steps would work for you?*
- ~ Have you taken any of these steps before?*
- ~ What other strategies might help you keep a handle on your finances?*



- Set aside a certain amount of money to spend each week. Use cash. Try to avoid carrying a checkbook, credit cards, or ATM cards because they give the illusion of having more money than you have.
- Don't use credit cards for cash advances. Avoid payday lenders. Their high fees add up and you'll end up with even greater debt.
- If you are in a couple or sharing a house, plan a budget with your partner so you both know where the money goes.
- Plan ahead for emergencies. Set aside a certain amount of money a week (even if it's \$5, \$10 or \$15.)
- Use a shopping list. Be careful about "impulse buying" and stick to your food-shopping list. Never shop when you're hungry!
- Comparison shop. Generic or store brands are usually cheaper.
- Buy clothing at Goodwill or other thrift stores.
- Try to cook from scratch. Fast food is often more expensive than homemade food.
- Take advantage of the many free services available in your community: the local library, parks, playgrounds, beaches, outdoor concerts, festivals, and markets.

Look for cheaper entertainment options: walks, matinee movies, videos, picnics, playgrounds and parks.

THE HIGH COST OF PAYDAY LOANS

Joseph's car has been giving him trouble lately and it turns out he needs a new carburetor – for \$500. He can't afford it, doesn't have savings, and is having enough trouble just paying rent and child support with his \$11 an hour job. He needs his car in order to get to work. How is he going to get his hands on \$500?

Joseph decides to check out the Quick Payday Loans shop down the street. It turns out to be super easy – he's in and out of there in twenty minutes and the contract says that \$500 will be deposited in his account sometime the next day. He has to pay finance fees – but it's convenient and easy and worth it. Right?

The problem is – it'll cost him. A lot.

Did you know?

- Payday loans cost borrowers a minimum of \$3.4 Billion in fees annually?
- The nation's largest payday loan companies have earned a record \$1.5 Billion in combined annual revenues from high-cost payday loans?
- 80% of payday loans are rolled over within 14 days?
- People who use payday loans usually do it ten times a year?
- Payday lenders are always located in low-income neighborhoods where people are less likely to use a bank and people need money quickly?
- Major banks (including Bank of America, JPMorgan Chase, and Wells Fargo) finance approximately 42% of the payday loan industry?
- There are more payday lenders than there are McDonald's?
- Florida ranks 14th in the nation for pay day lenders?
- Some states currently *ban* payday lending?
- When people leave payday loan stores, they are called "walking ATMs" because they are easy prey for thieves?



Adapted from http://npa-us.org/files/images/profitting_from_poverty_npa_payday_loan_report_jan_2012_0.pdf
and Outreach Services, Florida Department of Education
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The High Cost of Payday Loans, cont.

“We can change communities. Where there are liquor stores they will now want convenience stores; where there are payday lenders they will now want credit unions. Help the community change their neighborhoods.”

John Hope Bryant

How do payday loans work?

Payday loans are designed for people who need fast, easy money to take care of financial emergencies.

Payday loans are short-term, high-interest loans. Loans can run between \$50 and \$500. Unfortunately, getting a payday loan is pretty easy.

First, you supply your contact information, banking information and employment information. You might have to supply the contact information of friends and family so the payday lender can call them if you don't pay the loan back.

Next, you write a check to the lender for the amount you want to borrow. The lender adds a finance fee. (\$15 per \$100 of loan is fairly common.)

1. Do the math: If Quick Pay Day Loans charges Joseph \$15 for every \$100 he's borrowing, how much will he have to pay in fees?

Then the payday lender either deposits the money in your bank account or gives you a check for the amount you want to borrow.

The lender holds the check you wrote for the term of the loan (usually two weeks.)

When the term is up, the payday lender cashes your check or withdraws the money you owe from your bank account. This pays back your loan and pays the lender's fee.

2. Do the math: If Quick Pay Day Loans charges Joseph \$15 for every \$100 he's borrowing, how much total money will be debited from Joseph's account?

The High Cost of Payday Loans, cont.

Then comes the Rollover. If you can't afford for that check to be cashed (because you still have all your regular expenses), you can roll the loan over into another term (usually another 14 days). The lender will tack on another fee.

3. Do the math: *If Joseph has to roll the loan over another two weeks, how much will he owe then?*

Payday loans are fast, easy and convenient. They are attractive to people who have poor credit and no savings. But does the price outweigh the advantages?

4. Do the math: *If you were to take out a two-week payday loan for \$100 and were charged a fee of \$15, you would owe \$115 at the end of those two weeks. How much is that per day?*

\$15 divided by 14 days = _____ per day

5. Do the math: *What if you couldn't afford to pay off this loan for a year? Multiply the daily fee times 365 days a year.*

At the end of the year, on top of the \$100 you borrowed, you would owe \$391. That means your Annual Percentage Rate (APR) is 391 percent. The APR describes the interest rate for a whole year (annualized).

6. Do the math: *If you were to take out a two-week payday loan for \$200 and were charged a fee of \$12, you would owe \$212 at the end of those two weeks. How much is that per day?*

\$12 divided by 14 days = _____ per day

7. Do the math: *What if you couldn't afford to pay off the loan with the \$12 fee for a year? Multiply the daily fee times 365 days a year.*

That means your Annual Percentage Rate (APR) is _____ percent.

8. Do the math: *If you were to take out a two-week payday loan for \$300 and were charged a fee of \$13, you would owe \$313 at the end of those two weeks. How much is that per day?*

_____ per day

7. Do the math: *What if you couldn't afford to pay off the loan with the \$13 fee for a year? Multiply the daily fee times 365 days a year.*

That means your Annual Percentage Rate (APR) is _____ percent.

The High Cost of Payday Loans, cont.

What other options are there?

Payday loans may seem attractive at first, but they may end up sinking you and your family faster into debt. Consider these alternatives instead:

- Open an emergency savings account to cover financial challenges. If your employer offers direct deposit, you may be able to automatically deposit 5 percent of each paycheck into your savings account.
- Only borrow money if you know you'll be able to pay it back quickly.
- Explore the possibility of taking out a small loan from a bank or a credit union. Many credit unions, in response to the financial difficulties faced by consumers who have sunk into debt to payday loans companies, have created short-term loans with low interest rates.
- If you must use a payday lender, shop around to make sure you choose the least costly offer.
- Talk to your credit card company about what you can do to lower your APR and/or your monthly payments.
- See if you can get an extension or a more manageable payment plan to pay your bills. For example, many utility companies offer various billing plans that can help you pay your bills without going into debt.
- Get help from a consumer credit counseling agency. These organizations can strike deals with credit card companies and other creditors to create a plan to help you pay off your debt in a reasonable and manageable amount of time.
- Get overdraft protection on your checking account so you are not charged extra if you have unexpected costs during the month.



Adapted from <http://money.howstuffworks.com/personal-finance/banking/payday-loans3.htm>

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Take Charge of Your Finances During the Holidays



The holidays can be a stressful time of year for many reasons. One reason the holidays cause stress is because there are so many demands on us to spend money! Every store we enter from October to December begs us to buy more things (and promises us we'll be happy if we do!)

The following suggestions will help you take charge of your finances during the holidays. After you read these suggestions, write answers to the following questions:

- ~ Do you think any of these steps would work for you?
- ~ Have you taken any of these steps before?
- ~ What other strategies might keep the holidays less stressful financially?

- Plan a detailed holiday budget for the months of October (Halloween), November (Thanksgiving), December (Christmas/Hanukkah/Kwanzaa) and January (after-Christmas sales).
- Plan ahead for shopping and gift giving. Buy a few gifts each month all during the year, or set aside a little money each month for a big holiday shopping trip with cash in hand. Leave the credit cards at home.
- If you do charge items, only do so if you are sure you can pay off the charge in one payment.
- Give practical items rather than "entertainment" items.
- Make a gift list, including how much you can spend on each person.
- Consider sending holiday cards instead of gifts. You and your kids might enjoy making your own holiday cards instead of purchasing them.
- Make homemade baked goods or crafts to give as gifts.
- Don't succumb to advertising! Don't make a purchase you can't afford just because it's a good deal or on sale.



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Keeping a Budget: Vocabulary

Budget	A budget is a plan for spending money, including income and expenses.
Income	Income is money that you receive regularly, usually as salary for paid work.
Expenses	Expenses are things on which money must be spent. Expenses can be fixed or flexible .
Fixed expenses	Fixed expenses are expenses that do not change from month to month. Rent, mortgage, loan payments, insurance payments are usually fixed expenses.
Flexible expenses	Flexible expenses are expenses that may change from month to month. Food, entertainment and travel costs may be flexible.
Balance	A balance is the amount of money left after subtracting expenses from income.
Financial goal	A financial goal is an amount of money you would like to have to accomplish something in the future. Financial goals can be short term (these may be achieved soon and may cost less) or long term (these may take longer and involve more money.)

Use the words in the table above to complete these sentences:

To plan how you will spend your money, it can be very helpful to make a _____ . Every month, subtract your fixed and flexible _____ from your _____ in order to find out your _____ . After you make a budget, you will have more information to help you achieve a _____ , like decide how to save money for a trip, for tuition, or for a purchase.

\$\$ How Would a Budget Help? \$\$

The people in these stories want to manage their finances, but they are having money problems. In what way would a budget help each person? Choose a reason from the list below and write it in the blank provided.

- **To tell how and where money is being spent**
- **To give records to use in filling out income tax forms**
- **To help plan for large purchases or credit payments**
- **To help plan how to live on your income**
- **To help save money for unexpected expenses**

1. Roberto just sat down to complete his federal income tax form. After looking over his W-2 form and statement of interest from his savings account, he finds that he still doesn't have enough information to complete his tax return.

2. When Louise turned on the TV last night, there was no sound, only a picture. She took the TV to the shop and was told that it would cost \$45.00 to fix it. Louise doesn't have any money saved, so she'll have to wait until next payday to get her TV back.

3. Richard bought a hamburger, milk shake, and French fries at the cafeteria. When he opened his wallet to pay the bill, he saw that he had \$7.00, but he had \$26.00 the week before. Where had the money gone? Richard was very upset. He knew that he had spent the money, but he couldn't remember where or how.

4. Linda drives a taxi cab. Instead of getting a paycheck every two weeks, she gets some money every day. She always has a little cash on hand, but never enough to make a large purchase. She does not have enough for a watch, so she must borrow money to buy one. That means that Linda has to pay some interest along with the price of a watch.

5. After graduating from high school, Jason took a job as a motorcycle mechanic. He moved into an apartment and began to live on his own. He bought an old car, a TV, and a stereo, but when his electric bill came, he didn't have the money to pay it. When his refrigerator was empty, he couldn't afford to buy groceries.

“Who Needs a Budget?” Scene One

As you read “Who Needs a Budget?”: Scene One, think about what this family could do to solve some of their financial problems and meet their financial needs. What are their short-term and long-term financial goals and how might they begin to prepare for them? Also, ask yourself if you have ever encountered some of the problems this family faces. How have you dealt with them? Have you kept a budget before?



Setting

Millie Jones is sitting at the kitchen table, surrounded by papers. Her husband, Howard, and son, David, walk in and sit down next to her.

Characters

Howard Jones – father

Millie Jones – mother

David Jones – nine year old son



Millie: Oh, I am so tired!

Howard: What’s the matter, baby?

Millie: This is very frustrating!

Howard: What is it? What are all these papers?

David: Mama, you look like I do when I do my homework!

Millie: This is depressing. I’m trying to see why our **expenses** always seem to be more than our **income**. We need to **budget** our money.

Howard: Why bother? We’re doing alright.

David: What’s “our income”?

Millie: It’s not enough, that’s for sure! “Income” means “how much money we have coming in.”

David: What's "expenses" mean?

Howard: It means "everything we spend money on." And like I said, Millie, I don't see why you're bothering with all this. We're managing okay. And even if we are in the hole, there's nothing we can do about it. Who needs a budget?

Millie: We do! The more I look at these bills, the more I realize how much I want to get this all straight. We don't really plan; we just *hope* everything will work out.

Howard: It probably would if I didn't have to pay so much in child support.... Before I met you, Millie, I made some mistakes – like marrying Lucy! She gave me a beautiful daughter, I know, but – \$200 a month! Ouch.

Millie: But it is your responsibility, Howard! And I'm not sure it's the *only* reason we're always in the hole. The end of the month can be so rough.

Howard: We can always borrow from your brother if things get tight.

Millie: Not for long, though! He's going to end up getting tired of that. We just keep getting deeper in debt – and eventually we're going to have to pay him back!

Howard: Someday I'll get a better job, don't worry...

Millie: Yeah, I know, I know. But I'm ready to stop waiting for someday. I've got a few **short term financial goals**, like for example, we need a new TV. This one's old and the picture is so blurry. And I want to take a trip!

David: Me, too! Mickey Mouse, here I come!

Millie: And I want to save money so we can maybe buy a better car.

Howard: I don't think *that's* happening.

Millie: Why not? We need to have some **long term financial goals**.

Howard: My goal is to pay my bills every month and not have the lights turned off.

Millie: But you're going to need another car soon. That one is a gas guzzler and a money sucker.

David: My goal is to go to Chuck E. Cheese!

Millie: We need to get clear about our goals so we can plan for them. We need to see how much money we have and how much we spend. We need to save our receipts so we know what we do with our money every month. If we don't know what we're spending our money on, we won't know if there's anything that can be cut back. I just want to know exactly where our money is going.

David: What are receipts?

Millie: Every time you pay for something, the store gives you a little piece of paper that tells you how much you paid.

Howard: That sounds like too much work to me.

Millie: Okay, so do this for me. Every time you buy something, save the receipt. If you don't get a receipt, write it down. Just for me. I'm going to make a list of all our expenses, just for one month. I know you can do it, 'cause you quit stealing and you quit selling. Remember how you changed your life so you could be a good model for your son?

Howard: Of course I remember. I do *not* want him to go through what I went through.

Millie: He's watching everything we do.

Millie: And at my part-time cleaning job, I make an average of **\$400 a month.**

Howard: What's our food stamp allotment again?

David: It's **\$75 a month.**

Millie: Well, David – I guess you pay attention when we go shopping!

David: I *like* money.

Millie: And we get **\$48 WIC** for the baby.

Howard: Another thing we have to remember to add is our **Earned Income Tax Credit.** It's close to \$3,000 a year.

Millie: We get that check once a year, but we've been smart about saving it in the bank and using it to pay monthly bills. So, let's divide \$3000 by twelve to see what it comes to monthly. It's **\$250 a month.**

Howard: I think that's all the income there is. It's the expenses part that gets us in trouble. Child support is **\$200 a month.** Rent is **\$850 a month.** Those are both fixed expenses because they don't change from month to month. The light bill is between \$100 and \$120. Let's use an average of **\$110 a month.** The water bill is **\$28.**

Millie: I'm impressed, Howard.

Howard: Thank you! What's the monthly cell phone charge?

Millie: **\$50 a month** for a phone! Our car insurance is **\$70 a month** and our car payments are **\$200 a month.** Last month, the gas and maintenance receipts for that raggedy car totaled **\$115.** And I have to pay for my bus pass, which is **\$40 a month.** I wish my mother lived here so she could watch the kids instead of us having to pay a sitter. That costs \$60 a week. $\$60 \times 4$ weeks is roughly **\$240 a month** for childcare.

Howard: I know that can't be all our expenses. Food stamps don't cover everything. We buy extra food, and we have to get diapers.

Millie: I kept all the receipts! We spent \$93 dollars on food, in addition to the \$75 dollars worth of food stamps and the \$48 from WIC -- that's a total of **\$216** -- at the grocery store. And we spent **\$56** eating at Burger King and Whataburger. We spent another \$48 on *your* beer.

Howard: So it's *my* beer? Like you don't drink it!

Millie: I do drink your beer, but I don't smoke your cigs. That's *your* waste of money and *your* bad breath and *your* cancer!

Howard: Okay, so it's *my* addiction!

Millie: We have to keep track of what it costs! Are you still smoking a pack a day?

Howard: Six bucks a day.

Millie: That's \$180 a month.

Howard: You've got to be kidding. It's \$180 *a month*?

Millie: We have to write it down. My God, will you please quit? Think of all the things we could do with that money!

Howard: Please get off my back about it.

Millie: Okay, okay -- let's just see how much it breaks our budget. I'll add \$180 for cigs plus \$48 for beer. That's **\$228 total**. I'll write that under "non-essentials." Now let's keep going -- diapers. Diapers cost **\$35** and we have to buy non-food household grocery stuff like soap, dishwashing liquid, cleaning supplies. Last month all that was **\$43**.

David: What about going to the doctor? How much do we pay for that?

Millie: Fortunately we get Medicaid.

Jones Family Budget Worksheet: *Monthly Income*

Record the Jones family's income on the appropriate lines, based on the information found in the play.

Take-home pay / net income (first person)	\$
Take-home pay / net income (second person)	\$
Additional wages / income	\$
Social Security benefits (Disability, Retirement)	\$
Child Support / Alimony	\$
Public Assistance / TANF*	\$
Government Housing Assistance	\$
Food Stamps (SNAP)	\$
WIC**	\$
Unemployment Benefits	\$
Earned Income Tax Credit *** (and/or tax refund)	\$
Other	\$ _____
Total Income	\$

*TANF (Temporary Assistance to Needy Families) – federal government income support program for single mothers of small children.

**WIC (Women, Infants, and Children) – federal government subsidy for pregnant women and young children.

*** Earned Income Tax Credit – federal government income support program for working people who earn wages less than 125% of the poverty level.

Jones Family Budget Worksheet: *Monthly Expenses*

Record the Jones family's expenses in order to calculate their balance at the end of the month.

Rent or Mortgage	\$
Gas Utility	\$
Water / Sewage / Garbage	\$
Electricity	\$
Cable TV	\$
Telephone	\$
Household Insurance	\$
Automobile Insurance	\$
Gas and Maintenance for Automobile	\$
Car Payments	
Public Transportation	\$
Groceries (inc purchases with food stamps & WIC)	\$
Clothing	\$
Health Care (medical, dental, prescriptions)	\$
Child Care	\$
Children's Needs (diapers, formula, baby food)	\$
Child support	\$
Entertainment	\$
Restaurants / fast food	\$
Non-food / Household Groceries	\$
Education (tuition, books, other)	\$
Furniture Rental / Other Rental	\$
Non-essentials (alcohol, cigarettes)	\$
Loans / Credit Card Debt	\$
Other	\$ _____
Total Expenses	

Balance Sheet

Total Income	
Minus ---- Total Expenses	-- _____
Balance for this Month	

Jones Family Estimated Annual Budget

Income source	Current monthly income	Estimated annual income
_____	_____	_____ x 12 months _____
_____	_____	_____ x 12 months _____
_____	_____	_____ x 12 months _____
_____	_____	_____ x 12 months _____
_____	_____	_____ x 12 months _____

TOTAL ESTIMATED ANNUAL INCOME

Expense source	Current monthly expense	Estimated annual expenses
_____	_____	_____ x 12 months _____
_____	_____	_____ x 12 months _____
_____	_____	_____ x 12 months _____
_____	_____	_____ x 12 months _____
_____	_____	_____ x 12 months _____
_____	_____	_____ x 12 months _____
_____	_____	_____ x 12 months _____
_____	_____	_____ x 12 months _____
_____	_____	_____ x 12 months _____
_____	_____	_____ x 12 months _____
_____	_____	_____ x 12 months _____
_____	_____	_____ x 12 months _____
_____	_____	_____ x 12 months _____
_____	_____	_____ x 12 months _____
_____	_____	_____ x 12 months _____
_____	_____	_____ x 12 months _____
_____	_____	_____ x 12 months _____
_____	_____	_____ x 12 months _____
_____	_____	_____ x 12 months _____
TOTAL ESTIMATED ANNUAL EXPENSES		

Total annual income	_____
Minus ---- Total expenses	-- _____
Estimated annual remaining balance	_____

“Who Needs a Budget?” Scene Three

In this scene, the Jones family makes some important financial decisions after completing their family budget. Read the scene through first as a play, then re-read it in order to record their financial information on the Jones Family Estimated Annual Budget Worksheet.

\$

Setting

Millie, Howard and David are sitting at the kitchen table. They are looking at papers, writing and discussing their monthly budget. Their neighbor Edna knocks at the door.

Characters

- Howard Jones – father*
- Millie Jones – mother*
- Edna Smith - neighbor*
- David Jones – nine year old son*

\$

Edna: Anybody home?

Millie: Come on in, Edna. How you doing?

Edna: I’m tired. I’m very tired. But it’s a good kind of tired.

Millie: What do you mean?

Edna: I just came home from my first day training to be an electrician.

Millie: Wait a minute, you better sit down and have a cup of coffee and tell us what you’re talking about.

David: Ladies can’t be electricians.

Howard: The world has changed, son. We men better start realizing that.

Edna: I enrolled at the technical college. I finally decided to get a skill so I won’t have to be on public assistance any more. I’m getting financial aid to pay for my tuition and books. But I have to buy my own tools.

Millie: Is it hard?

Edna: Well, I think it's going to be hard work. You know, I haven't been in school for a while. But I've always liked working with my hands, and I always liked solving problems, so I just decided to jump in!

Howard: Good for you, Edna. I think that's great.

Millie: (*looking surprised, at Howard*) Excuse me, Howard?

Howard: Don't be so shocked. I didn't give you a hard time about working.

Millie: That's true. But how would you feel if I went to school?

Howard: *What?*

David: What would you do in school, Mom? Anyway, you can't go to college, because you don't have your high school diploma!

Edna: I don't have one either, David. But I'm studying to get my GED at night while I take the electricity classes.

Millie: I've always been good at math. And I even kind of had fun with this budgeting stuff we've been doing here.

Edna: I wondered what all these papers and receipts were for. Hey, Millie, why don't you study accounting? I bet you could get a good job as a bookkeeper when you're done.

Millie: My cousin is a bookkeeper. She told me she makes \$29,000 a year.

Howard: That would be a huge change for us. If we made that much, you might not give me a hard time for buying *my* beer!

Millie: If I made that much, combined with your income we'd make a total of \$45,000 a year.

David: And we could go to Chuck E. Cheese! And Disney!

Howard: But how would we manage while you're in school? We count on your part-time salary every month.

Millie: It wouldn't be easy. We'd have to pay for school and childcare while I'm in the program.

Edna: Let me get the catalogue for the school so we can figure this out. *(Edna leaves, and then returns with the catalogue.)*

Edna: *(thumbing through the catalogue)* The bookkeeping course is 900 hours long. That's about thirty weeks, roughly eight months.

Howard: How much does it cost?

Edna: It's \$2.51 an hour, so what's that?

Millie: *(figuring)* That's \$2,259.

Howard: So we'd have to come up with more than two thousand bucks, plus get enough money to cover our expenses for the time you're in school, and pay for childcare. Maybe I should call your brother ...

Millie: Wait! Not yet! I might be eligible for financial aid.

Howard: I hope so. I'll make an appointment to talk to somebody at the school about how to apply, when the course starts, how to see if we're eligible for financial aid. We'll need to bring our tax returns.

Millie: We have to do a lot of research.

Howard: We'd have to make changes. But that extra income would be great.

David: I could get a bike!

Millie: We could put aside money for a better TV and a new used car.

Howard: And save up for a trip to Disney World.

David: And it would be cool to have a money expert for a mother.

Howard: I can't believe it - I'm getting interested again. Let's think of some ways we could make this work.

\$ \$

“Who Needs a Budget?”

\$? \$? Questions for Reflection \$? \$?

1. How does it help the Jones family to prepare a budget?
2. What are the two main parts of a budget?
3. What is the Jones family’s total income? _____
What are their total monthly expenses? _____
What is their negative balance? _____
4. Does the Jones family have fixed expenses?_____ What are they?
5. Which of their expenses are flexible?
6. Do they have flexible expenses?_____ Which of their expenses are flexible, but essential?
7. Which expenses are flexible but non-essential?
8. Does the Jones family have any financial goals?_____ What are they?
9. What are three ways they could increase their income in order to meet their financial goals?
10. What are three ways in which the Jones family could reduce their expenses in order to meet their financial goals?

Do You Need a Budget?

\$? \$? Questions for Reflection \$? \$?

Everybody's financial situation is different. Think about your own experiences with income and expenses and planning as you answer the following questions:

1. Have you kept a budget before?
2. Do you know what your monthly expenses are (or will be upon release)?
3. Do you have, or will you have, fixed expenses? What are they?
4. Do you have, or will you have, flexible expenses? What are they?
5. Do you have a good idea of how much income you will need to meet your expenses?
6. What plans do you have for making an income upon release that will begin to meet your financial needs?
7. Are there any ways to reduce your expenses upon release so you can meet your financial needs?
8. Do you have a financial goal? Is there something you would like to save for? How much do you need?
9. What are some ways you might be able to save money to achieve your financial goal?

Your Budget Worksheet: *Monthly Income*

Based on either your past income or projected income after release, complete the budget worksheet in order to become familiar with keeping track of income and expenses.

Take-home pay / net income (first person)	\$
Take-home pay / net income (second person)	\$
Additional wages / income	\$
Social Security benefits (Disability, Retirement)	\$
Child Support / Alimony	\$
Public Assistance / TANF*	\$
Government Housing Assistance	\$
Food Stamps (SNAP)	\$
WIC**	\$
Unemployment Benefits	\$
Earned Income Tax Credit *** (and/or tax refund)	\$
Other	\$ _____
Total Income	\$

*TANF (Temporary Assistance to Needy Families) – federal government income support program for single mothers of small children.

**WIC (Women, Infants, and Children) – federal government subsidy for pregnant women and young children.

*** Earned Income Tax Credit – federal government income support program for working people who earn wages less than 125% of the poverty level.

Your Budget Worksheet: *Monthly Expenses*

Based on either your past expenses or projected expenses after release, complete the budget worksheet in order to become familiar with keeping track of income and expenses.

Rent or Mortgage	\$
Gas Utility	\$
Water / Sewage / Garbage	\$
Electricity	\$
Cable TV	\$
Telephone	\$
Household Insurance	\$
Automobile Insurance	\$
Gas and Maintenance for Automobile	\$
Car Payments	
Public Transportation	\$
Groceries	\$
Clothing	\$
Health Care (medical, dental, prescriptions)	\$
Child Care	\$
Children's Needs (diapers, formula, baby food)	\$
Entertainment	\$
Non-essential Extras	\$
Non-food Groceries	\$
Education (tuition, books, other)	\$
Furniture Rental / Other Rental	\$
Irregular Expenses (such as car expenses)	\$
Loans	\$
Credit Card Debt	\$
Other	\$ _____
Total Expenses	\$

Balance Sheet

Total Income	_____
Minus -- Total Expenses	-- _____
Current Remaining Balance	_____

Does Your Money Go Up in Smoke?



Do you use your money as wisely as you might? Think about some of the things you typically spend money on that you don't need (and that may not be good for you.) How much money do you spend on these things every day? Every week? Every year? If you decided to cut down, or not to spend money on these items at all, and saved the money instead, how much could you save?

Do you smoke cigarettes? Do the math:

Cost of a pack \$ _____ / day

X _____ days a week

= _____ X _____ weeks a year = \$ _____

Do you drink alcohol? Do the math:

Cost of alcohol \$ _____ / day

X _____ days a week

= _____ X _____ weeks a year = \$ _____

Do you eat junk food? Do the math:

Cost of junk food \$ _____ / day

X _____ days a week

= _____ X _____ weeks a year = \$ _____

Do you _____? Do the math:

Cost of _____ \$ _____ / day

X _____ days a week

= _____ X _____ weeks a year = \$ _____

What if you gave up one (or more) of the unnecessary items above, and instead saved the money in the bank? What healthy, useful or productive thing could you do with the money instead?

Image from Creative Commons <https://pixabay.com/en/smoke-cigarette-butt-black-smoking-310039/>

Can You Eat Healthier on a Budget?

It can be difficult to eat a healthy diet if you have a limited income. Lots of healthy food is expensive and lots of unhealthy food is cheap. But it is very important to eat right! Eating healthy food that is high in vitamins and fiber and low in fat, salt and sugar can help prevent serious illnesses like heart disease, high blood pressure, cancer, diabetes and stroke. Eating healthy food can boost the immune system and help prevent colds. Eating healthy foods can improve your ability to concentrate, give you energy and make you feel better. But even if we understand all this, many of us find it difficult to eat healthy on a budget.



What Do You Think?

1. What are some examples of healthy foods?
2. Are fruits and vegetables so expensive that many people cannot afford to eat a healthy diet?
3. Is it easy or difficult to find healthy food in most neighborhoods? Why?
4. What are some strategies people can use to stretch their income and still buy healthy food?
5. Which is cheaper: preparing healthy food at home or buying prepared food?
6. What social and economic changes would you recommend in order for more people to eat a healthier diet?



Images from Creative Commons <https://pixabay.com/en/green-peas-pod-legume-market-3116380/> and <https://pixabay.com/en/food-scribble-sketch-drawing-1104167/>

You CAN Eat Healthier on a Budget

The USDA website, ChooseMyPlate.gov, offers a wide variety of easy-to-use materials for the classroom.

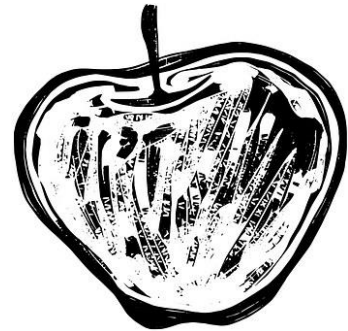
Read the handouts in the links below in order to answer the questions which follow.

The 3 P's - [Plan, Purchase, and Prepare Food on a Budget](#)

1. What are the "3 P's" of eating on a budget?
2. What are three strategies for finding and buying cheaper foods?
3. Is it better to buy food when you are hungry or not? Why?
4. Which is cheaper, whole or pre-cut fruits and vegetables?
5. What are some examples of healthy, low-cost foods available all year?
Which ones have you prepared before?
6. What are some examples of meal items that are prepared in advance?
7. Why is it a good idea to substitute beans and peas for meat a couple of times a week?

Healthy Shopping - [Smart Shopping for Veggies & Fruits](#)

1. Why is it a good idea to plan meals ahead and make a grocery list?
2. What vegetables grow well in a beginner's garden?
Have you ever planted a garden before? How did it go? Are you interested in learning how to grow a garden?
3. Why is it a good idea to buy fresh fruits and vegetables often and in small amounts?
4. Why are store brands usually a better deal?



You CAN Eat Healthier on a Budget, cont.

Read the handouts in the links below in order to answer the questions which follow.

Ten Tips - [Eating Better on a Budget](#)

1. What are some examples of foods which “stretch” expensive items into more portions?
2. What is the “unit price” of a grocery store item? How should you use it to save money?
3. What does it mean to buy “in season”? Why is it a good idea?
4. What are some examples of “convenience foods”? Which is cheaper, buying convenience foods or cooking from scratch? Why do you think that it is?
5. Have you cooked meals at home? What kinds of meals have you prepared? Do you feel that it helps you save money? Do you like to cook?
6. Have you eaten out often? What kind of restaurants have you gone to? Do you feel that you have spent more or less money eating out than you would if you had cooked food at home?

Meal Plan - [Sample 7-Day Menu](#)

Study the seven day meal plan.

- Do the foods on the plan appeal to you?
- Does this meal plan seem healthy?
- Does it seem affordable?
- What would be hard or easy about trying to follow this meal plan?

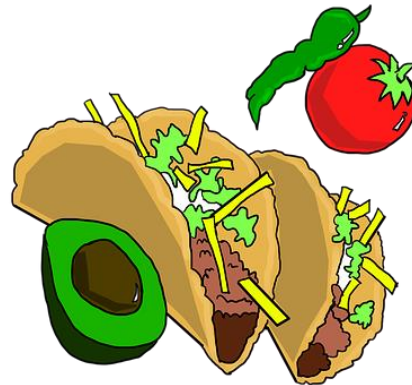


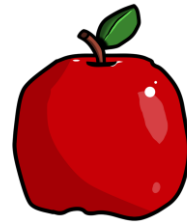
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EATING RIGHT WHEN MONEY'S TIGHT: Research and Share

If you have access to the internet, choose one of the links below. Read the information about how to stretch food dollars and eat healthy food on a budget. If you do not have access to the internet, tell your instructor which informational brochure interests you and ask him or her to print it.

In pairs or groups of three, read and discuss the information in order to prepare a report to the class about the key details found in the reading.

- *What information was the same in the reports?*
- *Was any of the advice contradictory or different?*
- *What tips and suggestions from these handouts have you used in the past?*
- *What information do you think you might be able to use in the future?*



[Plan a Healthy Meal](http://www.letsmove.gov/plan-healthy-meal)

<http://www.letsmove.gov/plan-healthy-meal>

Learn tips to plan a healthy menu and link to useful tools like a shopping list template and goal tracking sheet.

[30 Ways in 30 Days to Stretch Your Fruit & Vegetable Budget](http://www.fruitsandveggiesmorematters.org/30-ways-in-30-days-to-stretch-your-food-budget)

<http://www.fruitsandveggiesmorematters.org/30-ways-in-30-days-to-stretch-your-food-budget>

A tip a day to help you stretch your fruit and vegetable budget for National Fruits & Veggies-More Matters Month.

[Basic Foods for Cupboard, Fridge & Freezer: Create Your Own List!](http://www.food.unl.edu/web/fnh/basic-list)

<http://www.food.unl.edu/web/fnh/basic-list>

A "starter list" of basic foods that can be combined and recombined in a variety of new, delicious (and nutritious!) ways.

Images from Creative Commons <https://pixabay.com/en/apple-fruit-drawing-ripe-red-3637917/>

EATING RIGHT WHEN MONEY'S TIGHT: cont.

[Farmers Markets: Fresh, Nutritious, Local](http://www.nutrition.gov/shopping-cooking-meal-planning/food-shopping-and-meal-planning/farmers-markets)

<http://www.nutrition.gov/shopping-cooking-meal-planning/food-shopping-and-meal-planning/farmers-markets>

This page provides information and resources on farmers markets including a video detailing the benefits of buying foods there and a 'Top 10 Reasons to Shop at a Farmers Market' list. One of the Top 10 Reasons is the fact that SNAP and WIC cards are accepted at most farmers markets.

[Shopping for Health and Budget \(PDF | 79 KB\)](http://healthdcouncil.org/network/BudgetHealthShop.pdf)

<http://healthdcouncil.org/network/BudgetHealthShop.pdf>

Finding it hard to save money and buy healthy foods? This handout explains how to balance your budget and health while shopping.

[Spend Smart. Eat Smart.](http://www.extension.iastate.edu/foodsavings)

<http://www.extension.iastate.edu/foodsavings>

This website provides information and ideas on how to make or buy affordable, healthy meals. Test your knowledge with interactive games, compare prices of at-home vs. purchased meals, or check out the blog for real life tips and advice.

[Squeezed by Rising Food Prices?](http://extension.missouri.edu/p/MP905)

<http://extension.missouri.edu/p/MP905>

This handout contains tips on how you can save money at the grocery store, when eating out, when eating at home, and when eating at work.

[Eat Well for Less Web based Learning: Stretching Food Dollars](http://extension.oregonstate.edu/fcd/nutrition/ewfl/module_03/)

http://extension.oregonstate.edu/fcd/nutrition/ewfl/module_03/

This web-based learning module will teach you about food shopping and cooking on a budget. Two sections include "Strategies at Home" and "Strategies at the Store."

Get Financially Organized! Vocabulary

Deposit (noun)	money (in the form of checks or cash) added to your bank account (checking or savings)
Deposit (verb)	to put money into a checking or savings account
Direct deposit (noun)	income added directly to your bank account from your employer
Endorse	to sign the back of a check in order to cash or deposit it
Withdrawal (noun)	money taken out of your bank account in the form of cash, check or debit card
Withdraw (verb)	to take money out of a checking or savings account
Income	money which a person earns
Expenditure	something one has to spend money on
Register	a record book used to keep an account of all your deposits and withdrawals
Overdrawn	your account balance when you've written checks for more money than is in the account
Balance (verb)	do the math to keep a bank account from being overdrawn
Balance (noun)	the amount of money that remains in your account after you've made withdrawals or deposits
Bank statement	a monthly statement of deposits and withdrawals from your bank, available by mail or on-line
Outstanding payments	checks that have been written or debits drawn which have not yet been paid by the bank

Get Financially Organized!

Use the words in the table **Get Financially Organized! Vocabulary** to complete these sentences:

Joe Freeman opened a bank account at Independence Bank with \$100 he saved after he started his new job. He opened the account so his employer could pay him by _____. He walked into the bank one Friday afternoon after work to _____ \$20 to give his girlfriend and _____ a \$150 check from his grandmother. The teller asked him to _____ the check, and then she gave him a receipt which listed how much he withdrew, how much he deposited, and his current _____.

Joe asked if he could have a _____ because he wanted to record the money he earned (his _____) and the money he spent (his _____) so he'd know how much he had in the account at all times, and so his account wouldn't ever be _____. He knew he would have to _____ his checkbook regularly.

A couple of weeks later, he got his monthly _____ in the mail. He compared all the withdrawals and deposits listed on the bank statement to what he had written in his register. From the total on the statement, he subtracted all his _____ to find his actual _____.

Use four of the vocabulary words in original sentences.

1. _____

2. _____

3. _____

4. _____

Your Checking Account: ALWAYS KEEP TRACK!

You should NEVER write checks for or use a debit card for more money than you have in your checking account. There will be consequences!

If the amount for the checks that you've written is more than your current balance, then your account will be overdrawn. If this happens, the bank will charge you for each bad check you've written, and so will the stores to whom you wrote the checks. If you get a reputation for passing bad checks, stores will not accept your checks anymore, and you may even get arrested!

If you have accidentally written a check for more money than is in your account, call your bank immediately. Try to keep at least \$25 extra in your account at all times to cover any monthly fees or service charges. Be careful to enter each deposit and subtract each check in your register so that you will know how much is in your account. Don't forget to subtract all of your debit card purchases and ATM transactions! Make sure to compare your statement to your register every month.

Remember, all of your checks may not have cleared yet, so keep money in the bank to cover those outstanding checks.

Practice Writing Checks and Keeping a Register

Imagine you have had a lot of financial activity this month, and you want to make sure that you have the money to cover it. Use the checks on the following pages for all the expenditures not paid by debit card. Use the checkbook register on the following pages to record all of the financial transactions listed below.

- _____ You start with \$302.00 in your account on April 5th.
- _____ You get paid \$180.00 on April 6th.
- _____ You write a check to Harry's Grocery Store for \$25.28 on April 7th.
- _____ You make a \$120.00 child support payment to Debra Jones on April 10th.
- _____ You get paid \$180.00 by Lincoln Construction Company on April 13th.
- _____ You use your debit card to buy socks from Jack's for \$10.69 on April 19th.
- _____ You get paid \$180.00 on April 20th.
- _____ Your tax refund of \$223.00 came on April 23rd.
- _____ Groceries from Winn Dixie cost \$133.76 on April 23rd.
- _____ You owe a friend \$8.00, so you withdraw \$20 from an ATM on April 23rd.
- _____ You get paid \$180.00 on April 30th.
- _____ Your rent is due May 1st. You write a check to David Taylor for \$348.00.
- _____ You pay your \$102.00 Leon Electric Company bill on May 1st.

What is the balance of your account on May 2nd? _____

1001


Leon County Schools
ACE Adult & Community Education

DATE: _____

Pay to the order of _____ \$

_____ Dollars

For _____



NON-NEGOTIABLE

1002


Leon County Schools
ACE Adult & Community Education

DATE: _____

Pay to the order of _____ \$

_____ Dollars

For _____



NON-NEGOTIABLE

1003


Leon County Schools
ACE Adult & Community Education

DATE: _____

Pay to the order of _____ \$

_____ Dollars

For _____



NON-NEGOTIABLE

1001


Leon County Schools
ACE Adult & Community Education

DATE: _____

Pay to the order of _____ \$

_____ Dollars

For _____



NON-NEGOTIABLE

1002


Leon County Schools
ACE Adult & Community Education

DATE: _____

Pay to the order of _____ \$

_____ Dollars

For _____



NON-NEGOTIABLE

1003


Leon County Schools
ACE Adult & Community Education

DATE: _____

Pay to the order of _____ \$

_____ Dollars

For _____



NON-NEGOTIABLE

REGISTER OF TRANSACTIONS

Record all transactions that apply to your account.

Check #	Date	Check Issued To	Amount of Check	Amount of Deposit	Balance

Using Percentage for Everyday Finances

Percentage is used in many of the calculations we have to do in daily life. Learn these terms and apply them to the word problems below.

What is interest?

Interest is the charge for the use of borrowed money.

What is principal?

Principal is the total amount borrowed, or the part of the amount borrowed which remains unpaid (not including interest).

What is interest rate?

The interest rate is a percentage of principal charged to a borrower for the use of the money. Interest rates are similar to taxes; this same formula can be used to calculate tax (a percentage of money owed) or tip (a percentage of a total bill.)

The formula for calculating interest (or tax) is

$$p \times r \times t = i$$

i = interest

p = principle

r = rate

t = time

1. How much interest will you pay if you borrow \$500 at an interest rate of 18% over 1 year?

$$p \times r \times t = i$$
$$\$500 (p) \times .18(r) \times 1(t) = i$$
$$\$500 (\text{principal}) \times .18 (\text{rate}) \times 1 = \$90.00$$

2. What is the total amount owed to the lender in problem #1 after one year?

$$\$500 + \$90 = \$590$$

3. Use the formula to figure out how much interest you will pay if you borrow \$600 at an interest rate of 16% over 1 year:

4. What is the total amount owed to the lender in problem #3 after one year?

Using Percentage for Everyday Finances, cont.

$$P \text{ (principal)} \times R \text{ (rate)} \times t \text{ (time)} = i \text{ (interest)}$$

1. If you have \$600.00 in the bank and the interest rate is 2%, how much interest will you earn in one year?

What is the total amount you'll have in the bank (principal plus interest?)

2. If you have \$400.00 in the bank and the interest rate is 3%, how much interest will you earn in one year?

What is the total amount you'll have in the bank (principal plus interest?)

3. If you spend \$16.00 on clothes, how much sales tax will you pay, if sales tax rate is 7%?

What will your total bill be (money owed on items plus tax?)

4. If you spend \$23.00 on clothes, how much sales tax will you pay, if sales tax rate is 7%?

What will your total bill be (money owed on items plus tax?)

5. Tom and his guest both ordered the \$8 lunch special. The sales tax rate was 8%. He wanted to tip about 15%. How much did he pay for both of their meals, tax and tip?

6. Janie ordered the \$9 breakfast. The sales tax rate was 7%. She wanted to tip about 20%. How much did she pay for her meal, tax and tip combined?

7. Larisa wants to buy tires for \$225 each, but fortunately there is a 40% discount if you buy 4. What will it cost her for a set of four tires?

What You Need to Know About \$ \$ CREDIT \$ \$

When you buy something on credit, you are borrowing money. You are taking on a **debt** and making a promise to pay the money back. In almost every case, you must pay a certain percent of the money (**interest**) in addition to the amount of the loan itself.

You are not required to pay in full each month, but you will have a **minimum monthly payment** due, and you will be charged interest on the amount you haven't paid off yet. The interest rate is called the **finance charge** or the **annual percentage rate (APR.)**

Most credit cards have very high **interest rates** (often as high as 18 to 22 percent.) *So, for example, if you owe \$1000 to a credit card company that charges 20%, you will owe an additional \$200 in interest if you cannot pay your bill in full and on time.*

Some credit card companies also charge an **annual fee**.

It is very easy to pay for things by swiping a credit card, and this is one of the reasons it's risky. It's very convenient, unless your card is stolen and you have to replace it, or unless someone steals it and your identity. If you can't pay the total bill on time, using a credit card can become very expensive and you can easily get deeper in debt.

WARNING:

**Don't apply to use a credit card
unless you can afford to pay your bill
in full every month !!!!**



Good credit means you are able to pay your bills in a timely manner, have an excellent history of repaying money you borrowed, and have an excellent credit score (also called a FICO score.) Credit cards companies and lenders can check your credit report. A credit report gives information about how you pay your bills and repay loans, what your monthly debts are, and other types of information that can help a potential lender decide whether you are a good credit risk or a bad credit risk.

What You Need to Know About CREDIT, cont.

The Dangers of Buying on CREDIT

While buying on credit can help shoppers purchase things they cannot yet afford, there are risks! Be aware that the four biggest dangers of buying on credit are:

- **If you don't pay in full when the credit card bill is due, you must pay interest and late fees.**
- **Credit discourages comparative shopping.**
- **Credit makes it easy to spend too much.**
- **There are penalties for not paying your bills on time.**

The following items describe shoppers who forgot one of the four dangers of buying on credit. Based upon the information given in each passage, match each situation to the corresponding danger.

1. Reginald has a charge account at Sears Department Store. Because it's convenient, now he does all of his shopping at Sears.

2..Ron enjoys his new credit card. He doesn't have to carry cash, yet he can always buy things. Ron is shocked when his credit bills arrive at the end of the month and he finds he has spent over \$175.00.

3. Peggy used her credit card to shop the summer sales and charged so much that she couldn't keep up with the monthly payments. The store wrote her several letters about being late with her payments. She finally managed to pay off what she owed, but by then her good credit rating had been spoiled.

4. Phyllis wanted to buy a bike for \$130.00. Instead of saving her money until she had enough, Phyllis bought it on credit and paid the bill over a period of many months, with late fees and interest. She ended up paying more than \$150.00 for the bike.

5. Lisa never writes down what she spends with her credit card, because she knows she can check her statement on line. But she gets busy and never checks it and is always surprised by how much she has spent.

6. Daniel bought a TV on credit. He didn't have the cash to pay it on time, so he paid for it over six months, with late fees and interest, which cost him an extra forty dollars.

What You Need to Know About CREDIT, cont.

What Do You Know About CREDIT?

1. **When you are in debt, you:**
 - a) owe money
 - b) need to pay money back
 - c) are making a promise
 - d) all of the above

2. **What is interest?**
 - a) paying attention
 - b) not boring
 - c) a percent of money you borrowed
 - d) the money you borrow from a bank

3. **Why is credit card use risky?**
 - a) the card might get lost
 - b) the card might get stolen
 - c) you have to pay interest if you can't afford to pay the full amount
 - d) all of the above

4. **You will have good credit if you:**
 - a) pay your bills on time
 - b) have an excellent history of repaying money you borrowed
 - c) have an excellent credit score
 - d) all of the above

5. **What is another name for the interest rate you pay on a credit card?**
 - a) finance charge
 - b) annual permission rate
 - c) annual percentage rate
 - d) both a and c

6. **What else might you have to pay a credit card company in addition to a monthly finance charge?**
 - a) interest
 - b) an APR
 - c) a monthly fee
 - d) an annual fee

7. **What is a FICO score?**

8. **How does a person get a good credit report?**

9. **Why does a good credit report matter?**

What You Need to Know About \$ \$ TAXES \$ \$

Taxes are payments to the government used to pay for programs and services that benefit everyone, such as schools, roads, fire and police, and the armed forces. **Local, state or federal income tax withholding taxes** are paid to the government. You may receive a partial or full refund after filing your income tax return.

Other Deductions

A few other deductions, similar to taxes, may be taken from your paycheck:

- **FICA (Federal Insurance Contributions Act) Social Security** -- a government pension program that provides you with income in your retirement.
- **Retirement** -- a deduction that helps pay for benefits after you retire. The company and the employee both contribute.
- **Health insurance** -- a deduction that helps pay for health benefits while you work. The company and the employee both contribute.

Withholding

When you start a new job, the employer will ask you to fill out a **W-4** form, called the “**Employee’s Withholding Allowance Certificate.**” This form is used to determine how much money to take out of your paycheck in tax deductions.

The W-4 form will ask you how many “withholding allowances” you want to claim. You can claim withholding allowances for yourself and for dependent family members. The more money you claim, the less you will have taken out of your paycheck. But if you claim too many allowances, you may have to pay money back when you file your taxes.

Filing a Tax Return

Every January you will get a summary of your earnings from your employer, called a **W-2** form. You will need to use this form when you fill out your income tax return with the **IRS (Internal Revenue Service)** by April 15th. There are a number of free services to help people fill out their income tax forms -- don’t be afraid to ask for help!

What You Need to Know About TAXES, cont.

Earned Income Tax Credit

The **Earned Income Tax Credit (EITC)** assists low income people by reducing their tax payments. If you are qualified for this tax credit, you may receive a refund. Whether or not you qualify depends upon:

- How much money you earn
- Your marital status
- The number of children you support
- The money you have in savings

In order to claim the Earned Income Tax Credit, you must file an income tax return. You can use the EITC worksheet and claim this credit on the long form (Form 1040) or the short form (1040EZ) or you can ask the IRS to figure it out.

★ ★ ★ ★ ★ ★ ★ ★ **QUIZ** ★ ★ ★ ★ ★ ★ ★ ★

1. What are taxes? _____

2. What are deductions? _____

3. Give an example of deductions that might be taken from your pay check:

4. Why will your employer ask you to fill out a W-4 form?

5. When do you need to fill out a tax return? _____

6. What form do you need to file a tax return? _____

7. What is the EITC and how is it helpful? _____

Financial Vocabulary Matching Game



Make a copy of this page. Cut up the cards and give each student an "I Have" / "Who Has" card. Ask for a volunteer to go first and read his or her card. Ask the student who has the answer to read the "I Have" answer on the card aloud, then to read the "Who Has?" question on the card.

Keep going around until all of the terms have been matched with their definitions. Collect the cards and play again to help students practice matching financial vocabulary.

I have: Credit	Who has: The amount of money a financial institution charges for letting you use its money
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cut here

I have: Money borrowed on credit	Who has: Balance
---	---------------------------------------

cut here

I have: Interest	Who has: The ability to borrow money
---------------------------------------	---

cut here

I have: Loan	Who has: The amount of money you have in your bank account
-----------------------------------	---

cut here

I have: A business that offers you a safe place to keep your money and uses your deposits to make loans	Who has: Direct Deposit
--	--

I have: Savings Account	Who has: Taking money out of your bank account
--	---

cut here

I have: One method your employer or a government agency might choose to give you your paycheck or benefits check	Who has: Bank
---	--------------------------------

cut here

I have: Withdrawal	Who has: An account that earns interest
-------------------------------------	--

cut here

I have: A full credit history within a consumer's credit file at the credit bureaus	Who has: Credit Score
--	--

cut here

I have: A calculation based on a consumer's credit history that is intended to predict future credit performance for that consumer	Who has: Credit Report
---	---

cut here

I have: Credit Cards	Who has: An estimate of income and expenditure for a set period of time
---------------------------------------	--

I have: Budget	Who has: A plastic card that allows you to buy goods or services and pay for them over time, receiving a bill each month
---------------------------------	---

cut here

I have: Needs	Who has: Something you would like to have
--------------------------------	--

cut here

I have: Wants	Who has: Something you have to have
--------------------------------	--

cut here

I have: Expenditure	Who has: Money that you earn
--------------------------------------	---

cut here

I have: Income	Who has: An amount of money spent
---------------------------------	--

Needs vs. Wants

Do you ever wonder where your money goes every month?

What is a need?

- A roof over your head
- Enough food and water to maintain your health
- Basic healthcare and hygiene products
- Clothing.

Everything else is a want.

On notecards, write down each of your expenditures (things you spend money on) on a separate notecard. Then decide if the item on the notecard represents a need or a want. Put your notecards on the appropriate brown bag.

Which pile is higher? Are there any items in the "wants" pile that you could omit? Are there any items in the "wants" pile that you could spend less on, or put off till later, in order to have more money for "needs"?

