

Teacher Guide

MICHIGAN ADULT EDUCATION

Contextual Education for the GED



EXPLORING

Personal Finance

CHOICES



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Introduction to the Teacher

Background

These materials were developed in the midst of the worst financial crisis our nation has seen since the Great Depression of the 1930s. So many people lost so much, savings, 401ks, homes etc., leaders began to call for greater education on the fundamentals of finance. Individuals and families were seen to need to have good information so that sound financial decisions could be made. Unwise financial choices by great numbers of our citizens contributed greatly to the current crisis. If we have learned anything we have learned that individual financial good health is one fundamental to our state/national financial stability.

Michigan's Office of Adult Education has had these materials developed to address precisely the issue described above. This is why finance was chosen as one main topic for this material. Leaders also recognized that people just don't have time to study these issues even if they are important. A second great need was seen as the necessity to increase the number of Michigan residents who complete classes and subsequently pass the GED Test. Student retention is a critical element in GED attainment. Studies have shown that students who persist are more likely to have better attainment of skills. It is thought that by including GED type skills imbedded within a financial literacy curriculum all can have the best of two worlds.

Theory

The idea is that reading, writing, and mathematics skills needed to pass the GED Test can be learned within a real-life context such as personal finance. This dual focus is expected to yield a double-duty benefit to students. First, course content will provide an organized approach to the mastery of GED skills. Secondly, course content will focus on issues central to personal finance. The goal is to provide a themed course designed to help Adult Ed students become better informed consumers of financial services while they improve academic (GED) skills needed to function effectively in life, school and the workplace.

Increasingly businesses are providing financial education for employees that does more than provide an explanation of choices found in the company benefit program. Many employers have learned that workplace financial education improves employee well-being while such programs also have a positive impact on the "bottom line." The Personal Finance Employee Education Foundation explains that poor financial choices often come at great cost to a company. While poor financial choices lead to great stress on the employee's family life those choices also lead to many costly workplace behaviors. These behaviors may include:

- Absenteeism and tardiness to handle financial "problems."
- Job stress which leads to reduced productivity and morale leading to loss of customers looking for better service and lost revenue from sales not made.
- Substance abuse.
- Theft from employers.
- Employer/staff time to deal with consequences of employees poor financial behavior.
- Greater use of employee assistance program services for a range of addictive behaviors.
- Suicide and murder by stressed employees who can see no other way out of their problems.

Poor financial choices potentially have a negative impact on both families and employers. Surveys which detail the impact of those poor personal finance choices do not explain the level of education of participants. Financial difficulty occurs across the spectrum without regard to class or economic status. Clearly many adult education students can benefit from a more detailed understanding of how the financial system works. Several lessons focus on "traps" which typically befall unsophisticated consumers of financial services. The entire Unit 6 of the workbook covers "Consumer Protection" with two lessons covering alternate financial services such as payday lenders and pawn shops.

The National CPA Financial Literacy Commission says that financial literacy is thinking strategically about saving and spending. The CPA group's advice can be summed up. "We never say don't spend, but we do urge people to judge spending prudently." What we are trying to accomplish with these materials is to give students the tools to make "prudent" financial choices while they advance in competencies necessary to pass the GED Test.

Topics addressed

Exploring Personal Finance Choices is all about providing students with the tools to build healthy financial futures. The first four units are designed to empower students to take control of their financial lives. The first two of the units address the setting of goals and development of a working financial plan. Unit 3 focuses on various financial institutions and the services they provide. The unit on managing your money, Unit 4, helps provide the tools necessary to become one of the "savers" in our society. The last two units cover taxes and consumer protection issues.

The topics and content in these materials are nothing new. Most of the information contained here is readily available on the internet. The problem is that most of us don't have the time to do the research and so we continue to have financial lives that move from one crisis to the next. Many of our adult education students who come to class with the goal of attaining the GED credential do so because they believe the GED will help them improve their job prospects. The GED in such cases is a tool to improve their economic status. This content is designed to help students achieve both goals at once. They can improve in GED type skills while gaining tools to take control of their financial well-being.

Teacher Guide

This teacher guide was developed to provide the instructor with tools to both enlarge the student's understanding of the personal finance topic and engage in activities that will improve competence on pre-GED skills. Each lesson begins with a list of the pre-GED skills to be acquired by the student. Instructors are then provided with ideas on how to introduce the lesson in such a way as to give students the necessary background information on the topic at hand. This information supports the topic as addressed in the corresponding workbook scenario and should be covered before the class begins reading the scenario. As a part of the introduction the vocabulary listed at the start of each scenario should be reviewed. If there are questions on the meaning please consult the Glossary at the back of the workbook. The Glossary definitions were chosen to approximate the usage of the term in the scenario.

Most lessons also have handouts which should be copied and handed out to the class at the appropriate time. The work on these handouts is the kind of problem solving activity which mirrors pre-GED skill acquisition.

The plan is that each scenario will need about ½ hour of class time to cover with an additional hour to complete the work on handouts designed to address pre-GED skills and discuss any issues that arise from the handout activity. The idea is that during a 3-hour class two scenarios may be completed.

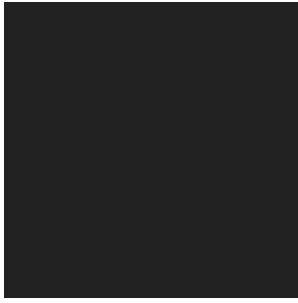
Each teacher guide lesson also contains "Going the Next Step — A Challenge Activity." These supplemental activities are included to further enlarge the student's understanding of the issue and are designed to require some out of class time to complete. Most "Challenge Activities" use the internet to accomplish the task. They are designated as "supplemental" since there are many sites without classroom access to the internet however all should encourage students to complete the activities. Completion of the "Challenge Activity" will often require the students to come together to share results from their search. We know that internet search engines are critical to the solution of workplace problems. If at all possible please organize the class to facilitate student engagement in the "Challenge Activity."

Course Length

This course was designed to be completed in about 60 hours. There are 36 scenarios in the workbook. If the planned schedule is workable a three-hour class will finish two scenarios and the accompanying activities in the Teacher Guide. Adherence to this schedule takes 18 three-hour class meetings. The additional hours to make-up a 60 hour offering would take care of orientation and assessment. The authors do not believe that this content is all a student will need to achieve pre-GED skill attainment but will provide most with a great start toward that goal.

Summary

This course is designed to test the thought that reading, writing and mathematics skills can be learned within a real-life context that will yield a double benefit to students. Personal Finance was chosen as the real-life context for this course because of the negative impact that financial matters have had on individuals and society over the past few years. It is hoped that *Exploring Personal Finance Choices* will be very successful addition to the Michigan Adult Education Program.



Lesson Plans

Lesson 1.1: Taking Responsibility for Being Financially Literate — Phillipe (Part I)

Pre-GED Skills

- **LAR 1** Determine the main idea, relevant details, facts, and patterns of organization.

Introducing the Lesson

Introduce the lesson by asking students what it means to be financially literate? Have students brainstorm ideas and write them on the board or chart paper.

Share with students the following definition (also provided as a handout):

“A financially literate individual understands his/her relationship to money (e.g. the need for financial security, tolerance for risk) and can read about, discuss, and communicate regarding personal financial issues. The financially literate individual possesses knowledge of banking and credit, practices money management, understands the need for protection against unforeseen emergencies, plans for major life events, and saves and invests for the future. A financially literate individual is a lifelong learner, who applies that learning to new financial situations. He/she knows how and when to find information to make effective personal financial choices. The distinguishing characteristic of such a person is self efficacy — the sense that “I can do this!” and “I want to do this!” — in pursuit of what he or she believes are attainable goals.”

Personal Finance and the Rush to Competence, Financial Literacy Education in the U.S. (2000)

Have students read the scenario and discuss the questions as a class. Explore with students the types of skills that they think are necessary to be a financially literate person. Write the students’ ideas on the board.

Sample answers may include:

- Opening a checking or credit account
- Developing a budget
- Reading a bank statement
- Purchasing a car
- Purchasing a home
- Investing your money
- Protecting yourself against scams

Ask students to share with the class how they have personally obtained information about the different areas necessary for becoming financially literate.

Discuss that taking responsibility for your personal financial future, as well as understanding how to manage money and make solid financial choices is an important part of life. Like other life challenges, the skills necessary to become a financially literate person must be learned one skill at a time and consistently updated as new information is added to the field.

Presentation of Targeted Pre-GED Skills

Pre-GED Skill — Determine patterns of organization.

Introduce the Pre-GED skill by asking students to describe some television or movie previews that they've seen. Ask students "What do previews have in common?" Have students work in groups of three – four and make a list of at least five characteristics common to previews. Tell students to think about what a preview is trying to achieve and how it does it. Have students share their ideas with the group.

Tell students that they are going to learn how to preview both their textbook and a lesson within their textbook.

Introduce students to the elements of *Exploring Personal Financial Choices*, such as:

- Cover
- Table of Contents
- Introduction to the Book
- Credits
- Units
- Chapters
- Glossary

Ask students questions to check their comprehension of the differences between these elements. Sample questions can include:

- I want to know which chapter is about consumer protection, where should I look for that information?
- I want to learn about savings accounts. How can I find the right page number for that information?
- I want to know what an ATM is. Where can I find that definition?

An additional activity for previewing the textbook is to create questions that require students to locate specific information within the textbook. Write the questions on 3" x 5" note cards. Divide students into three teams. Read a question to the group. Identify which team is the first to locate the correct answer to the question. The winner is the team who has located the most correct answers.

Sample questions:

- What is the definition for compound interest?
- What lesson provides information on setting long term goals?
- In what chapter would you find information on different financial institutions and services?
- What is the first lesson in the book?
- How many pages are in the book?
- How many chapters are in the book?
- How is the glossary arranged?

Once students have mastered the main parts of their book, they are ready to move on to the parts of each lesson that will aid in their informational reading, such as:

- Title of the lesson
- Objectives
- Headings and subheadings
- Vocabulary words
- Visual elements (pictures, diagrams, graphs)
- Bold print
- Scenarios
- Review questions (Think About It!)

Show students examples of each of these elements in Lesson 1, discuss their importance, and discuss that in each lesson, students will see these sections. Explain that it is important to be familiar with how a chapter or lesson is organized in a textbook in order to more easily locate information.

Share with students that each lesson in their book is set up like Lesson 1. Have students look at Lesson 2 and locate the following:

- Title of the lesson
- Objectives
- Headings and subheadings
- Vocabulary words
- Visual elements (pictures, diagrams, graphs)
- Bold print
- Scenarios
- Review questions (Think About It!)

Ask students if Lesson 2 was identical in organization to Lesson 1. Discuss student responses.

To transfer learning, provide students with other types of textbooks. Divide students into small groups of three-four. Have students identify the different elements of the textbook. Students should write down the different elements. As a group, have students share their findings. Discuss whether the elements were the same or different than *Exploring Personal Financial Choices*. Share with students that the organization of textbooks may differ depending on the purpose of the text, as well as the author.

Next, have each team review a sample lesson and identify the organizational pattern. Debrief by having students share the different parts of a lesson within the sample textbook and whether they were similar or different to *Exploring Personal Financial Choices*.

Debrief the activity by sharing with students that to improve reading comprehension, it is important to preview not only the lesson or passage to be read, but the textbook as well. Previewing is an important skill that familiarizes a person with the organization of the text, as well as helping the person to predict what will be read and to identify what the person already knows about the subject.

Going the Next Step — A Challenge Activity

The Internet provides a diverse array of resources to use when teaching students how to become financially literate. The following are financial literacy quizzes available on the World Wide Web. Provide students with a copy of these sites. Have students access one or more of the quizzes and complete them. Have students identify the terms or areas with which they had difficulty.

Debrief the activity by having students share what they learned from taking the quiz and what areas they found most difficult.

Discuss that in the upcoming lessons, they will be learning about a variety of topics that will assist them in gaining the skills and information necessary to become a more financially literate individual.

Try It! Financial Literacy Quiz

- Bankrate.com – A short financial literacy quiz.
<http://www.bankrate.com/brm/news/financial-literacy2004/literacy-quiz.asp>
- SavingAdvice.com Jump Start 2006 Financial Literacy Quiz
<http://www.savingadvice.com/tools/quizzes/jumpstart-financial-literacy.html>
- Los Angeles Times: Test Your Financial Literacy
<http://www.latimes.com/business/la-fi-financial-literacy7-2009mar07-quiz,0,7172403.triviaquiz>
- Financial Quiz: Art Branch, Inc.
<http://www.financialquiz.net/>

A sample financial literacy quiz to print can be accessed at:

- Financial Literacy Quiz – TCU Investment Services: The Bear Essentials

<http://www.getthebeaessentials.com/downloads/TCU-Financial-Literacy-Quiz.pdf>

Lesson 1.2: Setting Financial Goals — Phillipe (Part II)

Pre-GED Skills

- LAR 1 Determine the main idea, relevant details, facts, and patterns of organization.

Introducing the Lesson

Introduce the lesson by writing the word goal vertically on the board. Ask students to work in teams to brainstorm words or phrases that describe why a person should develop personal financial goals.

Example:

- G:** get something that you want
- O:** organize your financial plan
- A:** achieve financial security
- L:** long range plan

Explain to students that setting financial goals are like using a road map. Financial goals provide direction, allow a person to focus on what is important, and help people keep the end result in mind. Discuss that financial goals can be used to save money, repay debts, or whatever is necessary depending upon a person's current and future financial situation and obligations.

Have students read the scenario and discuss the questions as a class. Discuss that financial goals are necessary because they give a person's financial plan specific direction. Share with students that they will be learning how to set SMART goals and in the next lessons setting their own personal long-term and short-term goals.

Presentation of Targeted Pre-GED Skills

Pre-GED Skill – Use writing to generate, organize, connect, express, and evaluate ideas by applying basic rules of sentence structure

Introduce the Pre-GED skill by writing the following sentences on the board:

I plan to save \$500 during the next six months by not going out for lunch so that I can go to Adventureland in July.
Saving \$500 during the next six months to go to Adventureland in July.

Ask students to identify which of the above is a complete sentence. Next, have students identify the traits of a complete sentence and record them on the board.

Students should include that a complete sentence:

- has a subject
- has a verb/predicate
- capitalizes the first word in a sentence
- uses end punctuation
- expresses a complete thought

Discuss that when writing an effective sentence, students should make sure that they:

- use a clear subject and clear predicate
- use appropriate capitalization and punctuation
- spell words correctly
- place modifiers close to what is being modified
- make sure that the meaning can be clearly understood by the reader

Share with students that they are going to practice writing complete sentences by creating financial SMART goals.

Write the following on the board:

S
M
A
R
T

Ask students if they remember from the scenario what the instructor had told the group about how financial goals should be written. Students should respond that financial goals should be: specific, measurable, attainable, realistic, and have a timeframe or be “timebound.” Write these words next to the corresponding letters.

Provide students with the handout **Creating SMART Financial Goals**. Review with students the steps to take when writing a financial SMART goal. Have students evaluate the final goal on the handout. Ask if the goal follows the rules for being a complete sentence. Why or why not? Share with students that they will want to keep their handout to use in the next lessons.

Provide students with the handout **What Is Missing?** Have students identify what element of a SMART goal is missing from each sample goal and rewrite the sentence to include the missing element.

Debrief the activity by having students read their sentences. Make sure that students check that each sentence is a complete sentence.

Going the Next Step — A Challenge Activity

Have students create a poster to inform student body members about the benefits of setting SMART financial goals. Students should:

- Title the poster and include their name
- Define a financial goal
- Identify the benefits of setting financial goals
- Describe the SMART goal-setting process
- Use graphics, color and different styles of writing to make the poster interesting to read

Place the completed posters in the classroom or the school building to market the need for people to be financially literate and to set SMART financial goals.

Lesson 1.3: Setting Short-Term and Long-Term Financial Goals — Phillipe (Part III)

Pre-GED Skills

- **LAW 7** Select and use appropriate formats for writing.

Introducing the Lesson

Introduce the lesson by having students brainstorm a list of all the things that they can think of that would make them feel secure, happy, or fulfilled. Tell students that their list can range from the weighty (getting out of debt) to the luxurious (a new Corvette). Tell students they do not need to prioritize the list, but rather just try to put down all of the money-related things that they would like to have.

Have students share their list with the class. Discuss that this list is the first step in developing a personal financial plan. Share that in today's lesson, students will learn how to create their own personal financial plan.

Have students read the scenario and discuss the questions as a class.

Make sure that students understand the difference between a short-term versus a long-term goal. Have students brainstorm ideas for both short-term and long-term goals. Write their ideas on the board.

Examples:

Short-term goal would be to purchase a new cell phone.

Long-term goal would be to save money for retirement.

Presentation of Targeted Pre-GED Skills

Pre-GED Skill – Select and use appropriate formats for writing.

Introduce the Pre-GED skill by sharing with students that there are many different formats that can be used in the writing process. Examples: business letters, emails, reports, essays, etc.

Share with students that today, they are going to use charts and tables as a writing format. Ask students to define a chart or table. Discuss that charts and tables can be a useful way to document information that is easily read and updated. Share with students that information written in charts and tables is not always in sentence format, but may be in the form of bulleted or numbered lists. This adds to the ease in readability of the document.

Guide students in developing their own personal financial plan by providing each student with a copy of the three-page handout **Setting Financial Goals**. You may wish to provide students with an extra copy of the handout to use with family members.

Explain that setting financial goals is a multi-step process. Just like Phillipe and Marta, the students will be completing different charts and tables to set their initial short-term and long-term financial goals.

Have students read the directions for the **What Do I Want?** handout. Tell students that at the beginning of the lesson they had already started brainstorming the things that they wanted that required money. Have students individually complete the worksheet.

Next, have students identify which of their goals were short-term and which were long-term goals. Have students complete the handout **Setting My Short-Term and Long-Term Goals**.

Debrief the activity by discussing that it is important to first list all goals before prioritizing. This provides a clearer understanding of what a person wants as part of his/her financial security.

Have students circle the two or three short-term and long-term goals that are most important to them. Discuss that students can also set intermediate goals, but that it is not necessary for a financial plan.

Review with students the handout **Prioritizing My Goals**. Model for them how to complete the table with the appropriate information. Make sure that students prioritize their goals.

If Internet access is available, students may wish to research information on estimated costs. Reinforce with students that it is important for them to include accurate information in their financial plan.

Debrief the activity by having students share their reaction to developing a personal financial plan. Emphasize the need for students to obtain information from family members prior to completing their financial plan. Discuss the need for personal financial plans to be reviewed and updated on a quarterly basis.

Going the Next Step — A Challenge Activity

Share with students that it is important to dream about what their future will look like as they are planning their financial goals. Have students write a letter to themselves about what they envision their life will be like in five years. Students may wish to include ideas about education, career, family, money, as well as other dreams that they may have.

Have students share their letters with the class. Debrief the activity by asking students whether their vision of the future is reflected in the financial goals that they developed. Why or why not?

Lesson 1.4: Values, Wants, and Needs — Joseph

Pre-GED Skills

- **LAW 1** Organize information before writing, using prewriting strategies such as brainstorming and graphic organizers.

Introducing the Lesson

Introduce the lesson by handing out a large sticky note to each student with the following question written on it:

What does money mean to you?

Have students answer the question on the sticky note and post it on the board. Discuss the students' responses.

Explain to students that the way they answer this question is based on their values. A value is a fundamental belief about what is worthwhile or important to a person. The values that each person has are influenced by such things as family, friends, teachers, religious affiliations, work/career, and even the media.

Ask students the following question:

How can values affect your financial decision making?

Discuss that a person's values impact what types of personal financial goals are set.

Examples:

- If a person values having a nice home, he/she may set goals that include purchasing a home or home improvement or furnishings.
- If a person values having a retirement account, he/she may set goals that include setting up an automatic payroll deduction.
- If a person values helping others, he/she may donate money or items to a charitable group.

Discuss that everyone's values are different. That is why it is important to learn what others value in order to understand why another's decision may be different than their own.

Next, write the following words on the board: Need and Want

Ask students to define each of the words.

Example:

- A need is something necessary or required for life.
- A want is something unnecessary or not necessarily required for life.

Have students read the scenario and discuss the questions as a class. Have students discuss how Joseph's values, needs, and wants influenced how he spent money and made financial decisions. Point out that although Joseph had developed financial goals, his desire for a new television was stronger than adhering to his set goals.

Presentation of Targeted Pre-GED Skills

Pre-GED Skill — Organize information before writing, using prewriting strategies such as brainstorming and graphic organizers.

Introduce the Pre-GED skill by sharing with students that there are many steps in the writing process. The first step is to pre-write. Explain that "pre" means "before" so the first step in writing occurs before a person actually starts writing the sentence or paragraph or paper.

Share with students that the most important part of pre-writing is to take the time to write down as many ideas as possible. Not all of the ideas will be used in the final document, but thinking about all of the possibilities is an important step in effective writing.

Share with students that they are going to use a t-chart to pre-write on a selected topic. This is one type of pre-writing strategy.

Provide students with the handout: **Wants Versus Needs — What Do They Mean to Me?**.

Have students individually write down all of the wants and needs that they can think of that are important to their lives. Provide them with three to five minutes for this activity. Next, have them share their ideas with another classmate. Students may wish to add ideas to their list. Tell students to prioritize their wants and needs by circling their personal top three choices in each category.

Debrief the activity by having students share their top three wants and needs with the entire class. Write the different types of wants and needs on the board. Discuss that individual values are an important part of prioritizing wants and needs in life.

Going the Next Step — A Challenge Activity

Before starting this activity, use the **Is It a Want or Need?** to create paper strips. Place the paper strips in an envelope. Divide the students into groups of three to four. Give each group an envelope and two note cards — one that says **Wants** and one that says **Needs**. Have students compete to see which group can correctly categorize wants versus needs.

Debrief the activity by having students provide a rationale for why they placed a certain item as a want or as a need. Discuss that often a life situation can change a want to a need. Example: A refrigerator could be a need if the current refrigerator stopped working.

Lesson 1.5: Discussing Financial Issues — Liz and Dean

Pre-GED Skills

- **LAR 6** Identify the author's purpose and point-of-view.

Introducing the Lesson

Introduce the lesson by sharing that according to most studies, money is the single most common cause of arguments among otherwise happy couples. Discuss that money is a problem for many families and although not an easy topic of discussion, it is necessary to openly talk about financial matters in order to make a good decision.

Have students read the scenario and discuss the questions. Point out that the ultimate source of many money arguments is different opinions about how to manage money. In Liz and Dean's case, Dean is a natural spender with a wife who is a natural saver.

Being able to effectively talk about money before a financial crisis occurs is important. Ask students if they have regular meetings with their spouses or family to discuss money issues or problems. Have students brainstorm their ideas for effectively communicating about money with family members. Write their ideas on the board.

Sample ideas may include:

- Schedule time every week to talk about money management
- Recognize that whoever earns the money does not always have the right to say how it will be spent
- Avoid blaming the other person for the financial problems
- Keep the bills, checkbook, and credit card statements open and available so that both partners are aware of the family's current financial status
- Talk only about money issues — don't drag other issues into the meeting
- Listen carefully to what the other person is saying
- Try to understand the other person's values and goals
- Write down your concerns and ideas before talking about them

Share with students that financial advisers and family therapists recommend that adults facing hard times should talk with their children about their money problems. Children are not blind to events happening around them and can often pick up the tension. The age of the child is the best indicator of what to share and how much to share. The important thing is to talk as a family about what everyone will do to help. A sample opener to say to a child is: "We're in a tough spot at the moment as far as money goes. We've got some problems so we all need to work together to solve them. You're the most important person in the world to us. We know that together we're going to figure everything out."

Presentation of Targeted Pre-GED Skills

Pre-GED Skill – Identify the author's purpose

Introduce the Pre-GED skill by asking students if they would read the comics the same way they would read a history book. How about reading a bus schedule versus a bumper sticker? Ask students how their reading differs for different things that they read.

Explain that when writing an author has a purpose in mind. The author's purpose is his or her reason for writing a passage in a book, magazine, letter, or website. Authors write to **inform** readers about factual information, to **entertain** readers with humor about certain topics, or to **persuade** the reader to do something or to believe things happened exactly as the author thinks they happened. Identifying an author's purpose is an important reading strategy.

Write the following words on the board:

inform

entertain

persuade

Divide students into teams. Have each team identify different types of writing that fit each of the categories. Debrief the activity by having students share their lists.

Examples:

INFORM

- Biography
- Front page news article
- History books
- Recipe
- Bus schedule
- Directions

ENTERTAIN

- Novel
- Play
- Poem
- Comic book
- Short story

PERSUADE

- Newspaper or magazine advertisement
- Television advertisement
- Editorial
- Bumper sticker
- Campaign speech
- Roadside billboard

Provide students with newspapers. Have them find examples that show each type of purpose for writing. Have students post their examples and let the class identify each as a writing to inform, entertain, or persuade.

Reinforce the skill by having students identify the author's purpose when reading different types of writing in the classroom.

Going the Next Step — A Challenge Activity

Provide students with copies of **Talk About Money Quiz**. Discuss that honest and open communication about money takes time and effort. Although talking about money can be difficult, having family members complete the **Talk About Money Quiz** and comparing their answers can provide a beginning step to more open communication.

Students may wish to provide feedback on the reaction of their spouses or other family members to the quiz. Ask if any of the answers surprised them and why.

Lesson 2.1: It Takes Income — Marilina

Pre-GED Skills

- **LAR 13** Use different types of reference materials.

Introducing the Lesson

Introduce the lesson by asking the following questions:

- What is a budget? (A plan for spending money)
- What is an expense? (An expense is anything on which you spend your money)
- What is income? (Income is the money you earn)
- What is supplemental income (Additional income outside of one's usual job)

Share with students that in this chapter, they will learn more about income, expenses, and setting a personal budget to help build financial security.

Have students read the scenario and discuss the questions. Have students share different options for bringing in extra income when necessary to pay one's monthly bills. Discuss that this is often termed supplemental income. Write their ideas on the board. Ask students whether any of these options would be available to Marilina. Why or why not?

Introduce the concept of education and income by having students complete the following sentence:

I have always wanted to be a _____.

Have students share their career goal with the class. Discuss what it would take for students to achieve their dream career, by asking questions such as the following:

- What would it take for you to become a . . . ?
- Would your dream job provide a higher salary?
- What most interests you about the career that you have selected?
- How could you achieve your goal?

Discuss that we all have dreams about careers that we would like to pursue. Many times those dreams can become a reality with planning. Ask students if Marilina's goal of becoming a registered nurse is a reasonable goal. Why or why not? Have students discuss ways in which Marilina could pursue her goal and continue to maintain an income that will pay her monthly bills.

Presentation of Targeted Pre-GED Skills

Pre-GED Skill — Use different types of reference materials

Introduce the Pre-GED skill by asking students how they find information about a topic that interests them. Write the students' answers on the board or chart paper. Sample answers may include: newspapers, magazines, books, the Internet.

Ask students if the information is always accurate. Why or why not?

Write the following phrase on the board: reference materials.

Ask students to define the phrase. Students may answer that reference materials are those items that provide accurate information and are found in libraries, such as dictionaries, encyclopedias, almanacs.

Discuss that it is important to know whether information is accurate when making financial decisions.

Tell students that in this lesson, they will use a website called Career OneStop to explore different careers and the annual income or wage of each type of career.

Take students to the Career OneStop site at: <http://www.acinet.org/acinet/>

Show students how to determine the author of the information for Career OneStop by scrolling to the bottom of the page. Have students identify that the information on this site is supplied by the U. S. Department of Labor, Employment, and Training Administration. Share with students that information on this site is supported by all of the statistics from business and government that is sent to the government. This provides information that is accurate based on current data.

Model for students how to locate career information in the state of Michigan by completing the following steps:

- Click on State Information
- Click on State Profile
- Scroll down and select the State of Michigan and click Continue
- Select the Highest-paying occupations and Requiring only work experience and click Search

When you have completed the first search, check on the highest paying occupations for each average worker education level. You may wish to print out the information for students to review.

Ask students the following questions:

- Did any of the careers and salaries surprise you?
- What did you notice about the connection between the pay for the occupation and the level of education required?
- Was your dream career listed as one of the highest-paying occupations? Why or why not?
- Besides income, what else would you want to know about a career before you enter the field?

If Internet access is not available in the classroom, print different information from the site for students to discuss that shows different educational levels and training with the areas of highest-paying occupations, fastest-growing occupations, occupations with the largest growing employment

Going the Next Step — A Challenge Activity

Discuss with students that career exploration is not the same as job searching. Marilina needs to job search for a position that would provide her with supplemental income. However, she wants to be a registered nurse and would need to obtain additional information on skills required, where she could obtain the training, cost of becoming a nurse, and job availability as part of her career exploration.

Explain that job searching is a short-term pursuit of a position that matches your financial and career goals. Career exploration is a long, progressive process of choosing education, training, and jobs that fit your interests and skills.

Have students explore their personal career options and goals by exploring Career OneStop at: <http://www.acinet.org/acinet/>

To get students started, have them identify a career in which they are interested and watch a video on Career OneStop to see if the job matches their interests. Next, have students explore what types of skills, education, and job opportunities are needed.

Debrief the activity by having students share the information that they found with the class.

Lesson 2.2: Deductions: Where Did the Money Go? — Nabil

Pre-GED Skills

- **SS 15** Describe the legal and ethical rights and responsibilities of an employee, an employer, and a citizen.
- **MA 13** Interpret real world data from charts, graphs, and tables.

Introducing the Lesson

Introduce the lesson by asking students if they have ever closely examined their paycheck or pay stub. Have students share what they noticed. Sample answers may include that they thought their take-home pay would be greater than it was or that they never knew that there were so many deductions.

Ask students:

- When you first began working, did you know that you wouldn't be able to "take home" every dollar that you earned?
- How much did you expect to pay in taxes?

Have students share their experiences with their first paycheck and any surprises that they experienced.

Have students read the scenario. Divide the class into groups of three or four. Have each group answer the questions. Debrief the activity by having each group share their answers for each question with the class. As students share their answers, focus on the different vocabulary words to ensure that students can define each term in their own words.

To help students define new vocabulary, play **Paycheck Term Match**. Prior to the activity, copy the handout **Paycheck Term Match** and cut the page into strips, separating the terms from the definitions. Place the strips of paper in an envelope. Make enough envelopes for each pair or small group of students in the classroom.

Divide the class into pairs or small teams of four students. Share with students that they will be competing in **Paycheck Term Match**. Provide each pair with an envelope. Have students compete to see which group can correctly match the word to the definition. The first team who correctly completes the task is identified as the winner.

Presentation of Targeted Pre-GED Skills

Pre-GED Skill — My Rights and Responsibilities

Students should understand both the legal (required) and ethical rights and responsibilities that they have as employees, employers, and citizens. An important area of responsibility is the paying of required taxes.

Introduce the Pre-GED skill by writing the following statement on the board:

All employees, employers, and citizens of the United States should pay taxes.

Divide the class into two groups. Share with students that as a team, they should come to consensus on whether they agree or disagree with the statement on the board. Provide students with chart paper on which to write the reasons for their decision. Debrief the activity by having each team share their ideas.

Share with students that people often complain about taxes and disagree on whether the tax system is fair or not fair. Emphasize that a taxation system was first established when our country was just beginning to develop. Because of taxes, we have many things that are important to us as citizens.

Ask students to think about the things that they get in return for taxes being paid. Provide students with

two-three minutes to jot down their ideas. Have students share their ideas with the class. Write their answers on the board. Students should include the following types of services provided through different types of taxes:

- Roads and bridges
- Subways, buses, and passenger trains (generally government subsidized)
- Unemployment benefits
- Police, fire, and EMT protection
- Medicare
- Social Security
- Disaster recovery and control (FEMA)
- Public education
- Libraries
- Welfare, WIC, Food stamps
- School lunches
- Health care
- Prisons
- Water and garbage service
- Parks
- Street lights
- National parks,
- Small business assistance
- Military
- Government (President, legislature, courts, etc.)
- Research

Debrief the activity by having students reflect on what their lives would be like without the services that they have listed. Reinforce the legal and ethical responsibility of each person in paying his/her fair share of taxes. Share with students that by paying taxes, valuable services are provided for each of us.

Going the Next Step — A Challenge Activity

Provide students with practice in reading a paystub by completing the Reading and Interpreting Paystubs activity. Have students work in pairs to answer the questions regarding Nadil's paystub. Debrief the activity by having students share their answers.

To reinforce the importance of accurately interpreting one's wages and deductions, have students examine their personal paystubs. Share with students that it is important to understand each item that is listed. To get them started, provide each student with a copy of the handout **Ten Tips for Understanding Your Paycheck**. Tell students that they should examine each item on their personal pay stub. If students are currently not employed, provide them with a sample pay stub or have them examine a paystub of a family member. Have students record any items or acronyms that they encountered when reviewing the pay stub that were different from those discussed in class.

Debrief the activity by having students share with the class one thing that they learned from carefully reviewing a paystub and any new items or acronyms that they encountered. Make a list of the new words and acronyms on the board. Define and discuss the new terms. Example: Some pay stubs may include different types of deductions or an employee number rather than a social security number.

Lesson 2.3: Building a Personal Financial Plan (Part I) — Raul and Josephine

Pre-GED Skills

- **LAW 6** Apply critical thinking and problem solving skills to different types of text.
- **LAR 14** Locate, organize, and interpret different types of written information appropriate for completing a specific task.
- **MA 21** Develop a personal or business budget, calculate deposits and withdrawals on a checking account balance, and complete a tax form.

Introducing the Lesson

Introduce the lesson by asking students if they have ever looked in their purse or wallet and asked, “Where is the cash that I had yesterday?” Share with students that sometimes it’s difficult to remember how money is spent. Before a person can begin to save for a secure financial future, he/she must first figure out how much money he/she has (income) and where his/her money goes (expenses).

Have students read the scenario and discuss the questions as a class. Explain that developing a personal budget or spending plan takes time, but is the best way for a person to take control of his/her financial future — a way to meet both short-term and long-term goals.

Write the following four steps on the board:

1. Identify your income.
2. List your expenses.
3. Compare your income and expenses.
4. Set priorities and make changes.

Explain that the worksheets in this lesson and the next lesson will assist students in creating their own personal budget or spending plan. You may wish to provide students with several copies of the forms so that they can use them throughout the year.

Presentation of Targeted Pre-GED Skills [B Header]

Pre-GED Skill — Use critical thinking and problem solving skills to develop a budget

Share with students that when developing a personal budget, it is important to identify and collect accurate information regarding their personal income and expenses.

Prior to students beginning the process of developing a personal budget, let students know that the information included in their budgets is confidential. Explain that the purpose of the activities is to assist each of them in building a more secure financial future and that class discussions will not focus on specific information regarding either their incomes or expenses.

Discuss the importance of using accurate information in order to develop a usable budget.

Ask students the following question:

What types of income do people receive?

Have students brainstorm ideas. Chart their answers. Students may share that income may come from jobs (full-time and part-time), unemployment benefits, welfare benefits, alimony, child support, tax refunds,

bonus checks, garage sales, gifts, etc.

Tell students that when developing a budget, they should determine both their monthly income, as well as their yearly income. Discuss that some types of income are not continuous, such as the money one receives from a tax refund or even unemployment benefits. Reinforce the need for accuracy when developing a budget.

Provide each student with a copy of the handout **Recording Your Income**. Model for students how to complete the form by drawing the form on the board or using an overhead projector or other projection device. As you read the directions for completing the form, insert sample information so students can see what they need to do.

Scaffold instruction by reading the following directions:

- Insert your monthly income in the right-hand *Amount per Month* column. Don't forget to include the monthly income of other individuals in your household.
- If this income is received each month, multiply by 12 to obtain an annual income and write that amount in the *Annual Amount* column.
- Next, identify any other types of income that you receive, such as alimony, child support, social security, unemployment, or disability.
- Write each of the monthly amounts received in the correct *Amount per Month* column.
- If this income is received each month, multiply by 12 to obtain an annual income amount and write the amount in the *Annual Amount* column. If this income may stop, multiply by the number of months you expect to receive the income and write that amount in the *Annual Amount* column.
- If you have income that you receive annually, such as tax refunds, bonuses, or gifts, write that amount in the *Annual Amount* column.
- Show students how to take income that is only in the *Annual Amount* column and divide it by 12 to obtain the Amount per Month received. Example: If I receive a bonus of \$600.00 per year, I divide \$600.00 by 12 months to get a monthly amount of \$50.00.
- Finally, add the *Annual Amount* column and the *Amount per Month* column.
- Share with students that the *Total Income* for the *Amount per Month* column represents the amount of income they receive in a month and should be the amount on which they base their monthly expenses. The Annual Amount column provides them with a projection of how much income they receive in a year.

Reinforce the need for accurate information when developing a budget. If students do not have accurate information, have them estimate each type of income so that they are familiar with how to use the form. Provide students with an additional copy of the form, and have them check paystubs, deposits, and other income documents. Tell students to complete the form with the accurate information and bring it with them to the next class.

Going the Next Step — A Challenge Activity

Have students create a list of how they think they spent their money this past week. Have them jot down the things that they purchased and their approximate cost. Have students share the types of purchases made with the class. Sample answers may include: a can of soda from a vending machine, lunch at a local restaurant, a candy bar from a convenience store, etc.

Provide students with the handout **Sample Daily Spending Diary Worksheet**. Explain that in the next lesson, students will be identifying personal expenses to include in their budget. However, just like Raul and Josephine, we often purchase small items, such as a can of soda, a quick meal from a fast food restaurant, or a movie rental that we often don't include as part of our monthly expenses.

Tell students to track their spending for a week, writing each item that they purchase and the cost on the **Sample Daily Spending Diary Worksheet**. Explain that students should not include living expenses, such as house payments or rent, car payments, utilities, child care, etc., but rather those small items that they often purchase with cash.

Debrief the activity by having students report the types of items that they purchased during the week.

Ask students the following questions:

- What types of purchases did you make?
- Were the purchases wants or needs?
- Was each of the purchases necessary? Why or why not?
- How could these types of purchases impact a personal budget?
- Could you control this type of spending? Why or why not?

Provide students with additional copies of the **Sample Daily Spending Diary Worksheet** to share with family members. Discuss the need for each family member to track his/her extra spending in order to develop an accurate budget. Share with students that this category of expenses is often called flexible spending and is an important consideration when developing a monthly budget that works.

Lesson 2.4: Building a Personal Financial Plan (Part II) — Raul and Josephine

Pre-GED Skills

- **LAW 6** Apply critical thinking and problem solving skills to different types of text.
- **LAR 14** Locate, organize, and interpret different types of written information appropriate for completing a specific task.
- **MA 21** Develop a personal or business budget, calculate deposits and withdrawals on a checking account balance, and complete a tax form.

Introducing the Lesson

Have the following four steps written on the board:

1. Identify your income.
2. List your expenses.
3. Compare your income and expenses.
4. Set priorities and make changes.

Introduce the lesson by having students quickly jot down answers to the following questions:

1. List everything you have spent money on so far today.
2. What are some things you have spent money on this week?
3. What are some things you have spent money on this month?
4. What is the most expensive item you have bought recently?

Have students discuss their answers in small groups and then identify those items that were regular purchases and which purchases were necessary and unnecessary. Have each group report back their findings to the class. Discuss those items that are similar between the groups.

Share with students that in this lesson they will identify their personal expenses, both those that are flexible and those that are fixed. Tell students that they will need their income worksheet from the last lesson in order to complete their personal budget.

Have students read the scenario and discuss the questions as a class. Explain that having a personal budget or spending plan is essential to financial security. Share with students that a budget's effectiveness can change as incomes and expenses increase and/or decrease. That is why it is so important to make sure that everyone in the household follows the financial plan that has been developed.

Presentation of Targeted Pre-GED Skills

Pre-GED Skill — Use critical thinking and problem solving skills to develop a budget

Share with students that knowing what expenses are flexible and what expenses are fixed is the first step to successfully managing personal finances. On the board or chart paper draw two columns. Label the first column *Fixed Expenses* and the second column *Flexible Expenses*.

Ask students to define both types of expenses. Students should answer that fixed expenses are items that you have little or no control over, such as rent or a mortgage. Flexible expenses are expenses that you can control, such as groceries, eating out, cable benefits, etc.

Have students identify the different types of fixed expenses that they have each month. Write their answers in the first column. Next, have students identify their flexible expenses. Write their answers in the second column. Share with students that another type of flexible expense is a savings account. Discuss the importance of setting aside money from each paycheck and putting it in a savings account.

Prior to students continuing to work on their personal budget, let students know that their financial information is confidential. Explain that the purpose of these activities is to assist them in building a more secure financial future and that class discussions on budgeting will not focus on specific information regarding either their incomes or expenses.

Share with students that in this lesson, they will be completing their personal budget by identifying their expenses and then comparing their expenses to their income. Discuss that they will be using information from the handout **Recording Your Income** that they completed in the last lesson.

Provide each student with a copy of the handout **List Your Expenses**. Model for students how to complete the form by drawing the form on the board or using an overhead projector or other projection device. As you read the directions for completing the form, insert sample information so students can see what they need to do.

Scaffold instruction by reading the following directions:

- Identify each expense. Insert the amount of each of your monthly expenses in the *Per Month* column.
- If an expense (bill) is paid less often than monthly, such as paying car insurance on a quarterly, bi-yearly, or yearly basis, divide to determine the amount paid per month and insert that amount in the *Per Month* column.
- Record any other types of expenses that are not included on the chart.
- Finally, add your *Per Month* column to obtain your monthly expenses.

Reinforce the need for accurate information when developing a budget. If students do not have accurate information for their expenses, have them estimate each type of expense so that they are familiar with how to use the form. Provide students with an additional copy of the form, and have them check their checking account statements, their credit card statements, and their flexible spending expenses for the past three months before determining their monthly expenses. Tell students that it is important to complete the form with the accurate information in order to create a working budget.

Explain that the final step in developing a working budget is to compare income with expenses. Provide students with the handout **Compare Income and Expenses** and **Set Priorities and Make Changes**.

Have students complete Step 3: **Compare Income and Expenses**. Next, have students ask themselves the questions in Step 4: **Set Priorities and Make Changes**.

Debrief the activity by having students discuss additional ideas if expenses are more than income on a budget. Discuss that often difficult decisions must be made when expenses exceed a person's income. Example: To decrease expenses, a family may cancel cable service or decrease grocery costs by purchasing less expensive items or

Going the Next Step — A Challenge Activity

Step 1:

Share with students that there are financial calculators on the Internet that can assist them in managing their monthly budgets and determining how they are spending their money. Tell students that they are going to create their own Home Budget Analysis Tool by accessing the following website:

Home Budget Analysis Tool

<http://marketplace.publicradio.org/toolbox/calculators/HomeBudget.html>

Have students input the income and expense information that they identified in Lessons 8 and 9 into the Home Budget Calculator. Discuss that the calculator helps them identify where their money is going, as well as how much they have left to save. Show students how to access the *Home Budget Analysis* report. Students may wish to print their report and share it with other members in their household.

Another Budgeting Tip

Some students may not have a checking account. Instead they cash their checks and use that money to pay their bills. The following is a useful tool for those students who pay their bills in cash each month.

Expense Envelope System

- Make an envelope for each expense category, such as rent, gas, electricity, and food.
- Label the envelope with the name of the category, the amount, and the due date.
- When you receive income, divide it into the amounts to cover the expenses listed on the envelope.
- Pay bills right away so you will not be tempted to spend the money on something else

Step 2: List Your Expenses (see handout)

Step 3: Compare Income and Expenses (see handout)

Step 4: Set Priorities and Make Changes (see handout)

NOTE: Step 4 can be handled as a small group discussion to gain perspectives from others.

Lesson 3.1: Using a Checking Account — Rida

Pre-GED Skills

- **LAW 1** Organize information before writing, using prewriting strategies such as brainstorming and graphic organizers.
- **LAW 3** Use writing to generate, organize, connect, express, and evaluate ideas by applying basic rules of sentence structure.
- **MA 21** Develop a personal or business budget, calculate the effect of deposits and withdrawals on a checking account balance, and complete a simple tax form.

Introducing the Lesson

Introduce the lesson by asking students how they turn their paycheck into cash. Write their answers on the board. Examples could include:

- Deposit it into a bank account
- Cash it at a check-cashing store or local business
- Sign up for direct deposit

Ask students the following questions. Record their answers on the board:

- Why do some people choose not to have bank accounts?
- What are some advantages of having a checking account?
- What is the difference between a bank, a credit union, and a check-cashing store?

Discuss as a group that a checking account is a way for people to manage their money and pay their bills, as well as being less expensive than a check-cashing store.

Have students read the scenario and discuss the questions as a class. Show students how to read the monthly bank statement. Point out that although Rida had money in her account at the end of the month, she spent more than she had throughout the month.

Presentation of Targeted Pre-GED Skills

Pre-GED Skill — Comparing and Contrasting

Share with students that compare and contrast is a reading skill that helps them to evaluate how things are alike and different. Ask students what types of things they compare and contrast. Discuss that being able to compare and contrast can help in making solid financial decisions.

Provide students with the handout **Why Should I Have a Checking Account?**. Have students read the handout. Ask students to share personal experiences on having a checking account at different types of financial institutions.

Discuss that sometimes reading a text makes it difficult to gather all of the facts. Show students the graphic organizer **Which Should I Choose?** Place students in pairs. Provide each pair with a copy of the graphic organizer **Which Should I Choose?** Have students complete the graphic organizer by comparing the similarities and difference between banks and credit unions. After students have completed their organizer, have them share their ideas and the reasons for selecting a specific financial institution to open a bank account.

Pre-GED Skill — Calculating Deposits and Withdrawals

Ask students why it is important to keep accurate records when writing check or making deposits into your checking account? Students should identify such reasons as you don't want to spend more than you have. Have students complete a real-world activity by helping George balance his checkbook register. Provide each student with a handout of the Checkbook Registry. Discuss that when balancing a checkbook, students may wish to insert the + and – signs in the balance column to indicate which mathematical operation to perform on the amount withdrawn (–) or deposited (+).

Debrief the activity by asking students questions such as the following:

1. Why is it important to keep a running balance in a checking account?
2. What other types of payments or fees should you document in your checkbook registry?
3. What other types of deposits or credits could you see in a checkbook registry?
4. How much did George have in his account after he balanced his checkbook registry?

Going the Next Step — A Challenge Activity

It's important that students learn how to balance their personal bank statements. As a homework assignment, provide students with the following information and have them balance their personal bank statements.

Balancing Your Checkbook

Step 1: Get your check register and your bank statement. Go through your statement and put a check mark next to every deposit and withdrawal listed on the statement. Make sure to list any automatic deposits or withdrawals that you have. Put a little circle next to any transaction not listed on your statement.

Step 2: Take the new balance listed on the statement and subtract all withdrawals that are not checked in your register. Next, add all the deposits that are not check in your register. The balance you get should agree with the balance in your check register.

Debrief the activity by having students share personal techniques that they use for keeping a balanced checkbook and how it is similar or different to the technique provided.

Lesson 3.2: Saving for the Future — Vicente

Pre-GED Skills

- **LAR 3** Analyze cause and effect, compare and contrast, and chronological order in different texts.
- **LAR 4** Use background knowledge to make predictions.
- **MA 1** Add, subtract, multiply, and divide with whole numbers, common fractions, decimal fractions, and percents.
- **MA 23** Calculate investments using simple and compound-interest formulas and appropriate technology.

Introducing the Lesson

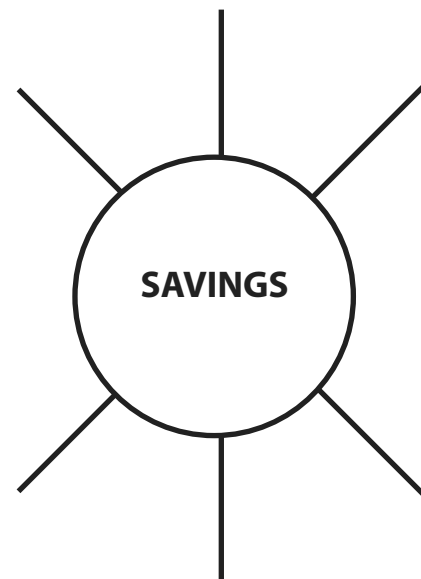
Introduce the lesson by drawing the following web on the board and writing the word “savings” in the center circle. Ask students why they should save.

After brainstorming, share with students additional reasons for saving, such as to:

- Provide for unexpected emergencies
- Purchase items in the future, such as a car or television
- Have money for investment
- Ensure retirement

Write the following phrase on the board: Barriers to Saving. Ask students why it is sometimes such a challenge to save money. Discuss the reasons students provide, such as:

- Banks require a minimum balance or deposit to set up a savings account
- Items come up that require extra money
- What’s the one simple trick for saving for any goal? Solicit responses.
- The answer: Spend less than you earn.



Have students read the scenario and discuss the questions as a class. Students should discuss the different types of savings plans and what would be best for Vicente.

Share with students that money saved in a bank is safe even if the bank goes out of business. This is because the government guarantees the first \$250,000 deposited in a recognized financial institution through the Federal Deposit Insurance Corporation (FDIC).

Presentation of Targeted Pre-GED Skills

Pre-GED Skill — Calculating Simple and Compound Interest

Introduce the Pre-GED skill by sharing with students that for the privilege of using your money to lend to others (while you are saving it, but not using it yourself), banks will pay you interest on the money that you invest.

Ask students to define compound versus simple interest. Write their definitions on the board.

Discuss that simple interest pays only on the amount invested. Compound interest pays on both the amount invested and the accumulated interest.

Model for students how to calculate simple and compound interest by using the following examples.

Simple Interest

Year 1 $\$1,000 \times .10 = \100

Year 2 $\$1,000 \times .10 = \100

Year 3 $\$1,000 \times .10 = \100

Total interest earned: \$300 over the three-year period.

Compound Interest

Year 1 $\$1,000 \times .10 = \100

Year 2 $\$1,100 \times .10 = \110

Year 3 $\$1,210 \times .10 = \121

Total interest earned: \$331 over the three-year period.

Provide students with practice by having them complete the chart in the **Let's Practice Calculating Savings** handout. Have students round to the nearest cent. Example: \$275.625 becomes \$275.63.

Debrief the activity by asking students to identify the benefits of compound interest. Let students know that they are using the interest rate of 5% for practice purposes. However, current interest rates at financial institutions are substantially lower.

Going the Next Step — A Challenge Activity

Have students investigate different savings accounts, money market accounts, and certificates of deposit (CDs) provided locally. Assign each student (or group) a particular financial institution in their area. Most of the research can be completed online; however, it may be necessary to contact the financial institution. Students should gather and list the following information:

- Are there any associated monthly or annual fees?
- What is the current interest rate earned?
- Is the interest earned simple or compound interest?
- If the interest earned is compounding, how often is it calculated (daily, monthly, quarterly, or annually)?
- How often is interest paid (daily, monthly, quarterly, or annually)?
- Is there a specified time commitment to leave money in the account?
- Are there penalties for early withdrawal? If so, what are they?

Have the students report on their findings. Use the following questions to generate discussion:

- Was the information difficult to gather?
- Were students surprised with the different rates of return?
- Do the rates seem fair?
- What do they think affects the rate of return on each account?

Lesson 3.3: Debit Cards and ATMs — Alfred

Pre-GED Skills

- **LAW 9** Complete workplace and community documents.
- **SS 8** Understand and evaluate practical documents (e.g., advertising, money management information, taxes, governmental information, and business documents).
- **LAR 3** Analyze cause and effect, compare and contrast, and chronological order in different texts.

Introducing the Lesson

Introduce the lesson by writing the following words on the board: ATM and Debit Card. Ask students to describe each type of card and how each is used.

Have students read the scenario and discuss the questions as a class. As you discuss Alfred's situation, you may wish to research information on rules regarding debit card protection. The following provides basic information from The Federal Deposit Insurance Corporation (FDIC)/

Lost or stolen ATM or debit cards must be reported immediately to the financial institution, since the amount that a person can be held responsible for is time sensitive:

- *If a person reports a loss or theft within two business days, liability is limited to \$50*
- *If a person reports a loss or theft after two business days, but within 60 days after a statement showing an unauthorized electronic fund transfer, you can be liable for up to \$500*
- *If a person waits more than 60 days, the person could lose all the stolen money*
- *Additional protection may be provided if an ATM/debit card has the VISA or MasterCard logo on it.*

You may wish to have students read the handout **Debit Cards and ATMs** for additional information. Discuss the answers to **Wise Financial Steps to Take When Using a Debit Card**.

Presentation of Targeted Pre-GED Skills

Pre-GED Skill — Writing Business Letters

Introduce the skill by sharing copies of effective business letters. These can include letters received through the mail or at work. Review with students the standard components of a business letter, including the:

- Sender's address
- Date
- Inside address (recipient)
- Greeting (title and name)
- Body of the letter
- Closing
- Signature
- Name

Have students brainstorm why they would write a business letter. Examples: to file a complaint, to get information, or to provide information. Discuss the importance of being able to write effective business letters when communicating with businesses. An example is the process for reporting a lost or stolen ATM or debit card. Ask students why it is important to follow-up phone conversations with written communication when disputing a transaction.

Have students work in teams to write an effective business letter. Explain that business letters should present a tone that is: confident, courteous, and sincere. Have the teams read their letters aloud. Have students reach consensus on which of the team's letters is the most effective and most likely to get the results that are wanted.

Going the Next Step — A Challenge Activity

Provide students with 3" x 5" cards. Have students write their own real-world scenarios where a person needs to write a letter of complaint. Have students hand in their cards. Shuffle the cards and provide one to each student. Have them respond to the scenario by writing an effective letter of complaint. Have students read the scenario to the class and their letters. Discuss what was effective or ineffective about the letter.

Lesson 3.4: Credit Cards — Gina

Pre-GED Skills

- **LAR 5** Use note cards, spreadsheets, and outlines to separate information into useful components.
- **LAR 14** Locate, organize, and interpret different types of written information appropriate for completing a specific task.
- **MA 7** Identify and compare data from tables, charts, and graphs.

Introducing the Lesson

Introduce the lesson by having students brainstorm reasons for using credit cards. Write their answers on the board.

Examples may include:

- Being able to buy things before you have saved enough money to purchase them
- It is a way to pay for emergency expenses
- It is convenient
- It provides a record of your expenses

Have students read the scenario and discuss the questions as a class. Explain how credit cards work. Clarify that credit cards allow you to purchase something, but put off the payment until later. However, if you leave your payment on the card for more than a month, you have to pay interest on the balance or the amount still owed.

Write the following on the board:

Positives

Negatives

Have students brainstorm the positives and negatives of using a credit card. Sample answers could include:

Positives

- Credit cards can help you manage your money.
- Credit cards offer protection against theft.
- You can buy items and services you need when you need them
- Credit cards can be lifesavers when you have an emergency.
- Managing your credit cards well can help you build a good credit history.

Negatives

- Credit cards make it very easy to buy things that you cannot afford.
- Credit cards make it easy to buy on impulse.
- If you only pay the minimum balance, it can take years to pay off the balance.
- If you fall behind on paying your credit card bills, it can damage your credit rating.

Discuss personal responsibility for having a credit card, such as:

- Understanding a credit card contract
- Keeping credit cards in a safe place
- Checking to see if a receipt is accurate before signing
- Checking the monthly billing statement
- Notifying the credit card company immediately if a card is lost or stolen

Presentation of Targeted Pre-GED Skills Pre-GED Skills

Pre-GED Skills — Locating Information, Using Outlines to Separate Information and Compare and Contrast

Ask students how they use comparison in their daily lives. Discuss that when you shop, you compare products by asking yourself what it is about each product that you like or dislike and which is the best to purchase. Share with students that when they read to locate information, they use these same skills.

Discuss that being able to locate information in different types of text is an important skill. Divide the class into groups of three. Have the class go online to Credit Cards Online at: <http://www.creditcards.com/>.

Provide each team with the following handout: **Choosing a Credit Card: Locating Information to Compare Your Options**. Have each team locate three different credit card offers and find the information to complete the chart and answer the questions.

Note: If the Internet is not available, provide three credit card applications to each team. You can collect credit card offers that arrive at home or that you notice displayed in public places.

Debrief the activity by having students share and discuss their findings and draw conclusions on what they discover. Discuss the need to read the small print often used in the cardholder agreement, as well to understand the different financial terms.

As a follow-up activity, model for students how to use the World Wide Web to compare different credit card offers by accessing the following sites.

- Credit Card Guide: <http://www.creditcardguide.com/>
- Consumer Credit Card Guide: <http://www.consumercreditcardguide.com/>
- Smart Money Credit Card Guide: <http://www.smartmoney.com/personal-finance/debt/comparing-credit-card-offers-9658/>

Going the Next Step — A Challenge Activity

Provide students with the handout **How Much Does Credit Cost?**

Have students access the Federal Reserve's Credit Card Repayment Calculator at:
<http://www.federalreserve.gov/creditcardcalculator/>

Have students use the online calculator to see how long it would take to pay off a \$5,000 balance making only the minimum monthly payment. Students should also use the calculator to see how much more would be paid per month to pay the balance in five years at the different interest rates.

Debrief the activity by discussing that by paying more than the minimum payment per month on a credit card bill can substantially decrease the interest paid. Share with students that by paying only \$7.00 more a month, they could pay off a \$5,000 loan at 10% interest in five years instead of 17 years.

Note: If students do not have access to the Internet, you may wish to show students how the credit card repayment calculator works and the completed chart.

Lesson 3.5: Installment Plans —Teresa

Pre-GED Skills

- **LAR 11** Recognize language that results in different reactions, perceptions, and beliefs.
- **SS 13** Understand cause and effect relationships.
- **LAR 3** Analyze cause and effect, compare and contrast, and chronological order in different texts.
- **MA 15** Select the correct operation to solve a problem.

Introducing the Lesson

Introduce the lesson by asking students how they can purchase an item if they do not have a credit or debit card. Write the students' answers on the board. Discuss that in today's lesson they will learn about two additional ways to purchase merchandise: installment plans and layaway plans. Ask students if they have ever used either type of plan. Students may wish to share their experiences.

Share with students the similarities and differences between installment plans and layaway plans. You may wish to use the following information in your discussion:

Installment Plans

An installment plan requires that you make a deposit and then pay a specific amount each week or month for an item. When you use an installment plan, you get to use the item while you are paying for it. However, legally the item belongs to the seller until the last payment has been made. If you default, the seller takes the item back and keeps any money you have paid. Some plans may say that you do not have to make your first payment for six months or a year. It's important to always calculate how much you will pay for an item because sometimes you may be paying far too much, even though the monthly payment is extremely low.

Layaway Plans

Layaway plans are a type of installment plan. With a layaway plan, you choose your merchandise and take it to the store layaway area where it will be held until it is paid off. When you use a layaway plan, you are able to get the items that you want and need with no worries that retailers will be out of them when you finally save up enough money to be able to afford them.

Although each store establishes the terms for their layaway plans, many stores do not charge anything above the actual cost of the item. Instead, layaway plans usually ask that you pay a small sum of non-refundable cash. Then you pay for the item according to the store's policy. The important thing to remember is that if you do not pay for the item by the due date, you lose the money that you have already paid.

Have students read the scenario and discuss the questions as a class. Ask students whether Teresa's purchase was a "want" or "need." Discuss how the salesperson persuaded Teresa to purchase the video game player. Have students calculate the cost of the player. Compare the installment payment cost to the actual cost. Explain that it is important to know how much you are paying for the convenience of purchasing something. Otherwise, you may end up paying double or triple the price of an item.

Presentation of Targeted Pre-GED Skills

Pre-GED Skill — Recognizing Trigger Words

Introduce the skill by having students think about their awareness of advertising. Ask them if they tend to buy or not buy things that they see in an advertisement.

Show the class different print advertisements. You may wish to use advertisements from the local newspaper or advertising inserts. Ask students questions about the advertisements:

- Would you buy the products being advertised?
- Who is the ad targeting?
- What captured your attention?

Show students the following two advertisements.

Tell students that both advertisements are selling the same thing. Ask students which sounds more appealing. Why?

Share with students that one thing that effective advertisements do well is to use trigger words. Ask students to define a trigger word. Students should respond that they are words or phrases that encourage people to buy things. Have students brainstorm trigger words that they have seen in advertisements.

Sample trigger words include:

Award winning	Important	One of a kind
Bargain	Limited time	Only (#) left
Essential	Lifetime	Special/special edition
Fast	Lowest price of the season	Top rated
Free/Free Gift	Most trusted	Wise investment
In demand	New	You
High quality	Now	

Sale! Sale! Sale!

Get 2 Limited Edition Collectibles for the Price of 1!

Free Shipping
Fast Delivery
Easy Low, Low Payments

*Complete Satisfaction Guaranteed
or Your Money Back! No Questions Asked!*

abc collectibles

Two Collectibles

Good Price

No Charge to Ship

123 Collectibles

Have students reread the Workbook Scenario 3.5 and identify the trigger words that the salesperson used to encourage Teresa to purchase the video game player.

Sample answers should include: *only \$10.00 a week, special one-time offer, only a few left, signs today, free game, easiest way.*

Going the Next Step — A Challenge Activity

Have students think about two purchases that they have made or will be making. Have them identify which type of plan would be best to purchase each type of item and why they would use each type of plan. You may wish to provide students with a chart such as the following:

	Item	Why You Would You Use This Plan
Installment Plan		
Layaway Plan		

Debrief the activity by having students share their ideas with the class. Ask the following questions:

- Was the purchase a want or need?
- Why would you use a certain type of payment plan for a want? A need?
- Is there a better way to purchase the items that you selected? What?

Reinforce that sometimes items must be purchased because they are needed. There are times when an installment plan may be the only way to obtain the items. You may wish to use the following statements to help students better understand which type of payment plan would be the best to purchase different types of items.

Which Would You Use?	Installment	Layaway
You want to purchase a gift for your mother's birthday in six months.		X
Your freezer has just quit and it's full of food so you need a new one.	X	
Your couch is broken and there is a sale at the local furniture store.	X	
You see a television on sale that is larger than the one that you own.		X
Your daughter wants a new dress for the spring prom.		X

Lesson 3.6: Purchasing a Car — Jason

Pre-GED Skills

- **LAR 13** Use different types of reference materials.

Introducing the Lesson

Introduce the lesson by asking students if they have ever purchased a used car or truck. Have students share experience of how they found the car and what they looked for before purchasing the vehicle. Have students brainstorm the advantages and disadvantages of purchasing a used car.

Possible answers may include:

Advantages	Disadvantages
Cost is less	Limited or no warranties
Major depreciation has already occurred	Selection of models, equipment, and colors may be limited
Lower insurance cost	Concealed damage or major repairs needed
Better able to negotiate price	

Have students identify the different locations at which a used car can be purchased. Examples: dealerships, used car superstores, independent lots, rental agencies, auto auctions, and private sales. Have students share their experiences with purchasing cars at different locations.

Presentation of Targeted Pre-GED Skills

Pre-GED Skill — Using Reference Materials

Introduce the skill by having students share how they determine whether or not they are paying a fair price for a vehicle. Ask students what the “blue book” value of a car is.

Discuss the importance of knowing how to research prices before purchasing a car or any other large ticket item. Share with students that the Internet provides some excellent websites that can be used to determine a fair price for a used or new car.

Write the following websites on the board:

Edmunds — <http://www.edmunds.com/>

Kelley Blue Book — <http://www.kbb.com/>

NADA Guides — <http://www.nadaguides.com/>

Ask students if they have ever used any of these sites. Discuss with students that these are free sites and allow you to check the current average price for almost every make, model, and year of car, including new car prices. Reinforce the concept that being an informed consumer means that they should research different types of reference sites before making a final decision.

Provide students with car advertisements from the newspaper or from an auto trader magazine. Have students find a vehicle that they want to purchase, along with the cost, condition, and mileage of the car. Have students cut out the advertisement with the picture of the vehicle.

Have students access each of the websites and research the cost of the vehicle. You may wish to provide students with a chart to document their findings, such as the following:

	Advertised Price	Edmunds	Kelley Blue Book	NADA Guides
Car Description (include model, condition, mileage, other features)				

Debrief the activity by having students share their findings. Have students share how they would negotiate the price of a vehicle that they want to purchase if it is more expensive than the going rate.

Going the Next Step — A Challenge Activity

Introduce the activity by asking students how much it costs to own a car? Students may provide their monthly payment as the cost. Ask students if there are other costs associated with owning a car. Students may add to the list with such items as: gas, license and oil change. Tell students that owning a car may be more costly to their monthly budgets than they realize. Provide students with the handout **What Does It Really Cost?** Students may wish to work in teams to complete the cost analysis.

Debrief the activity by having students respond to their findings. Discuss that it is recommended that no more than 10-15% of their budget should be dedicated to automobile costs – both maintenance and loan payments – and how these types of “hidden” maintenance costs can often be missed when developing a personal budget. Ask students if there are additional costs that may occur from owning a car. Example: cost to repair an item, such as gaskets or an engine problem. Reinforce the need to be financially prepared for these types of emergencies.

Lesson 3.7: Loans in an Instant! — Reuben

Pre-GED Skills

- **LAR 2** Apply additional information to the text being read.
- **LAR 3** Analyze cause and effect

Introducing the Lesson

Introduce the lesson by discussing that credit is available from many sources. Explain that most loans are legitimate. However, some loans are designed to prolong the debt and make the most money off the borrower.

Have students read the scenario and determine whether Reuben made the right decision. Have students brainstorm different options that Reuben can explore in order to pay his rent and utilities.

Answers may include:

- Asking his boss for an advance or for extra hours
- Talking with his landlord and the utility company about a payment plan or extra time to pay the monthly amounts
- Exploring with the landlord whether it is possible to advertise for a roommate to help in paying the rent
- Researching other types of loans from more reputable dealers, such as banks, credit unions, or a financial firm with lower interest rates
- Obtaining another part time job
- Selling off assets
- Asking family or friends for a loan (always a last resort)

Discuss that many families struggle every month, working hard to make ends meet. Consumers who run short of money before payday may borrow from a payday loan store or a high interest rate money store to pay their bills. Discuss that high cost loans that must be repaid on the next payday to keep the check from bouncing or obtaining a high interest loan only makes financial worries worse. Coping with pressing financial problems without adding more debt takes effort and may require creativity, but can save money if a person does not have to access a high interest loan.

Presentation of Targeted Pre-GED Skills

Pre-GED Skill — Using Personal Knowledge to Identify Cause and Effect

Introduce the activity by sharing with students that there are situations where you can't pay your bills. Being in this situation may feel overwhelming. However, it is important to know how to address the issue right away.

Share with students that to be an effective financial problem solver, it is important to read materials that provide accurate information as well as using one's own background knowledge. Explain that students will use the information that they have learned so far in the lessons, as well as their personal knowledge and experiences, to complete the following activity.

Divide the class into teams of 3-4 students. Provide each team with the following questions. Have them discuss the questions as a group and using what they have learned and what they know, answer each of them.

1. List reasons why consumers don't pay their bills.
2. List warning signs of financial trouble.
3. List the first steps that you should take if you find that you cannot pay your bills.

Sample Answers to Use in Debriefing

1. List reasons why consumers don't pay their bills
 - Loss of income
 - Becoming unemployed
 - Having an illness personally or in the family
 - Going through a divorce
 - Overextension
 - Poor money management
 - Paying high interest rates on loans
 - Emergencies (medical, car problems, appliances quit, etc.)
 - Purchasing things that are not needed or that no longer work and you still owe on them
2. List warning signs of financial trouble
 - You don't know how much you owe
 - You often pay your bills late
 - You pay only the minimum balance due each month
 - You get a new loan to pay old loans
 - You spend more than 20% of your net income (after paying rent or mortgage) on your debts
 - You would have an immediate financial problem if you lost your job
 - You're spending more than you earn
3. List the first steps you should take if you find you cannot pay your bills
 - Look at your budget and make a list of all of your bills and what you owe
 - Be realistic about what you can afford – Pay the necessities first
 - Trim your expenses
 - Contact your creditors
 - Tell them why you can't pay, that you intend to pay, and when/how much you will be able to pay
 - Try to work out a payment schedule
 - Try to continue to make the minimum payment
 - Contact a reliable consumer credit counseling organization
 - Example: National Foundation for Credit Counseling: <http://www.nfcc.org/>
 - Sell things that you don't need to raise money
 - Obtain a loan, but watch out for "credit repair" companies or high-interest fees
 - Get a part-time job if possible

Debrief the activity by having students share their ideas with the class. Discuss the importance of applying personal knowledge when determining cause and effect, as well as the solving of a financial problem.

Going the Next Step — A Challenge Activity

Introduce the lesson by sharing with students that there are many different types of high-interest loans. One type is a payday loan. Ask students to share what they know about payday loans.

A payday loan is a short-term, high-interest loan where the borrower writes a postdated check to the payday lender. The lender gives the borrower the money immediately, with a fee attached, and then cashes the borrower's check at a later time.

Provide students with the handout **How Payday Loans Work**. Have them read the handout and discuss the pros and cons of a payday loan. Ask students to predict what they think the annual interest rate would be when \$10 is the amount paid for two weeks per \$100 borrowed. Write the students' predictions on the board.

Model for students how a payday loan works. Tell students that if they take out a two-week payday loan for \$100 and are charged a fee of \$10, they would owe \$110 at the end of the two weeks. Write the following on the board:

$$\text{\$10 / 14 days (two weeks)} = \text{\$0.71 per day}$$

Ask students what they think of the payday loan process so far. Students will probably say that it looks fine — only \$0.71 per day as a finance fee.

Next write the following equation on the board:

$$\text{\$0.71} \times 365 \text{ days} = \text{\$261}$$

Show students that if the loan was for a year, at this rate, they would owe \$261 in interest alone, on top of the \$100 they borrowed. Explain that this means the Annual Percentage Rate (APR) is 261 percent. Ask students to respond to this information.

Discuss that the standard payday loan fee is \$15 per \$100. Have students calculate the amount that they would pay on the \$100 in one year.

Answer:

$$\text{\$15} / 14 \text{ days} = \text{\$1.07 per day}$$

$$\text{\$1.07} \times 365 \text{ days} = \text{\$391}$$

$$\text{APR} = 391 \text{ percent}$$

Lesson 3.8: Rent or Purchase – Shirley (Part I)

Pre-GED Skills

- **LAR 10** Ask questions and make observations that reflect understanding of what is read.
- **SS 8** Understand and evaluate practical documents (e.g., advertising, money management information, taxes, governmental information, and business documents).
- **SS 15** Describe the legal and ethical rights and responsibilities of an employee, an employer, and a citizen.

Introducing the Lesson

Ask students what is the first thing that they think of when they hear the word “housing.” Examples: apartment, two-story house, townhouse, condominium, mobile home. Discuss the different types of housing available in the area and whether each type is available to rent, to own, or both.

Have students read the scenario and determine whether Shirley should rent or purchase a place to live. Provide students with time to share the reason for their answer.

Write the following on the board:

Rent Own

Have students brainstorm the reasons people would prefer to rent or to own a home. Write the students reasons on the board. The following are some examples of why people prefer to rent or own.

Examples:

Rent

Repairs are not your responsibility
Less money required to rent
Often have amenities (pool, etc.)
Can move more easily

Own

Security
Investment equity and tax deduction
Can decorate to personal taste
More choices

Discuss that there are many decisions to make when selecting a housing choice. Have students work in teams of three to four to answer questions 2 and 3. Tell each team to analyze the pros and cons of renting versus purchasing a home.

You may wish to provide students with a pro/con chart similar to the following to record their answers.

Rent		Purchase	
Pro	Con	Pro	Con

Debrief the activity by having students share their ideas. Ask students whether they would prefer to rent or to purchase a home and why.

Presentation of Targeted Pre-GED Skills

Pre-GED Skill — Asking Questions to Understand What You Are Reading

Introduce the skill by asking students if they have ever had to sign a document that was difficult to understand. Have students discuss the types of documents that they have encountered. Explain that many financial agreements are difficult to comprehend because they are written using legal terms.

Ask students to define the word “lease.” Discuss that a lease is a legal document that you sign when you rent an apartment. It is a contract that outlines what is expected of the landlord and of the tenant.

Share that people who are good at monitoring their reading comprehension know when they understand what they read and when they do not. They have strategies to “fix” problems in their understanding as the problems arise. One strategy is to generate questions about the text.

Provide students with the handout Lease Agreement and 3” x 5” note cards. Tell students to read the agreement and highlight each sentence or phrase that they find difficult to understand. Tell students to create a question about the section that they don’t understand and write the question on one of their 3” x 5” note cards.

Model for students how to generate questions.

Example 1: I don’t understand what leasehold premises is in the second paragraph, so my question is: What is a leasehold premise?

Example 2: In section 5, it says if the tenant vacates the premises that the tenant will be responsible for the monthly payment until the lease expires. Why would the tenant be responsible if he or she doesn’t live in the apartment anymore?

Debrief the activity by collecting the note cards and grouping them by topic areas. Using the student generated questions, have students determine the correct answers by reviewing the lease and using context clues.

Close the activity by asking students why it is important to read a lease or rental agreement this closely before signing. Answers may include: to understand the rules (having a pet could result in eviction), knowing your rights (the landlord will provide repairs and maintenance at no cost to you), and responsibilities (having to pay for the full year even if you move).

Students may wish to share personal examples of times when they have signed a lease or legal agreement and were not aware of the fine print. Discuss that most states have laws regarding the responsibilities of both tenants and landlords.

Going the Next Step — A Challenge Activity

Discuss that because you spend a large amount of your time each day in your place of residence, it is important to spend a large amount of time planning and selecting the right place to live.

Provide students with the handout **What’s Available to Rent?** Have students look in the classified ads for different types of rental housing. For each type, have students list the least expensive and most expensive place found, plus advantages and disadvantages for each. Students may wish to work in teams to complete this activity.

Debrief the activity by having students select their favorite choice from the different rental properties. Have students share their choices and their reasons for selecting a specific type of rental property.

Lesson 3.9: Purchasing a Home — Shirley (Part II)

Pre-GED Skills

- **LAW 5** Respond to different types of real world text
- **MA 1** Add and subtract with whole numbers
- **MA 7** Identify and compare data from tables, charts, and graphs

Introducing the Lesson

Introduce the lesson by asking whether anyone has ever purchased a home. Have students share their experiences. Ask students to name some of the costs of purchasing a home. Write their answers on the board.

Have students read the scenario and discuss the different steps necessary in purchasing a home.

Ask students what it means to prequalify for a loan. Discuss that if Shirley is prequalified for a loan, she knows how much house she can afford. Although many resources say that a person can qualify for a home that is 2-2 ½ times his/her salary, there are many variables, such as credit history, debt, special programs, etc.. It's important that students do not view this guideline as an absolute. Prequalifying also strengthens Shirley's bargaining position when she finds a home she wants to buy and provides an offer to the seller. The seller knows that a prequalified buyer can obtain a loan to purchase the property.

Discuss that it is important to understand the different types of mortgages. Explain that some have a set interest rate, which means that the same rate will be charged throughout the loan. However, some start with a low interest rate and then increase after a certain length of time. These are called ARMs or Adjustable Rate Mortgages.

Discuss that the amount of the down payment can also impact the cost of purchasing a home. Share with students that if a down payment is less than 20% of the price of the home, Private Mortgage Insurance (called PMI) is often required. This insurance protects the lender if the borrower is unable to pay off the loan. However, PMI adds to the cost of the monthly mortgage payment.

Presentation of Targeted Pre-GED Skills

Pre-GED Skill — Using Charts and Tables

Introduce the skill by asking students how they use charts and tables in real life. Write their answers on the board.

Explain that charts and tables appear everywhere in real-life situations, from tax tables to class rankings to costs of items. Using a chart or table to list information according to category is often much clearer than writing out of the information in paragraph form.

Explain that charts and tables:

- Present data in a series of rows or columns
- Give easy access to information
- Can be used to compare and contrast information

Discuss that being able to locate information easily in a chart or table is helpful when calculating costs for financing a home. Tell students that they will be using a table to identify different closing costs that Shirley will have to pay when purchasing her home.

Discuss the term closing cost. Explain that closing costs are fees paid when you actually get your loan from

your financial institution. Have students brainstorm the different types of closing costs that may be charged when purchasing a home. Example: points, taxes, title insurance, escrow, etc.

Tell students that they are going to participate in a competition to see who can be the first to locate the correct information on a table. Divide students into teams. Provide students with a copy of the handout **Shirley's Closing Costs**. Model for students how to locate information in the table. Share with students that the object of the game is to be the first team with the correct answer. The team with the most correct answers wins.

Before you use this activity, create questions that require students to locate information on the chart. You may wish to create some questions that require students to complete basic mathematical operations. The following are sample questions to get you started:

- How much did Shirley pay for a survey of her property? \$125.00
- How much did Shirley pay in escrow for taxes and for the partial month's interest? \$1,371.00
- What is a report on the condition of the house called? Inspection
- How much did Shirley pay for insurance to cover the house and contents? \$700.00
- What is an appraisal? Fee for determining the fair cost of a property
- What are points? The lender's charge for obtaining a lower interest rate
- How much did Shirley pay in transfer taxes? \$1,125.00
- What is Shirley's cost for closing minus her down payment? \$8,021.00
- What is the amount of Shirley's total closing costs? \$20,021.00
- How much did Shirley pay for the different types of insurance? (title insurance and homeowner's insurance) \$1,300.00

Debrief the activity by discussing that the different charges, fees, and miscellaneous costs add up quickly. Share with students that before a buyer closes on a house, all costs must be disclosed to provide the opportunity to review and possibly negotiate certain costs.

Going the Next Step — A Challenge Activity

Have students think about their housing wants and needs and locate a property that comes closest to their priorities. Provide students with the handout **My Dream Home**. Have students complete the worksheet and then access the following Internet sites to locate a home that best fits their needs:

- Realtor.com <http://www.realtor.com/>
- Homes. Com <http://www.homes.com/>

Students may also wish to access the following websites to see “how much house they can afford.”

- CNNMoney - How Much House Can You Afford?
<http://cgi.money.cnn.com/tools/houseafford/houseafford.html>
- Ginnie Mae Your Path to Home Ownership Calculator
http://www.ginniemae.gov/2_prequal/intro_questions.asp?section=YPTH

If Internet access is not available, provide students with a variety of realtor magazines that show area properties that are for sale.

Debrief the activity by having students present their findings to the class. Discuss that when purchasing a home it is often necessary to prioritize what you really need from what you would like to have.

Lesson 4.1: Improving Your Credit Rating — Joseph and Maria

Pre-GED Skills

- **MA 7** Identify and compare data from tables, charts, and graphs.
- **MA 14** Choose an appropriate method for computing to solve real-world problems.

Introducing the Lesson

Introduce the lesson by asking students if they have ever looked at their own credit report. Ask if they have seen their FICO score. Have students make a list of the types of information they think might be included on a credit report.

Examples should include:

- personal information such as name and address
- reports from credit card companies
- employers or work history
- payment history for accounts

Note to Teachers: The following information is provided as background information for the lesson. It is important that students have an understanding of the difference between credit reports and credit scores and how the two items are connected.

Credit reports are maintained through three agencies, Experian, Equifax, and TransUnion. Credit reports include information gathered over time about an individual's work history, credit and/or loans, and whether a person has been sued, arrested, or has filed for bankruptcy. Credit reports are sold to creditors, insurers, employers, and other businesses that have a legitimate need for the information. Credit reports are used to evaluate applications for credit, insurance, employment, or even a lease. Having a good credit report makes it easier to get loans and can impact the interest rate paid.

FICO scores are developed based on a complex formula that determines whether or not a person is a good credit risk. Scores in the U.S. range from 300-850. The higher the score, the better credit risk the person is. FICO scores are determined based on payment history, debt/income ratio, length of credit history, new credit, and the types of credit that are currently being used.

Individuals with credit scores over 700 are typically offered more financing options and better interest rates. However, having a score under 700 doesn't automatically prevent a person from getting a loan or credit card.

Have students read the scenario and discuss the questions. When they have finished, ask them if they have any recommendations for Joseph and Maria.

Examples should include:

- pay down credit card totals by making larger monthly payments
- review their individual credit reports for any errors or inaccurate information
- reduce monthly expenses where possible and use extra monies to pay debts
- wait until Joseph has a longer employment history with his present company
- talk with a credit counselor (at no fee) to see if there are other ways to improve their credit score
- don't add anything to credit cards, pay cash until debt/income ratio is lower

Ask students if a married couple has a joint FICO score or if they have individual scores. It is important that students understand that each person has his/her own individual FICO scores. However, if they have a joint mortgage or credit card, and it isn't paid on time, it affects both FICO scores.

Presentation of Targeted Pre-GED Skills

Pre-GED Skill — Identify and compare data from tables, charts, and graphs.

Introduce the lesson by writing the following on the board. ***Circle Graph, Bar Graph, Line Graph***. Ask students what each of the graphs is used to represent. Students should indicate that:

- Circle graphs are used to show the relationship of parts to the whole. To develop a circle graph, you have to calculate percentages. The circle represents the whole (100%), and each sector represents one part of the whole. The size of each sector represents its fraction of the whole.
- Bar graphs are used to compare the amounts or frequency of occurrence of different characteristics of data. Bar graphs are used to compare groups of data or make generalizations about data. Bars can be displayed vertically or horizontally.
- Line graphs are used to show trends or how data changes over time. A line graph is a visual comparison of how two variables (x- and y- axes) are related or vary with each other.

Have students work in teams and determine which type of graph they would use for the following:

- household expenses for a period of six months or a year (line graph)
- length of employment for Joseph and Maria (bar graph)
- how much rent takes from their total income each year (circle graph)

Have students brainstorm different types of graphs that they could construct using the information provided in the scenario. Provide students with chart paper and markers and have them construct the graphs. Explain to students that they have “creative license” to add more information. For example, they could develop a list of how much groceries cost each week for three months and then create an appropriate graph.

Provide students with the following information. Have them construct a graph based on the data provided. Students will need to select the correct type of graph to display the data.

FICO scores are determined based on the following categories:

- Payment history - 35%
- Total amounts owed - 30%
- Length of credit history - 15%
- New credit - 10%
- Type of credit in use - 10%

After students have constructed and shared their graphs, identify areas that may have resulted in Joseph and Maria having lower FICO scores than they would prefer.

Going the Next Step — A Challenge Activity

Pre-GED Skill — Choose an appropriate method for computing to solve real-world problems

If Internet access is available, have students access the MyFICO Loan Calculator at the address listed below. Have students use the calculator to determine interest rates and payments based on their individual scores and then answer the following questions.

<http://www.myfico.com/myfico/CreditCentral/LoanRates.aspx>

1. What is the difference in monthly payments for Joseph compared to Maria for a 15-year fixed rate mortgage on \$120,000?
2. What is the difference in monthly payments for Joseph compared to Maria for a 30-year fixed rate mortgage \$120,000?
3. How much interest will Joseph and Maria save over the life of the loan if their credit score is at the 700 level versus the 620 level for a \$120,000 mortgage?

Provide students with time to explore the site and see how the difference affects rates for auto loans. If Internet access is not available, provide students with the website and have them check it out on their own and then share their results with the class. Explain to students that the site is updated regularly to show current interest rates.

Resources

Understanding Your FICO Score - this brochure is available on the MyFICO.com website, developed by the Fair Isaac Corporation creators of the FICO scores. It provides basic information on credit scores, what they mean, and how to improve them. This is an excellent resource for students.

http://www.myfico.com/Downloads/Files/myFICO_UYFS_Booklet.pdf

Getting Credit - this brochure produced by the FTC includes basic information for consumers on getting credit

<http://www.ftc.gov/bcp/edu/pubs/consumer/credit/cre32.pdf>

Lesson 4.2: Managing Personal Debt — Steve and Celine

Pre-GED Skills

- **SS 13** Understand cause and effect relationships.
- **MA 1** Add, subtract, multiply, and divide with whole numbers, common fractions, decimal fractions, and percents.

Introducing the Lesson

Introduce the lesson by asking students if they or someone they know has ever encountered a situation where they were worried about being able to pay their bills. Explain that it is not unusual for people to sometimes worry about whether they will be able to meet all of their financial obligations. Ask students what situations might occur that would make it challenging for someone to manage their debt.

Students may include situations such as:

- the loss of a job
- a reduction in income (pay cut or loss of supplemental employment)
- medical expenses
- unexpected household expenses, such as those for major repairs

Have students read the scenario and discuss the questions. Divide the students into small groups. Have them discuss the situation in which Steve finds himself. Provide each team with chart paper and markers. Ask them to brainstorm ideas about what Steve and Celine can do in order to get their finances under control.

After students have completed their charts, post them around the room. Have the class review each chart and select the best idea from each chart. Have students rank the ideas in the order they think would best help Steve and Celine make progress.

Examples may include:

- Talk about their financial situation so both of them understand the existing problem.
- Cut up their credit cards so they cannot use them.
- Talk to their bank about the possibility of getting a debt consolidation loan.
- Set up a budget and then strictly adhere to it.
- Review their bills and find where they can cut spending.

Answers will vary depending on the recommendations from each group. Remind students that in Chapter 1, they learned about the importance of communicating within the family about financial issues. Have students brainstorm the best way for Steve to talk to Celine about the seriousness of their debt.

Ask students what they know about debt consolidation. Write their responses on the board. Explain that debt consolidation can be helpful in situations such as the one in the scenario. However, debt consolidation is not a good idea unless spending patterns change. Ask students if they know of anyone who has used debt consolidation and whether or not it was a good idea for the people involved.

Presentation of Targeted Pre-GED Skills

Pre-GED Skills — Understand cause and effect relationships and add, subtract, multiply, and divide with whole numbers, common fractions, decimal fractions, and percents.

Introduce the lesson the by asking students if they know how to calculate interest charges on their credit cards. Explain that while individual credit card companies may have different payment terms, generally most card issuers charge interest based on the average daily balance for each day of the billing cycle.

Use the following example to illustrate the process.

During Days 1 through 15, you had a total of \$1,500 on your credit card. On Day 16, you made a payment of \$200 leaving you with a balance for Days 16-30 of \$1,300. To calculate the average daily balance, you will need to calculate as follows

$$(15 \text{ days} \times \$1,500) + (15 \text{ days} \times \$1,300) = 22,500 + 19,500 = 42,000 \div 30 = \$1,400 \text{ (average daily balance)}$$

Have students calculate the average daily balance based on the following information

Days 1-20 = \$1,000, Payment on Day 21 of \$96

Check students' work for accuracy.

$$(20 \times \$1,000) + (10 \times \$904) = 20,000 + 9,040 = 29,040 \div 30 = \$968 \text{ (average daily balance)}$$

Provide students with the handout **Managing Personal Debt**, and have them determine the average daily balance for each of the following accounts to complete Part I. All of the information needed is included in the chart. Remind students that the accounts are set up on a 30-day billing cycle.

Now that students know how to determine the average daily balance for a credit card account, explain that they also need to understand how to calculate the interest that they will owe.

Write the following acronym on the board: **APR**. Ask students if they know what APR stands for.

Explain that APR is Annual Percentage Rate. Discuss with students how the APR is set by the credit card issuer. Ask students if they know what the APR is for each of their own credit cards. Students may respond with the following: 18.9%, 22% etc. Ask students how this impacts the amount they will need to pay each month.

Explain that to figure out how much interest they will pay each month, they need to complete a two-step process.

1. Take the APR and divide it by 12 to determine their monthly interest rate.
2. Multiply the average daily balance by the monthly interest rate.

Write the following example on the board. APR = 13.99%, Average Daily Balance - \$1,460

$$13.99\% \text{ APR} \div 12 = 1.17\%$$

$$\$1,460 \times 1.17\% = \$17.08$$

Have students practice calculating the monthly interest charges based on the following:

APR = 21.5%, Average Daily Balance - \$2,462.00. Check their calculations for accuracy.

$$21.5\% \text{ APR} \div 12 = 1.79\%$$

$$\$2,462 \times 1.79\% = \$44.07$$

Have students complete Part II of the handout by calculating the monthly interest charges for each account.

Going the Next Step — A Challenge Activity

Divide students into groups of three or four and provide them with the following information.

After looking at their income and fixed expenses and identifying places where they can cut spending, Steve and Celine believe that they will have approximately \$600 each month that they can use to pay down their credit cards. Celine wants to start by paying off the cards with the lowest balance. Steve would rather reduce the balance on the cards that have the highest interest rates.

Have each team determine how they would approach paying down this debt. Would they focus on paying off certain cards first? Would they divide the money equally across all of the credit cards? What else could they do to generate extra income or save money in order to pay down their debt?

Lesson 4.3: Using Credit Wisely — Eric

Pre-GED Skills

- **SS 9** Compare and contrast different points of view and interpretations of issues.
- **SS 13** Understand cause and effect relationships.

Introducing the Lesson

Introduce the lesson by writing the following words on the board: want and need. Have students define each of the words. Remind students that in Chapter 1, they learned that

- A want is something unnecessary or not necessarily required for life.
- A need is something necessary or required for life.

Explain that in this lesson, they are going to explore more about understanding the difference between wants and needs and how to use credit wisely. Have students brainstorm what it means to “use credit wisely.” Write students responses on the board.

Students may include:

- Don’t use credit for anything that could be purchased for cash
- Don’t carry a balance on a card unless absolutely necessary
- Take time to think before purchasing an item — no impulse buying
- Pay off higher interest cards first
- Make more than the minimum payments on a credit card

Discuss how using credit wisely is more than just making payments each month. Explain that using credit wisely, requires that they

- Think about what they want to purchase and why (Is it a want or a need?)
- Determine how they will cover the payments for the purchase based on their income and expenses
- Make and maintain a budget so they effectively manage their personal debt

Have students read the scenario and discuss the questions as a class. Have students discuss how Eric’s values, needs, and wants may influence his financial decisions.

Presentation of Targeted Pre-GED Skills

Pre-GED Skill — Compare and contrast different points of view and interpretations of issues and understand cause and effect relationships.

Write the following statements on the board.

Saving money and paying cash for large-ticket items is the best way to avoid money problems in the future.

Using credit is a smart way to purchase large ticket items when you want them.

Explain that each of the statements presents a different point of view or perspective for looking at the issue of purchasing large-ticket items. Discuss that a person’s point of view is often rooted in their personal values and the generation in which they were born. Explain that when it comes to financial issues, different generations have varying points of view on paying cash versus using credit.

Write the following terms on the board: *Silent Generation, Baby Boomers, Gen Xers, Millennials*

Ask students to define each of the terms. Students may be very aware that Baby Boomers are those who were born immediately after World War II. They may also know that Gen Xers are those in their 30s and 40s. However, they may not be aware that many of their grandparents are from the Silent Generation, those

who were growing up during the Great Depression and the time leading up to World War II. Add the following information to the board:

<i>Silent Generation</i> 1927–1945	<i>Baby Boomers</i> 1945–1964	<i>Gen Xers</i> 1965–1982	<i>Millennial</i> 1982–mid 2000s
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Divide students into groups and have them discuss why each generation may view the use of credit differently. Have them make a list of events that might have impacted their points of view.

Have students compare and contrast the different points of view. Ask them which of the statements on the board reflects their own personal view. Have students discuss why they selected that viewpoint. Discuss the importance of being able to recognize and respect different points of view even if those viewpoints differ from their own.

Explain that in this activity, they are going to participate in a debate which will allow two teams to take different points of view on a topic. A third team will serve as the debate judge and will decide with which point of view they agree based on the information provided.

Divide the students into three teams. Assign Teams 1 and 2 one of the following statements:

Saving money and purchasing the furniture using cash is the best course of action for Eric for now and the future.

Obtaining a credit card and purchasing furniture is the best course of action for Eric for now and the future.

Ask Team 3 to serve as the debate judge. Explain that they will be responsible for making the final recommendation to Eric. Explain that they must listen to the points of view presented by Teams 1 and 2, compare and contrast the arguments made, and determine which has presented the strongest evidence to support their point of view.

Give the debate teams 10 minutes to construct their point of view and supporting evidence. Ask Team 3 to develop a list of criteria they wish to use to determine the effectiveness of each of the debate teams point of view. After the debate, have Team 3 select the winner of the debate and the reasons for their selection.

Explain that looking at different points of view whenever faced with a financial decision can help them gather more information and make the correct choice.

Going the Next Step — A Challenge Activity

To help students better understand different points of view on money and credit, have them interview individuals from different generations. Provide students with a copy of the handout **It's Your Point of View**. Have students talk with an individual from each of the following generations about their personal views on paying cash or using credit, especially to purchase large-ticket items for the home.

<i>Silent Generation</i> 1927–1945	<i>Baby Boomers</i> 1945–1964	<i>Gen Xers</i> 1965–1982	<i>Millennial</i> 1982–mid 2000s
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Have students keep notes from their conversations and share them with the class.

Lesson 4.4: Avoiding the Habit of Impulse Buying — Kerry

Pre-GED Skills

- **LAR 7** Recognize persuasion and propaganda techniques.
- **SS 11** Evaluate the accuracy of information and distinguish fact from opinion.

Introducing the Lesson

Introduce the lesson by asking students how many times they have gone to a store intending to buy some specific item and ended up buying not only that item, but several other things. Ask students when this happens most frequently to them. Most students will say that this happens most frequently at the grocery store, especially if they have small children.

Explain that people usually have an idea about what they are going to buy before they leave home. Ask students if they ever make a list before going shopping, whether to the grocery store or to the mall. Explain that it is easy to purchase much more than they had intended. Most impulse buyers are attracted by the following: lower prices, products that are on sale, the advertising of the product, and free shipping when shopping online. In many cases, people buy things because the offer is just too good to pass up. Shopping with a list helps avoid impulse buying.

Explain that impulse buying can have a very serious impact on a person's finances. Have students read the scenario and questions. Divide students into groups and have them discuss their responses to each of the questions.

Survey the students and ask them whether or not Sylvia should help Kerry by giving her money. Divide the students accordingly. Provide each group with chart paper and markers. Ask each group to respond to their assigned statement.

Group 1 – Sylvia should give money to her daughter.

Group 2 – Sylvia should not give money to her daughter.

Discuss with students their responses to the issue of a parent supporting a child who is an impulse buyer. Parents need to be aware that sometimes the best course of action is not to rush in with money to solve a problem, but rather to help the grown son or daughter to identify appropriate solutions. Remind students that in Chapter 1 of this course, they learned some strategies and techniques that may be useful in helping someone within their own family who has a problem with impulse buying.

Presentation of Targeted Pre-GED Skills

Pre-GED Skill — Recognize persuasion techniques used in advertising and evaluate the accuracy of the information they provide.

Introduce the lesson by reading each of the following to your students. Read with the inflection you would expect to hear from an advertiser on television.

Don't miss this once in a lifetime opportunity to buy the new . . .

Don't settle for second best, buy . . . you deserve the only the best.

We only have a limited number of these finely crafted bracelets. Customers are on the phone with our representatives. These items are going fast.

Nine out of ten people agree, this should be the only . . . you buy.

Ask students what they think about each of the statements. Ask if the statements are more or less likely to convince them to purchase an item. Student responses may be mixed. Explain that advertisers use seven

basic techniques to attract to convince customers to buy their products.

Write the following advertising techniques on the board.

- Testimonial
- Appeal to the Senses
- Nostalgia
- Bandwagon
- Transfer/Fantasy
- Humor
- Statistics

Discuss what each of the techniques involves:

- Testimonials — Well-known individuals promote the products, often through infomercials.
- Appeal to the Senses — These ads always includes sounds or pictures that appeal to the senses, such as the sounds of nature, videos of beautiful beaches or snow-capped mountains.
- Nostalgia — Generally, these ads use a plain folks, back-to-nature, back to the good old days approach to selling a product or service.
- Bandwagon — In these ads, everyone who is anyone is rushing out to the buy the product. The message to consumers is that if they don't buy these products or services they will be left out
- Transfer/Fantasy — These ads often feature super athletes as well as beautiful and rich people. These ads imply that using the product will transfer some of those same traits to the consumer.
- Humor — These ads recognize that getting consumers to laugh is one way to enhance their memory about a specific product.
- Statistics — These ads usually include the “facts” about a product, even if the data has little or no meaning.

Divide students into three groups. Give each group chart paper and markers. Provide students with copies of the local newspaper, preferably one which includes the ads for weekly specials or the Sunday edition. Have students conduct a scavenger hunt through the newspaper to find advertisements that fall into each of the categories normally used by advertisers. Remind students to tear out the ad so they can show it to the rest of the class at the conclusion of the scavenger hunt.

After students finish their review of the paper, have them brainstorm any commercials they may have seen on television in the past few days that use the various advertising techniques. Set a specific amount of time for students to complete the task. Have each group share their results with the rest of the class.

Have students brainstorm how advertising may encourage them to buy items that they don't really want or need. Student responses may include:

- They are reminded of something from their childhood and want to relive old memories.
- They believe the statistics provided in an advertisement and think the product will work for them.
- They like or respect the individual who is providing a testimonial.
- They don't want to be the one who doesn't have the latest, greatest item.

Have students work in groups and brainstorm ways that they could avoid impulse buying. Have students list their ideas on chart paper and post around the room. Have students discuss all of the ideas and then identify the top three to five strategies they would be most likely to use to avoid impulse shopping.

If students have difficulty in identifying strategies, use the following recommendations from *AARP Your Money* on how to avoid impulse buying.

- Implement a mandatory waiting period. Don't buy the item immediately, but wait 3-5 days to see if it is something that is really wanted or needed.
- Edit junk mail. Don't open all of those advertisements, just throw them away and avoid the temptation.

- Clean something. Before you buy a new pair of shoes, clean up the old pair first.
- Don't rush in and buy something. Many times the price of a new item, especially technology, will drop within a short period of time. Wait to purchase and save money.
- Make a "What Was I Thinking List." Make a list of items you have purchased in the last year that you bought on impulse and then later regretted.
- Pay cash. Most impulse buys are made using a credit card because it is easier to put the charges on a card rather than hand over cash.
- Buy one, throw one away. Make a pledge that anytime you buy something new, you get rid of something that you have had for a long time.
- Keep the receipt. If you have buyer's remorse a few days later, take the item back and get a refund.

Going the Next Step — A Challenge Activity

This activity will provide students with a chance to work as a group and explore their creative side. Place several common products, such as paper towels, lipstick or hand lotion, dish or washing detergent, etc., on a table. Have groups create an advertisement for their selected product.

Each group can elect to develop their advertisement as either a print ad for the newspaper or a magazine or they can create a commercial and perform the ad for the rest of the class.

Debrief the activity by having the rest of the class identify the advertising techniques used and discuss the effectiveness of each advertisement.

Lesson 4.5: Avoiding Bankruptcy — Nadine

Pre-GED Skills

- **SS 10** Assess whether information is adequate and appropriate to support generalizations.
- **SS 11** Evaluate the accuracy of information and distinguish fact from opinion.

Introducing the Lesson

Introduce the lesson by asking students to define the term: *bankruptcy*. Write their responses on the board. Check for the accuracy of their responses. Often students have misconceptions about bankruptcy and what it really means.

Explain that in this lesson, they are going to take a more in depth look at bankruptcy, what it is, and the consequences of using bankruptcy to eliminate debt.

Have students read the scenario and discuss the questions as a class. Have students discuss the dilemma in which Nadine has found herself and the options that she has to resolve her financial difficulties.

Explain that in difficult economic times, the number of personal bankruptcies increases. Have students brainstorm a list of reasons why a person might choose bankruptcy. Students' responses may include:

- loss of a job or significant change in income
- overwhelming expenses as a result of a catastrophic illness by a family member
- taking advantage of “easy credit,” getting deep into debt, and not recognizing the problem early enough

Discuss that bankruptcy is a legal remedy that people can turn to when they have no way to repay their debts. Explain that most people turn to bankruptcy as a last resort because they understand the consequences can last a very long time and seriously impact their lives.

Ask students what alternatives a person should look at before turning to bankruptcy. Students' responses may include:

- credit counseling
- debt consolidation
- negotiating with their creditors

Presentation of Targeted Pre-GED Skills

Pre-GED — Distinguish fact from opinion.

Ask students the difference between a fact and an opinion. Students should respond that facts can be proven, whereas opinions are based on feelings or beliefs. Provide students with index cards. Have them write the numbers 1-5 on the card. Explain that in this activity, they are going to determine whether or not a statement that you read is a fact or an opinion.

Read each of the following statements to the students.

1. Bankruptcy is an easy way for people to get out of paying their bills.
2. There are two types of personal bankruptcy, Chapter 7 and Chapter 13.
3. Bankruptcy is the wrong thing to do no matter how difficult the situation.
4. Bankruptcy is usually used as a last resort by individuals who are unable to repay their debts.
5. Bankruptcies remain on a person's credit report for seven to ten years.

Students should indicate that statements 1 and 3 are opinions. They reflect feelings or beliefs and cannot be proven by fact. Statements 2, 4, and 5 are facts. They can be proven.

Discuss with students the importance of being able to separate fact from opinion especially when they are making important financial decisions. Remind them that they do not want to be swayed by opinions when their decisions can have a long-lasting impact on their lives and the future of their families.

Provide students with the handout **Bankruptcy 101**. Have students read the handout and identify six to eight facts that are included in the handout. Have students share the facts that they found with a classmate.

Explain that opinions can change when new information is added to what is already known. For example, a student may believe that bankruptcy eliminates all debt that a person has. After reading the information in the handout, students learn that certain debts, such as student loans, alimony, child support, and taxes, are not eliminated as a result of bankruptcy.

Based on the information read, ask students if their opinion about bankruptcy has changed or remained the same. Have students discuss their opinions in small groups.

Going the Next Step — A Challenge Activity

Send students on an Internet hunt to find out more information about bankruptcy. Before students begin their search, review with them the importance of recognizing the source of the information. Internet searches often lead students to information from business or other commercial entities that may or may not provide them with the facts, but rather with opinions.

Have students first access the following government/education-based resources that will provide them with the facts about bankruptcy and other financial issues.

FTC Facts for Consumers - Knee Deep in Debt

<http://www.ftc.gov/bcp/edu/pubs/consumer/credit/cre19.shtm>

FTC Facts for Consumers - Debt Collection FAQs - A Guide for Consumers

<http://www.ftc.gov/bcp/edu/pubs/consumer/credit/cre18.shtm>

Debrief the activity by having students share their findings with class.

Lesson 4.6: Building an Emergency Fund — Bryan and Connie, Jamal and Amira

Pre-GED Skills

- **MA 11** Find the mean, median, mode, and range of data.
- **MA 17** Use estimation skills.

Introducing the Lesson

Introduce the lesson by asking students to brainstorm a list of financial emergencies that might impact them and their families. Write their responses on the board.

Student responses may include:

- illness or accident
- natural disaster, such as a flood or tornado
- loss of a job
- reduction in income
- car or household repair

Have students read the scenario and answer the questions. Have students discuss the differences in approaching financial security that they saw in Jamal and Amira versus Bryan and Connie. Students should notice that Jamal and Amira believed that it was important to set aside something in case of an emergency; they were taking a proactive approach. Connie and Bryan were comfortable with their finances, but used extra money for special occasions or to make purchases for their home.

Discuss with students that financial emergencies can occur to anyone at anytime. The key to handling these emergencies is to be prepared. Explain that most experts recommend that an emergency fund should be sufficient to handle between three and six months of living expenses.

Discuss the importance of considering personal circumstances when deciding how much of an emergency fund is needed. For example:

- A family with children may need more funds than a couple.
- Someone who has a lot of personal debt may need extra funds to cover monthly payments.
- Someone with adequate insurance may need a smaller emergency fund than someone who has no coverage at all.

Students need to be aware that the primary reason for having an emergency fund is to handle a loss of income. Having funds available will help take off the pressure of having to immediately find a job or return to work too early after an illness. In addition, students gain the added advantage of being able to pay for a car or refrigerator repair without resorting to using their credit card or taking out a small personal loan.

It is important that students understand that starting small is much better than not starting at all. Many people fail to set up emergency funds because they think that starting with only \$50, \$100, or even \$200 is just not worth it. The key is to start the process by building an account that contains one month's expenses and then steadily contributing to the emergency account.

In Chapter 3, students learned about the importance of having a savings account. Explain that setting up an emergency fund is just like setting up a regular savings account. However, it is important that students establish an emergency fund account separate from their other savings. Suggest that they talk to a customer service representative at their bank to see what type of account would be best for their emergency fund. Some banks will provide low or no fees for emergency funds and will also help their clients set up an account that will provide the best possible interest rates.

Presentation of Targeted Pre-GED Skills

Pre-GED Skills — Find the mean and range of data and use estimation skills

To introduce the skills lesson, ask students if they ever use estimation. Ask students to provide you with a list of times when they have used estimation in the past week. Student responses may include:

- figuring the approximate time they need to leave for work in order to get there on time
- determining whether or not they have enough money with them to cover the cost of the groceries they picked up at the store
- calculating anticipated tips from their customers

Write the following on the board:

\$2.75

\$4.45

\$7.98

\$3.25

\$5.62

Explain that these are the actual costs for supplies that Margaret needs to purchase for her children's school projects. Margaret has \$28.00 with her. Ask students to use their estimation skills to determine if Margaret has enough money with her to purchase the supplies. Students should respond that she does have enough money.

Ask students if their monthly bills for items such as groceries, electric, and phone are the same each month. Students should respond that some bills are constant, meaning that they do not change each month. However, grocery and electric bills vary depending on circumstances.

Ask students if they have ever computed the mean costs of their grocery bills. If students do not know how to calculate mean, or average, provide a brief overview and provide students with practice problems.

Ask students if they have ever calculated the range of a given a set of data. For example: Trish spent the following amounts on groceries over the past four weeks:

Week 1 – \$112.80 Week 2 – \$152.30 Week 3 – \$125.36 Week 4 – \$118.40

Explain that the range is found by first placing the values in order and then subtracting the lowest number from the highest. Have students place the numbers in order and underline the lowest and highest.

\$112.80, \$118.40, \$125.30, \$152.30 — Range = \$152.30 - \$112.80 = \$39.50

Ask students to also compute the mean = $\$508.80 \div 4 = \127.20

If students need more practice calculating the range or mean of a series of numbers, have them provide real-life examples, such as the cost of electric service over a 6 month period, the cost of gas for their car over a month, etc.

Provide students with the handout **Estimating Emergency Fund Needs**. Have students read the brief scenario and then work in teams to determine how much Bryan and Connie need to set aside in their emergency fund.

Going the Next Step — A Challenge Activity

Provide students with the Handout entitled: **Estimating Your Emergency Fund Needs**. Explain that this handout has been designed to provide them with a tool they can use to determine their own emergency fund needs. Have students complete the form and identify steps they can take in order to build an emergency fund. Explain that they can change the titles of different categories listed under both variable and fixed

expenses to meet their own needs.

Remind students that this is for their own personal use, and their financial information will not be shared with others in the class. Explain that you will ask them general questions about their reactions to their estimated emergency fund needs, such as

- Were they surprised by the amount of funds they need to set aside in order to cover expenses in the event of an emergency?
- Was the amount more or less than they expected?
- What steps will they take to set up an emergency fund?

Lesson 4.7: Planning for Retirement — Alex and Dina

Pre-GED Skills

- **MA 1** Add, subtract, multiply, and divide with whole numbers, common fractions, decimal fractions and percent.
- **MA 7** Identify and compare data from tables, charts, and graphs.

Introducing the Lesson

Introduce the lesson by asking students when they believe that they should start planning for retirement. Write their responses on the board.

Student responses may include when they:

- are in their 40s or 50s
- have a good, stable job
- get their first job

Students may also indicate that they really don't have to worry about retirement, because they will have social security benefits. Explain to students that social security is only intended to provide a base for retirement and that its benefits do not provide enough money for a comfortable retirement.

Have students read the scenario and answer the questions. Have students discuss the issues that Alex and Dina must address if they are to adequately fund their retirement. Explain that Alex and Dina know that they will be eligible for social security benefits based on their work history.

Explain to students that according to reports in 2010, the average Social Security retirement benefit paid to all retired workers was \$1,172. Ask students if \$1,172 per month would adequately fund their retirement. Have students make some quick calculations using the cost of their rent/mortgage, groceries, utilities, etc., to see just how far their Social Security benefit would take them each month.

Ask students what are some things that Alex and Dina can do now to start preparing for their retirement. Students' responses may include:

- Take advantage of the 401(k) plan through Alex's company
- Ask their brothers and sisters to assist with their parent's financial difficulties and then set aside a portion of that money for their own retirement
- Work with the college to identify scholarships and loans for their daughter

Explain to students that the money people need to support themselves during retirement usually comes from three sources, Social Security, employee retirement plans, and personal savings. Discuss the importance of starting early to plan for retirement. Share the following information from Smart About Money, an online resource developed by the **National Endowment for Financial Education (NEFE)**.

According to NEFE, individuals should on average save 15% of their pay for retirement if they plan on replacing 70% of their current income after age 65. However, if a person starts earlier or later that percentage will change. Write the following on the board:

If you start saving at age:	You need to save ___% of your pay
25	9.4%
35	13.3%
45	20.4%
55	39.6%

Have students discuss how much more difficult it becomes to save enough money for a comfortable retirement as a person gets older.

Presentation of Targeted Pre-GED Skills

Pre-GED Skills — Add, subtract, multiply, and divide with whole numbers, common fractions, decimal fractions, and percent and identify and compare data from tables, charts, and graphs.

Explain that there are times that students will need to find information in a table, chart, or graph, especially when working with money. Discuss the importance of reading the title of the chart, table, or graph, as well as any labels or headings for columns and rows.

Provide students with the handout **Planning for Retirement**. Ask a series of questions to make sure that students can locate information in the chart. For example:

- How much will a person with an average annual income of \$65,000 receive at age 70?
- Based on the chart, what is the earliest age at which a person can receive full benefits?
- What is the difference between the benefits for a person age 62 versus age 70 who makes an average annual income of \$45,000?

Have students use the chart to determine the monthly benefits that Alex and Dina would receive using Dina's current income and a projected salary of \$3,750 per month for Alex. Ask students what steps they would need to take to determine Alex's estimated retirement payment through Social Security.

Students would need to first compute Alex's annual income by multiplying his monthly salary x 12 or $\$3,750 \times 12 = \$45,000$. His estimated benefit would range between \$900 and \$1,500 depending on the age at which he retired. Dina's benefit would be somewhere between \$1,100 and \$1,700 per month.

Special Note: The Estimated Retirement Monthly Payment chart provides examples of the estimated Social Security income a person would receive at early, full, and delayed retirement age given certain income levels. The figures are merely estimates, but give students an idea of what they might expect to receive if Social Security remains on its present course of compensation.

Estimated Retirement Monthly Payment				
Average Annual Income	\$35,000	\$45,000	\$55,000	\$65,000
Age 62 (early retirement)	\$800	\$900	\$1,100	\$1,200
Age 66 (full benefits)	\$1,000	\$1,200	\$1,400	\$1,600
Age 70 (delayed retirement)	\$1,500	\$1,700	\$2,000	\$2,200

*Information adapted from information at: <http://www.vaughns-1-pagers.com/economics/ssa-monthly-payments.htm>

Model for students the process for finding a given percent of a number. You may use your own example or the following:

Jeremy wants to start saving money for his retirement. His finances are tight now, but he believes that he can put aside 5% of his take home pay into an Individual Retirement Account (IRA). Jeremy's take home pay is \$964 per week. How much will Jeremy deposit into his account each week?

$$\$964 \times .05 = \$48.20$$

Provide students with additional examples. Check for accuracy in their calculations. Provide students with the following helpful hints when working with percents.

1. Learn the fractional equivalent for some common percents. 50% of 72 is the same as $\frac{1}{2}$ of 72 or 36. Memorizing these common fractional equivalents provides students with an easy method for calculating a percent of a number.

1 % = $\frac{1}{100}$	33.3% = $\frac{1}{3}$
10% = $\frac{10}{100}$	50% = $\frac{1}{2}$
20% = $\frac{1}{5}$	66.6% = $\frac{2}{3}$
25% = $\frac{1}{4}$	75% = $\frac{3}{4}$

2. Change a percent to a decimal and use a calculator. To change a percent to a decimal, just move the decimal point back two places. For example 25% = .25

1 % = .01	33.3% = .333...
10% = .10	50% = .50
20% = .20	66.6% = .666...
25% = .25	75% = .75

Have students complete Part II of the handout **Planning for Retirement**

Going the Next Step — A Challenge Activity

Provide students with the link to the Social Security Administration's (SSA) Retirement Estimator:

<http://www.ssa.gov/estimator/>

The SSA Retirement Estimator provides an estimate of retirement benefits based on work history and income.

Have students use their past work history and income to determine their future Social Security retirement benefits. Debrief the activity by asking the following questions:

- Were you surprised by the amount of your future Social Security benefit?
- Were you expecting that you would receive more or less money through Social Security?
- What percentage of your anticipated monthly expenses did you expect that Social Security would cover?
- What steps do you intend to take in planning for your retirement?

Lesson 4.8: Staying Fiscally Fit — Elijah and Layla, Ayden and Aaliyah

Pre-GED Skills

- **MA 1** Add, subtract, multiply, and divide with whole numbers, common fractions, decimal fractions and percent.
- **MA 15** Select the correct operation to solve a problem.
- **LAR 13** Use different types of reference materials.

Introducing the Lesson

Introduce the lesson by writing the following on the board.

A person who is physically fit . . .

Have students complete the sentence. Student responses may include: A person who is physically fit . . .

- is healthy
- has an appropriate weight
- works out every day or at least 5 times a week

Now, write the following on the board.

A person who is fiscally fit is . . .

Have students complete the sentence. Student responses may include: A person who is fiscally fit is . . .

- able to pay his/her bills on time
- has money left over at the end of the month
- knows his/her expenses
- watches how money is spent
- saves money whenever possible and plans for the future

Explain that in this lesson, students are going to look at two couples and their approaches to managing money. Have students read the scenario and answer the questions.

Provide students with some time to think about what they have learned in *Exploring Personal Finance Choices*. Ask students to make a list of strategies they could use to help Ayden and Aaliyah get their finances under control.

Student responses may include: setting SMART financial goals and developing a personal finance plan or budget. Briefly discuss other strategies they have learned that might be helpful.

Presentation of Targeted Pre-GED Skills

Pre-GED Skills — Add, subtract, multiply, and divide with whole numbers, common fractions, decimal fractions and percent, select the correct operation to solve a problem, and use different types of reference materials.

Explain to students that in order to stay fiscally fit; they will need to adopt new spending and saving habits, including:

- living within their means
- building an emergency fund
- reducing debt as much as possible
- cutting expenses so they can remain within their budget
- planning for retirement

Remind students that in Chapter 2, they learned about tracking their expenses. Ask students if that would be a useful strategy for Ayden and Aaliyah.

Ask students if they have been tracking their own expenses on a regular basis. Student responses may vary with some students faithfully maintaining a spending log while others may have done so only on a temporary basis. Remind students that to stay fiscally fit, they need to keep a close eye on their spending. It is very easy to slip into old habits and not realize how much money they spend.

Explain that one way they can become more fiscally fit is to plug the leaks on their spending. Have students complete the questionnaire provided in **Searching for Leaks — Stopping Unnecessary Spending**.

When students have completed the handout, discuss their responses. Have students brainstorm other possible areas where they could “plug the leaks” and become more fiscally fit. Issue a challenge to students to select one area where they could reduce spending each month. Explain that becoming more fiscally fit takes time, but it is better to take one small step, than to stay standing in the same place.

Have students pull their completed Challenge Activity form from Chapter 2, Lesson 8. Have students transfer the information from that form to the handout entitled **How Much Can I Save?** On this form, students should list individual items that they purchased during the week in which they tracked their spending.

Have them calculate how much they would save over a one month and one year period, if they stopped spending on those items. Students will be surprised to see what a difference changing a few spending habits can truly make.

Going the Next Step — A Challenge Activity

The National Endowment for Financial Education has numerous resources on their website, *Smart About Money*. Encourage students to explore the site and download and print copies of the following resources that they can use to improve their fiscal fitness.

Your Spending, Your Savings, Your Future - A Beginner's Guide to Financial Readiness. Seven Life-Defining Financial Decisions

<http://www.smartaboutmoney.org/LifeEventsFinancialDecisions/tabid/299/Default.aspx>

Additional resources are available in the websites library at:

<http://www.smartaboutmoney.org/ResourceLibrary/tabid/268/Default.aspx>

Encourage students to sign up for the Smart About Money newsletter. It's free and provides excellent tips and strategies for dealing with personal finances.

Lesson 5.1: Your Role as a Taxpayer — Jaycee, Johnny, Rita

Pre-GED Skills

- **SS 1** Interpret and comprehend written and graphic information from Civics and Government.
- **SS 8** Understand and evaluate practical documents (taxes).

Introducing the Lesson

Introduce the lesson by writing the following quote by Oliver Wendell Holmes, Jr. on the board: “Taxes are what we pay for civilized society.” Have students brainstorm what the quote means. Write their responses on the board. Students should include all of the benefits that everyone receives as a result of their tax dollars, including public safety (police and fire), hospitals, roads and other infrastructures.

Have students read the scenario. Divide the students into small groups and have them discuss the questions.

Explain that taxes shift resources from private individuals and businesses to the government in order to pay for public goods and services. Explain that the U.S. Constitution divides powers among the national, state, and local governments and that each level has its own set of responsibilities.

- Federal responsibilities include: defense, currency regulation and foreign relations. At the federal level there is also responsibility for health, education, welfare, transportation, housing, and urban development.
- State responsibilities include: state criminal code, working conditions, internal communications, and regulation of property, industry, business and public utilities. States also have responsibility for education, health, transportation, and public services.
- Local responsibilities include police and fire protection, health regulations, education, public transportation, and housing.

Ask students if they see any overlap in the responsibilities for each level of government. Have students discuss why or why not one level of government should have responsibility for education.

Explain that in order to pay for these responsibilities government taxes its citizens. Discuss with students that the federal government raises most of its revenue from income taxes, but state and local government revenue comes from transaction taxes (sales, licenses, permits) and property taxes. Have students discuss why it is their responsibility to pay taxes, even when they may not directly benefit from specific services.

Presentation of Targeted Pre-GED Skills

Pre-GED Skills — Interpret and comprehend written and graphic information from Civics and Government and understand and evaluate practical documents (taxes).

Discuss with students the different ways in which information can be conveyed. Explain that sometimes a narrative works well to provide necessary information. However, there are times that information can best be understood when it is presented in the form of a chart or table. Have students brainstorm information that would be easier to read and understand if it was provided in the form of a chart or table.

Examples may include:

- schedules
- data
- services

Distribute copies of a newspaper such as *USA Today* or your local paper. Have students find charts and tables and then discuss the types of information that is provided. Discuss how the information is easier to read and

understand because it is presented in the form of a table.

Share with students that they are going to use charts and tables as a writing format. Ask students to define a chart or table. Discuss that information written in charts and tables is not always in sentence format, but may be in the form of bulleted or numbered lists. This adds to the ease in readability of the document.

Distribute the handout **Responsibilities of Government**. Have students read the opening passage and work in groups to identify the goods and services provided through each of the types of taxes. The narrative is designed to provide students with basic information to include in the chart. After students have completed the chart, have them share their results with the rest of the class. Discuss any differences among the groups.

Going the Next Step — A Challenge Activity

Have students brainstorm a list of taxes they have paid recently and write them on a piece of paper. Post three pieces of chart paper around the room. Label each as follows.

Income

Property

Transaction

Have students move around the room and list the taxes that they have recently paid under the correct category. As students begin this round-robin activity, have them write only one tax item at a time, rather than including their entire list. Explain that they can't repeat a tax that has already been listed.

- Examples include:
- Income — payroll deduction for federal income tax, social security, Medicare
 - Property — house, boat, RV (if applicable)
 - Transaction — tax on gasoline, car registration, hotel tax

Debrief by reviewing the different items on each chart.

Lesson 5.2: Income Tax Planning (Part I) — Lorenzo

Pre-GED Skills

- **SS 8** Understand and evaluate practical documents (e.g., taxes and governmental information).
- **LAR 14** Locate, organize, and interpret different types of written information appropriate for completing a specific task.

Introducing the Lesson

Introduce the lesson by asking students what they know about payroll taxes. Student responses may include that:

- They have to pay too much in taxes.
- They really don't understand how their tax rates are determined.
- They signed a form when they started working that had something to do with their taxes.
- They wish they didn't have to pay taxes.

Discuss with students that taxes are a fact of life. Remind them that in the last lesson, they learned about different types of taxes that they paid and where their tax money goes. Discuss that no one really wants to pay taxes. However, since they must pay them, then it is important that they make sure that the right amount is being deducted from their paychecks.

Have students read the scenario and discuss the questions. Ask students if they can sympathize with the situation in which Lorenzo finds himself. Explain that both underpayment and overpayment of taxes is very common. However, there are steps they can take to make sure that they are not in the same situation as Lorenzo.

Ask students why overpayment of taxes is a problem. Many students pay too much in taxes throughout the year and are then eligible for a significant refund. Use the following example:

Jeremy is married with two children. His wife does not work, so his is the only income for the household. Jeremy claimed two allowances on his W-4. He also checked Married, but withhold at a higher Single rate. As a result, when Jeremy prepared his tax return, he found that he was due a \$5,000 refund.

How could Jeremy have used that money throughout the year, if he had selected the correct allowances and indicated that he was married on his W-4? Student responses may include:

- set up an emergency fund for his family
- added more money to his retirement account
- used the money to pay off outstanding debts, like a credit card or loan

Ask students which they would rather have \$400 more per month in their take-home pay or the lump-sum refund payment. Student responses will vary.

Presentation of Targeted Pre-GED Skills

Pre-GED Skill — Understand and evaluate practical documents (e.g., taxes and governmental information and locate organize, and interpret different types of written information appropriate for completing a specific task.

Introduce the lesson by asking students if they have ever had to complete tax forms. Explain that being able to accurately complete those forms can make a difference in their tax liability.

Write the following words on the board:

- tax credits
- tax exemptions

Ask students to explain the difference between each of the terms. Students should be able to explain that tax credits are amounts that can be deducted from taxes owed. Tax exemptions are a part of income on which no tax is imposed. Refer back to the scenario to show students that Lorenzo expected to receive a tax credit for child care and that he expected to have tax exemptions by filing as married filing jointly and claiming his children as dependents (allowances) on his W-4.

Special Note: The handouts entitled **Making Sure It's Right** includes excerpts from the *Form W-4* and were taken directly from the IRS website. In this activity, it is important that students become familiar with different aspects of these sections of the form. Only part of the *Form W-4* is provided in the handout, the Personal Allowance Worksheet, the Employee's Withholding Allowance Certificate, and the Two-Earners/Multiply Jobs Worksheet. These are the most commonly used portions of the form and include information which students may typically overlook when they are filling out a form for a new employer.

Provide students with the handout **Making Sure It's Right**. Explain that the first step in planning for taxes is to make sure that they have all the information they need in order to complete the form correctly. Discuss that in many cases, people just quickly fill in the *Form W-4*, sign their name, and then forget about it. Often people forget to file new forms when their life situations change, such as through marriage, the birth of a child, or the loss of a spouse.

Ask students to take a few minutes to review each segment of the *Form W-4*. Ask if they are familiar with any section. Most students will indicate that they have signed the *Employee's Withholding Allowance Certificate*. Ask them if they have ever completed any of the other portions of the form.

Spend a few minutes exploring the **Personal Allowances Worksheet**. Have students answer the questions independently and then share their responses with a classmate. Discuss with students any part of the directions or items that was difficult to understand. Stress the importance of reading carefully any type of tax document or legal form to be sure that everything is clearly understood.

Going the Next Step — A Challenge Activity

The Internal Revenue Service provides tax tutorials on its website. Divide students into pairs. Allow each team to select one of the tax tutorials to view. Explain that their job is to learn as much about their selected topic as possible and then share that information with the rest of the class.

Provide time for students to view the tutorial, take notes, and discuss among themselves the information they wish to present. Provide students with chart paper and markers to develop their presentation.

Have students present their findings to the rest of the class. Encourage students to explore the IRS website for more helpful information and resources that will be useful to them whenever they have to file taxes.

IRS Tax Tutorials

http://www.irs.gov/app/understandingTaxes/student/tax_tutorials.jsp

Lesson 5.3: Income Tax Planning, (Part II) — Holly and James

Pre-GED Skills

- **SS 8** Understand and evaluate practical documents (e.g., taxes and governmental information)
- **LAR 14** Locate, organize, and interpret different types of written information appropriate for completing a specific task

Introducing the Lesson

Introduce the lesson by asking students what they do with receipts and records that they may need when filing taxes.

Student responses may include that they:

- Keep everything in a box and then sort it out at tax time
- Keep their information on computer in a program such as TurboTax
- Don't have a system

Have students read the scenario and discuss the questions. Ask students if they can sympathize with the situation in which Holly and James found themselves.

Explain that each year millions of people take a standard deduction on their taxes rather than itemizing, in part because they don't have the records needed to support itemized deductions. Many of these people are shortchanging themselves. They could easily have been eligible for a tax refund.

Discuss with students Tanisha's recommendation that Holly and James set up a filing system that would help them keep their bills and other records organized. Divide the students into small groups. Provide each group with chart paper and markers.

Explain that Tanisha gave Holly and James a few ideas about how to set up the filing system, but they need ideas on the best way to label each of the sections in their large expanding file.

Have each group determine how they would label each section of the expanding file. Students should draw on their own personal experience and knowledge about taxes in order to determine the categories that would be most appropriate. When the groups are finished, have students post their charts around the room.

The following are examples of categories that students may recommend for Holly and James:

- income from wages and tips, which would include copies of all pay stubs and W-2s
- income from interest, such as investment or savings account statements
- bank records, including all monthly statements and any correspondence
- household expenses, including phone, electric, gas, water, repairs
- medical expenses, including bills for insurance premiums or doctor and dentist bills
- child care information, including weekly or monthly bills or receipts to show they have been paid
- charitable contribution, such as donations, cancelled checks, or out-of-pocket expenses
- mortgage information, including monthly statements and annual report of interest and taxes paid

After the groups post their recommendations, have the students view each chart. Identify the items that the charts have in common, as well as categories that may appear in only one set of recommendations. Ask for clarification from the group if there is a recommendation that does not seem appropriate. Remember, students bring their own experiences and background knowledge to this activity, so they have a reason for a recommendation.

Presentation of Targeted Pre-GED Skills

Pre-GED Skill — Understand and evaluate practical documents (e.g., taxes and governmental information and locate organize, and interpret different types of written information appropriate for completing a specific task.

Introduce the lesson by writing the following terms on the board.

- itemized deduction
- standard deduction

Explain that in the scenario Holly and James missed out on some tax deductions because they elected to take the standard deduction, rather than to itemize their deductions. Be sure that students understand that whenever they fill out their taxes they should check to see which deduction will provide them with the best possible benefit. Remind students that waiting until the last minute to fill out their taxes is not a good idea and often can prevent them from taking advantage of the deductions and credits to which they may be entitled.

Provide students with the handout **To Itemize or Not to Itemize — That is the Question!** Have students review the standard deduction amounts that were available for 2009. Students should know that the standard deductions can change each year based on inflation or other economic factors. Discuss the results with your students.

Talk about the advantages of having a tax professional assist with tax preparation. While many tax payers can and do fill out their own taxes, it can be very helpful to have a person who knows the latest rules and regulations to assist in the process.

Going the Next Step — A Challenge Activity

Invite a speaker from the IRS or a local tax preparer to visit the classroom and discuss tax related issues with students. Ask the speaker to focus on areas that are of greatest concern, such as the importance of keeping good records, filing taxes on time, what to do in the event of an audit, and what resources are available to local taxpayers.

It is highly recommended that students prepare their questions before the speaker arrives and that you as the teacher have an opportunity to review them. Remind students that this is not the time to talk about their own personal tax situation, but rather to get a better understand of how the process works.

Lesson 5.4: Filing Taxes and Maintaining Records — Jason

Pre-GED Skills

- **SS 1** Interpret and comprehend written and graphic information
- **SS 15** Describe the legal and ethical rights and responsibilities of an employee, employer, and a citizen

Introducing the Lesson

Introduce the lesson by asking students what they know about tax audits. Student responses may include the following:

- Very few people get audited each year. (fact)
- An audit is a really difficult thing to go through. (partial fact)
- Audits always result in people paying more taxes. (myth)
- If you are audited, you have to pay a penalty even if you don't owe more taxes. (myth)
- If you are audited one time, then you will automatically be audited every year after that. (myth)

Special Note: It is important to listen carefully to students' responses and discuss any myths or misconceptions that they may have about tax audits. Many of the responses that you hear may contain a mix of facts and myths.

Discuss with students that approximately 1% of taxpayers are audited each year. That means that 99% of taxpayers can relax, at least temporarily. Explain that while many people do end up paying additional taxes, penalties, and interest as the result of an audit it is not the case for everyone. In fact, some people find they underreported income and receive a refund. Students should also know that being audited one time does not guarantee that they will be audited every year after that.

Have students read the scenario and discuss the questions. Ask students to identify a plan that Jason could use to avoid this same situation in the future. Students' plans may include some of the following:

- filing taxes early or at least a few weeks before the April 15 deadline
- making sure that he carefully completes all forms
- using a tax preparation service
- keeping all financial records in one location

Ask students how they think that specific returns are identified to be audited within a given year. Student responses may include:

- problems or errors on the tax forms
- big changes in income
- not reporting income

Discuss with students that most tax returns are processed by IRS computers. The computers are set up to search for things that are out of the ordinary. These items are "flagged" and the return is set aside for a manual review. When an IRS employee reviews the return, he/she looks to see if the "flag" was the result of a careless error or if there may be a more serious problem. Depending on the findings of the reviewer, the return goes back to the system or is set aside for an audit. Students need to know that a flagged item on a return does not automatically guarantee that the return will be audited.

Review with students the following "flags" that may result in a review and possibly an audit:

- filing returns late
- incomplete returns
- careless math errors

- unreported income
- very low income for your field
- high income (individuals making over \$100,000 per year are 5 times more likely to be audited)
- drastic changes in income
- rounding off numbers
- too many contributions to charities based on income
- tax evasion scams (for example not including a social security number on a form)
- too many itemized deductions or deductions that are too high
- state and federal returns don't agree

Divide students into small groups. Have them review the list of “flags” and identify what they could do to avoid them. Ask students how they could limit the possibility of being audited. When students have finished, have them share their results.

Presentation of Targeted Pre-GED Skills

Pre-GED Skill — Interpret and comprehend written and graphic information and describe the legal and ethical rights and responsibilities of an employee, employer, and a citizen.

Introduce the lesson by asking students their feelings about taxes. Some students may indicate that they don't think taxes are fair, that they have to pay too much in taxes, or even that taxes are unconstitutional. Write the following on the board:

Paying taxes is voluntary.

Ask students to explain what the statement means. Ask students if they think it means that a person can choose not to pay taxes.

Share with students that the statement is taken from the IRS instruction book for Form 1040. Explain that according to the IRS, “voluntary” refers to allowing taxpayers to decide how much they owe by filling out the appropriate forms. The IRS does not send everyone a bill, but rather provides guidelines for individuals to follow. Discuss with students that there are many tax evasion and tax avoidance schemes on the Internet. Explain that it is very important that they do not fall for these schemes as they can cause problems now and well into the future.

Ask students how many of them take advantage of electronic preparation and e-filing. Student response may be mixed. Each year more and more people are moving to electronic means for preparing their taxes and filing their returns. However, there are many people who still prefer to prepare their taxes manually and then drop them in the mail.

Have those who use e-filing explain the process to the rest of the class. Have them discuss the benefits they have found. E-filers generally find that preparing their taxes electronically:

- increases accuracy
- is easy to use
- allows them prepare their federal and state taxes at the same time
- lets them take advantage of direct deposit for their refunds
- allows them to file early and pay later
- doesn't create a lot of paper
- allows them to avoid long lines at the post office

Ask students if those who file electronically have to keep the same tax records as those who file manually. The answer is yes. Individuals are still responsible for maintaining their records. However, e-filers often keep more of their files electronically rather than stashed in a box or file cabinet.

Ask students how long tax records need to be maintained. Students' answers may vary. Explain that the IRS has set up some guidelines for maintain tax records. Distribute a copy of the handout *Keep Those Files!* Have students review the chart that outlines the length of time that tax records must be maintained.

Going the Next Step — A Challenge Activity

Explain that it is perfectly normal to complain about taxes and to wish that the impact of taxes on their own income was less. However, not accepting the legal and ethical responsibility for paying taxes can have a serious impact within the community. Have students work in groups to answer the following question.

What would be the impact in our community if no one paid their taxes?

Student responses may include that there would be a disruption in certain institutions, for example:

- school lunch program would have to be funded some other way
- certain school programs would be unable to operate
- current construction on roads and bridges might be impacted
- local police and fire departments that receive supplemental funding from the federal government might have to decrease their services

Have each group write their responses on chart paper. Post their responses around the room. Discuss the benefits that communities receive from tax dollars.

Lesson 6.1: Alternative Financial Services (Part I) — Kirby

Pre-GED Skills

- **SS 13** Understand cause and effect relationships
- **LAW 3** Use writing to generate, organize, connect, express, and evaluate ideas by applying basic rules of sentence structure.

Introducing the Lesson

Write the term alternative financial services on the board. Ask students to define the term and provide examples of alternative financial services they have seen in their own community. Explain that alternative financial services or AFS is a term often used to describe services offered by providers that operate outside of federally insured banks.

Examples include:

- check-cashing outlets
- car title lenders
- payday loan stores
- pawnshops
- rent-to-own stores

Discuss that about 17 million people don't have bank accounts and use AFS providers for virtually all of their financial transactions. More than 43 million people, according to the FDIC, have bank accounts but still make use of alternative financial services to cash checks, pay bills, and borrow money.

Have students read the scenario and decide whether or not Kirby made the right decision when faced with a financial crisis. Have students brainstorm ways they would have solved the problem.

Examples may include:

- using money from the savings account to send his daughter money
- going to the bank he normally uses and asking for a short-term loan
- obtaining only the money he needed to send to his daughter and then using a more reputable company such as Western Union or Walmart to wire the money to his daughter

Presentation of Targeted Pre-GED Skills

Pre-GED Skill — Understand cause and effect relationships

Write the following sentence on the board:

Because they do not have bank accounts, many people resort to using AFS to cash checks, pay bills, and borrow money.

Explain that this is an example of a complex sentence. As students continue to gain skills in writing, it is important that they learn how to write effective complex sentences. Explain that complex sentences include a main clause (a complete thought) and a subordinating clause (an incomplete thought). A main clause has a subject and predicate and can stand alone as a sentence. A subordinate clause is an incomplete thought and cannot stand alone. A subordinate clause needs the main clause to provide meaning to the sentence.

Because they do not have bank accounts, (subordinate clause)

many people resort to using AFS to cash checks, pay bills, and borrow money. (main clause)

Explain that in this sentence there is a cause and effect relationship between the two parts of the sentence.

The first part of the sentence tells why (because they do not have bank accounts) and explains the cause. The second part of the sentence (many people resort to using AFS...) explains the *effect* or what happened as a result of the cause.

Provide students with a list of common subordinating conjunctions. Explain that subordinating conjunctions are used to link the two clauses and show the relationship between the ideas in the sentence.

Examples of common subordinating conjunctions are:

after, although, as, as though, because, before, if, since, so that, until, when, where, while

Distribute the handout entitled **Recognizing Cause and Effect**. Have students use the scenario from this lesson and fill in the missing pieces. When students have completed the graphic organizer, have them reread the scenario and see if there are any other cause and effect relationships in the passage. Have them jot down their ideas at the bottom of the handout. Debrief the activity by having students share their answers.

Have students work in pairs and develop complex sentences using the cause and effect information from their graphic organizer.

Example:

Cause — cash flow problems at work

Result — paycheck delayed

As a result of cash flow problems at work, paychecks will not be delivered on time.

Paychecks were delayed because of cash flow problems at work.

When students are finished, have them share their sentences. Discuss the different subordinating conjunctions that were used.

Going the Next Step — A Challenge Activity

Use authentic materials, such as articles from the newspaper or magazines, to provide students with practice in identifying cause and effect relationships. Focus on current event articles that deal with financial issues. Have students read the articles and highlight the subordinating conjunctions.

This activity helps students build their financial knowledge and allows them to see how complex sentences make text more interesting and how sentences can show relationships among ideas.

If you do not receive the local newspaper in your classroom, use the Internet to find interesting and informative articles that you can use with students. Two excellent sources are:

USA Today Education — This section of USA Today's website is filled with articles, lessons, and activities that you can use in the classroom. Click on the Free Resources tab for Financial Literacy Lessons.

<http://www.usatodayeducate.com/wordpress/>

Wall Street Journal — This excellent source provides in-depth articles about finance and business, as well as a section on family finance which is loaded with information that students can use.

<http://online.wsj.com/public/page/news-family-finance.html>

Lesson 6.2: Alternative Financial Services (Part II) — Dolores

Pre-GED Skills

- **SS 13** Evaluate the accuracy of information and distinguish fact from opinion
- **MA 17** Use estimation skills

Introducing the Lesson

Review with students the definition for the term alternative financial service from Lesson 31. Remind students that Rent-to-Own stores are one example of an AFS.

Discuss that many people have to look for alternative methods for purchasing large ticket items such as appliances, computers, and other household goods because they may have difficulty qualifying for a store credit card or a loan through their local bank. In those situations, people often turn to Rent-to-Own or local smaller stores that have their own in-house financing.

Have students read the scenario and decide which option they would recommend to Dolores and discuss each of the questions included with the scenario. Have students brainstorm ways they would have solved the problem.

Examples may include:

- Use her emergency fund earlier to purchase a refrigerator rather than having spent her money on a series of repairs
- Go to the bank she normally uses and ask for a short-term loan

Have students discuss the pros and cons of Jack's RTO and the Homewares SuperExpress offers that Dolores is considering. Write the students' responses on the board.

Discuss the importance of researching information, taking time to make a decision, and not allowing circumstances to push them into make a choice they may regret.

Presentation of Targeted Pre-GED Skills

Pre-GED Skill — Evaluate the accuracy of information and distinguish fact from opinion

Special Note to Teachers: Before class begins, take the handout entitled **It's a Fact! Or Is It?** and cut into sentence strips. Mix up the strips and place them in envelopes. You should make enough copies so that students can work in pairs to sort through the strips and divide them into two groups - fact or opinion.

To introduce the pre-GED skill, write the following on the board:

Fact	Opinion
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Have students define each of the terms in their own words.

Write the following on the board:

- Rent-to-Own stores are the best option for people who are short on cash and need to purchase household goods.
- Rent-to-Own stores provide a way to buy brand-new merchandise through weekly cash installments.

Have students determine which of the statements is a fact and which is an opinion. Ask students if there are any clue words within the statements that helped them make their decision. As they read information, remind students that they need to remember that facts can be proven. However opinions are thoughts, judgments, and feelings and cannot be proven.

Explain that when making financial decisions it is important to always look at the facts, rather than be swayed by opinions. As students read information they should always look for words that signal them that the information is based on opinion rather than fact.

Commonly used signal words indicating an opinion include: always, least, most, many, a lot, usually, and words that end in ...est, such as biggest, loudest.

Statements that deal with facts avoid the use of these words and often include numbers or other data that can be proven.

Going the Next Step – A Challenge Activity

Pre-GED Skill – Use Estimation Skills

Explain to students that it is easy to get carried away by advertisements and salespeople who are anxious to close a deal. Many times, people end up paying a lot more than they intended because the advertisements are so enticing and the deals sound too good to be true.

Estimation is a skill that students need whenever they shop, whether it is a weekly stop at the grocery store or when they are purchasing big-ticket items, such as appliances. Estimating costs can save money in the long run and may just give them a little more time to think so they don't become impulse shoppers.

There are a number of strategies that students can use to estimate answers when they are shopping. With practice, they should be able to use mental math to compute estimates without having to use a calculator or paper and pencil.

Estimate through Rounding

To check students background knowledge, ask students how they round numbers. Students should discuss rounding to the nearest 10, 100, or 1000. Students should recognize that they may have to round up or down depending on the numbers with which they are working.

Explain that when they are out shopping they may want to do a quick estimate of the cost of multiple items so they know if they have enough money. Write the following on the board and have students explain how they would use rounding to estimate an answer.

Print cartridges	\$62.99
Case of paper	\$24.50
Pens/markers	\$17.88

What is the estimated cost? Have students round to nearest \$10. The amounts would be \$60, \$20, and \$20 for a total of \$100. Ask if that number is close enough for them to head to the check-out counter and know they have enough money to cover the costs.

If students round to \$62, \$25, and \$18 — the estimate is \$105. Students need to understand that sometimes rounding to the nearest 10, 100, or 1000 will not give as precise an answer as they may need, so they may need to modify their rounding to get as precise an estimate as possible. In this problem, the actual cost is \$106.37. The second estimate was much closer to the total price than the first.

Students can use the same process when estimating costs that include percents. Have students reread the scenario about Dolores.

Have them use rounding to determine the total amount Dolores will pay if she selects the Homewares SuperStore deal.

Actual cost = \$1068.00

\$56 per month for 18 months = \$1008.00 + \$60 (delivery) = Total Cost = \$1068.00

Have them use rounding to determine the total amount Dolores will pay if she selects Jack's RTO deal.

Actual cost = \$1875.00

\$25 per week x 75 weeks = \$1875.00

Student estimates will vary depending on how they round the numbers. Check for accuracy and to understand how they made their decision about rounding.

Have students practice their estimation skills using ads from the paper. Give students a shopping list and estimate the total cost for their items. Have students check to see how close their estimates were. Expand the activity by giving them a specific amount of money and asking them stay within their budget in order to fill the shopping list. As students become more proficient at estimating, provide them with higher order problems to solve.

Resources for the Lesson

Bankrate.com provides an online loan calculator that students can use to determine monthly payments based on loan amounts, interest rates, and the length of the loan. Have students try out the calculator to determine monthly payments for big-ticket items such as appliances, computers, cars, etc.

<http://www.bankrate.com/calculators/mortgages/loan-calculator.aspx>

How Stuff Works is an excellent resource for students. Have students visit the site to see How Stuff Works articles on everything from pawnshops to rent-to-own centers to layaway. One segment of the site is devoted to personal finance.

<http://money.howstuffworks.com/personal-finance>

Lesson 6.3: Identity Theft — Margie

Pre-GED Skills

- **LAR 1** Determine the main idea, relevant details, facts, and patterns of organization in text

Introducing the Lesson

Introduce the lesson by having students make a list of all of the items that include personal information that they carry around with them every day in their wallets or purses. Write their responses on the board.

Examples may include:

- Driver license
- Credit cards
- Checkbooks
- Insurance identification cards
- Social Security cards
- Bills and invoices
- PIN numbers and passwords

Have students read the scenario and discuss the questions as a class. Explain that last year more than 9 million people were the victims of identity theft. Each day, hundreds of people have their identity stolen and aren't even aware of it until they encounter a situation such as the one that happened to Margie. Each year, identity theft costs consumers and business billions of dollars.

Have students brainstorm ways that someone could steal a person's identity. Write their responses on the board.

Examples may include:

- stealing your wallet or purse
- forging your name on a credit card slip
- providing information to someone (like Margie) and then having the person illegally use the information

After students have completed their master list, check to ensure that items such as stealing a person's mail, stealing a paper or computer record of financial information, or even hacking into their computer can result in identity theft. Explain to students that on average it takes more than 25 hours of their time to resolve problems related to identity theft. However, the time to resolve a complex identity theft problem can take months and cost thousands of dollars in legal and other fees.

Have students work in teams and brainstorm what they can do in order to prevent identity theft. Have each team present their findings to the class. Make a master list on the board or chart paper.

Examples should include such things as:

- keep social security, PIN numbers, and passwords in a safe place
- maintain bank and credit card account numbers in a secure place
- check bank and credit card statements when they arrive
- move to a paperless system for bank and credit card statements
- check to make sure any online shopping site is secure
- shred documents that may contain personal financial information

Presentation of Targeted Pre-GED Skills

Pre-GED Skill — Identifying the main idea and relevant details in a document

Ask students to explain what the phrase “the bottom line” means to them. Explain that a main idea is the most important point of a paragraph or passage and can be thought of as “the bottom line.”

Discuss how details provide support for the main idea. Details give the reader information that answers the 5Ws and H: who, what, when, where, why, and how. The supporting details help the reader understand more about the main idea and why it is important.

Explain that supporting or relevant details can be found in many different places in a document, including:

- the sentences that make up paragraphs or sections of the document
- graphics such as charts, tables, or even photographs
- captions that explain the graphics
- boxes on the side of the text that provide additional information about the topic
- key words throughout the text

Distribute the handout **Getting the Main Idea**. Have students read the passage about Internet phishing and identify the main idea of the passage. After each student has identified the main idea, have students work in teams to identify the relevant details of the passage and write them at the bottom of the page. Remind students that they do not need to write complete sentences, but rather bullet the important details of the passage.

Relevant details for the passage should include:

- Internet often used to steal identities
- Official looking emails from banks or IRS that request personal financial information
- IRS doesn't use email
- Avoid identify theft by deleting questionable emails
- Report phishing attempts to bank or agency
- Stop thieves by not responding

Debrief the activity by having students:

1. Determine which of the responses was the correct main idea
2. Discuss any differences of opinion that they have about the main idea
3. Share their list of relevant details
4. Check to see if all of the 5Ws and H were covered in the passage

Going the Next Step — A Challenge Activity

Before the session begins, access the Federal Trade Commission brochure entitled *Deter, Detect, and Defend*. Print two copies for each student, one for the student's personal use and one for each student to share with a friend or family member.

If Internet access is available in your classroom, have students watch the *Deter, Detect, Defend* video from the Federal Trade Commission (FTC). This 8-10 minute video contains information that students can use as they develop a personal plan for protecting themselves against identity theft. If Internet is not available in the class, provide the following link to students to access on their own.

<http://www.ftc.gov/bcp/edu/microsites/idtheft/video/avoid-identity-theft-video.html>

Distribute copies of the FTC brochure *Deter, Detect, and Defend*. Have students read the brochure from the FTC and then develop their own personal plan for protecting their identity.

Explain that within their personal plan, they will need to include:

- two activities that will help them deter identity theft
- two things that they can do to determine whether or not their personal information is secure
- two steps they would take immediately, if they suspect that they were the victims of identity theft

Students may use the handout **My Personal Identity Security Plan**. Have students share their personal plan with the rest of the class and discuss why they have selected those specific activities or steps to take. Discuss ways they can share identity protection information with their friends and family.

As a final activity, explain that identity theft is such a huge problem that it is important that everyone know how to protect themselves. Explain that the second brochure they received is for them to give to a family member or friend. This will encourage students to be proactive and do their part to increase awareness about identity theft. Ask students to share with the class to whom they intend to give the second copy of the brochure.

Answers will vary depending on students' individual plans.

Lesson 6.4: Scams (Part I) — Tau

Pre-GED Skills

- **SS 2** Analyze and interpret visuals/graphics such as graphs
- **MA 1** Add, subtract, multiply, and divide with whole numbers, common fractions, decimal fractions, and percents
- **MA 7** Identify and compare data from tables, charts, and graphs

Introducing the Lesson

Ask students how often they receive calls from telemarketers. Have them brainstorm a list of the types of calls they have received from telemarketers.

Examples may include:

- investments
- free prizes
- special offers
- lottery winnings

Discuss with students that not all telemarketers commit fraud. Many companies use cold calls, direct mail, and broadcast advertisements for their legitimate businesses. However, according to the Federal Trade Commission, telemarketing fraud is a multi-billion dollar business, and it is growing. Explain to students that even if they initiate the call to a business as a result of an advertisement or a referral from a friend, it doesn't mean the business is legitimate. The FTC strongly advises consumers to be very careful before buying or investing over the phone.

Have students read the scenario and discuss the questions. Have students share how they would have responded to the caller.

Ask students if they have elderly parents or grandparents. Explain that fraudulent telemarketers often target the elderly, with a special emphasis on elderly women who live alone. Ask students why they think older people are targeted by fraudulent telemarketers.

Examples may include that older people:

- can be lonely and just want to talk to someone and before they know it they have purchased something they don't need or really even want
- don't want to be rude and end up trying to please the person on the phone
- are often on limited incomes and see a potential "high-return investment" as a way to make money

Discuss with students the importance of being aware of the risks associated with buying or investing on the phone.

Presentation of Targeted Pre-GED Skills

Pre-GED Skills — Analyze and interpret visuals/graphics such as graphs; Add, subtract, multiply, and divide with whole numbers, common fractions, decimal fractions, and percents; Identify and compare data from tables, charts, and graphs

Explain to students that many times it is easier to understand information when it is presented as a chart, table, or graph. Students should be aware that they will encounter these types of graphics on the GED Tests as well as in real-life situations at home, in the community, or at work.

Draw a simple circle graph on the board. Ask students to tell you what they know about circle graphs. Students should indicate that:

- circle graphs show percentages
- the whole graph represents 100%
- individual pieces of the graph represent a certain percentage

Conduct a quick survey of the class using the following questions:

1. Have you ever received a call from a telemarketer indicating you had won a prize?
2. Have you ever received a call soliciting funds to help provide student scholarships?
3. Have you ever received a telemarketing or email indicating that you have won a lottery?
4. Have you ever received a credit card offer through a telemarketer?
5. Have you ever called a telemarketing firm to learn more about a work-at-home business?
6. Have you ever received a call from a telemarketer indicating you had won a vacation?

Have one student record the results of the survey on the board. Have students work in teams and calculate the percentages. Use the results from one of the questions and demonstrate for students how to calculate the correct percentage.

Example: If you have 26 students in the class and 15 responded yes to question 3, divide 15 by 26 to obtain the percentage of students who positively responded to that question. The percentage is 58%.

Have students calculate the remaining percentages and then develop a circle graph representing the results of the survey. Answers will vary depending on survey results.

Provide students with a copy of the handout entitled **Telemarketing Fraud**.

Have students review and discuss the information. Ask students to draw conclusions based on the information provided in the graphs provided.

Examples will include:

Graph 1 - Telemarketing Fraud in 2006

- About 1/3 of all telemarketing fraud involved fake checks.
- Fake check scams and prizes/sweepstakes represent more than half of all telemarketing frauds.
- A very small percentage of fraud occurs through phishing.
- A very limited amount of fraud (1%) involves travel/vacations like the one in the scenario.

Graph 2 - Method of Contact

- Almost half of all telemarketing fraud occurs over the phone.
- Fax and tv/radio represent a small percent of telemarketing fraud.
- More than three-quarters of all telemarketing fraud is the result of phone and mail contact.

Expand the activity by having students calculate the number of people impacted by each method of contact. Have them calculate the number for each category of contact if there were a total of 500 victims, 5000 victims, etc. Review with students how to determine a number when the percent is given.

For example:

$$500 \times 47\% = 235$$

$$500 \times 31\% = 155$$

$$5000 \times 47\% = 2350$$

$$5000 \times 31\% = 1550$$

Going the Next Step — A Challenge Activity

Provide students with the handout entitled **Telemarketing Fraud — Does Age Really Matter?** Have students review the information provided in the graph and then answer the questions provided.

As a further challenge have student use the information in the graph and calculate the number of potential victims in each age group, if the total reported crimes were 10,000? 790,000?

Challenge students to answer the final question. In this question, students should use 790,000 as the number of total telemarketing crimes reported and then determine the cost of that fraud to consumers. Students will need to determine the total number of victims 60+ and then multiply by the average cost per telemarketing fraud, \$1,174.

$$\text{Number of victims 60+} = 102,700 + 118,500 + 63,200 = 284,400$$

Total number of victims x average cost per fraud

$$284,400 \times \$1,174 = \$333,885,600$$

Resources for the Lesson

Bankrate.com provides an online loan calculator that students can use to determine monthly payments based on loan amounts, interest rates, and the length of the loan. Have students try out the calculator to determine monthly payments for big-ticket items such as appliances, computers, and cars.

<http://www.bankrate.com/calculators/mortgages/loan-calculator.aspx>

How Stuff Works is an excellent resource for students. Have students visit the site to see How Stuff Works articles on everything from pawnshops to rent-to-own centers to layaway. One segment of the site is devoted to personal finance.

<http://money.howstuffworks.com/personal-finance>

Telemarketing Fraud Toolkit

<http://www.fraud.org/toolbox/>

National Consumer's League

<http://www.nclnet.org/>

Who's Calling? - the Federal Trade Commission's website that provides information to consumers on how to avoid being the victim of telemarketing fraud.

<http://www.ftc.gov/phonefraud>

Lesson 6.5: Scams (Part II) — Tomas

Pre-GED Skills

- **LAR 6** Identify an author's purpose and point of view
- **LAW 7** Select and use appropriate formats for writing

Introducing the Lesson

Introduce the lesson by asking students what it means to have “good credit.” Students may indicate:

- You pay your bills on time.
- You have a high FICO score.
- You can borrow money, if you need it.
- You can qualify for a loan or mortgage.
- You don't owe more than you can afford to pay.

Provide students with some background information on credit reporting and specifically FICO scores. The Fair Isaac Corporation (FIC) was founded in 1956 by engineer Bill Fair and mathematician Earl Isaac, provides consulting services and enterprise decision management systems. They developed the FICO scores, which measure credit risk and are used around the world.

Have students read the scenario and discuss the questions as a class. Ask the students if they know of anyone who has used a credit repair company.

Explain that credit repair scams are one of the fastest growing types of scams in the country. With the economic downturn in 2009, many people lost jobs or had their wages reduced. As a result, they were late making payments on credit cards, were unable to make their house payments, and their credit scores started dropping. Low credit scores prevent many people from being able to get a loan, pay for college, buy a new/used car, or own a home.

To repair their credit, people are turning to credit repair agencies. Unfortunately, many of these agencies are scammers who see an opportunity to make quick money on the misfortune of others. The Federal Trade Commission (FTC), the agency responsible for protecting consumers, has issued a warning to avoid doing business with credit repair companies that claim they can

- remove bankruptcies, judgments, liens, and bad loans from your credit history
- erase bad credit
- create a new credit identity - legally

The Credit Repair Organizations Act contains very specific consumer protection guidelines. Students should know that a credit repair organization

- cannot charge you until they complete the promised services,
- must provide you with a contract that includes:
 - the total cost of services
 - a detailed description of the services they will provide
 - how long it will take to get results
 - any “guarantees” to be provided

Legitimate credit repair organizations do not make such claims. They are upfront about informing consumers that fixing a poor credit report takes time and is not easy.

Discuss with students the availability of credit counseling through local non-profit organizations, such as the:

American Consumer Credit Counseling (ACCC) - a non-profit (501) (c) (3) organization that provides confidential credit counseling, debt managements, and financial education to consumers nationwide.

<http://www.consumercredit.com/about-us/about-us.htm>

Presentation of Targeted Pre-GED Skills

Pre-GED Skill — Identify an author's purpose

Write the following word on the board: **Purpose**. Explain to students that when someone writes a passage, advertisement, or some other type of text, they have a specific purpose in mind. The purpose of a passage may be to inform, to entertain, or to persuade the reader.

When writers develop text for an advertisement, print, or on the Internet, they are usually trying to accomplish two things. They want to inform the reader about the product or service they provide so the reader will consider using their services. They want to give a push that will persuade the reader that their product or service is better than all the rest.

Distribute copies of the handout **Which One Is Right for Me?** Have students read the text from both organizations and determine the primary purpose of each. Have students discuss their reactions to each passage and which organization they would be most likely to select if they required credit counseling.

Note to teachers: Both passages were written based on advertisements and articles found on the Internet from different types of credit repair/credit counseling companies. The first one is based on for-profit companies that according to the rules outlined by the FTC may likely be scams: requiring upfront fees for credit reports, guaranteeing the ability to “fix” negative accounts, and in essence recreating a person's financial identity. The second passage is based on non-profit counseling agencies that require no upfront fees, help consumers plan long- and short-term goals to help them reestablish their good credit ratings, and offer financial counseling services at no cost to the consumer.

Going the Next Step — A Challenge Activity

Pre-GED Skill: Select and use appropriate formats for writing

According to the FTC, consumers can repair their own credit reports. By law, consumers are entitled to one free credit report every 12 months, if they ask for it. They can also dispute inaccurate information they find on their credit reports. The consumer's response to inaccurate information must be submitted in writing and include any documents that support the consumer's claim.

Discuss the information provided above with students. Ask students what format they would use in order to respond to inaccurate information on their credit reports. Students may respond that they would send an email, look for a form on the credit reporting site, send a letter, or even send a text message.

Explain that it is important that they select the correct format when responding to a credit reporting agencies, such as Experian, Equifax, or TransUnion.

Write the following on the board: **text message, email, card, letter, report.**

Have students debate the pros and cons of each of the writing formats and decide which would be the most appropriate for this situation. Students should come to the conclusion that they would need to write a letter to the credit reporting agency in order to provide all the necessary information.

As a group, draft a letter of dispute to a credit reporting agency. As the group constructs the letter, check to ensure that students have included:

- the date of letter and personal contact information
- the person or entity to whom they are writing
- clear sentences that convey the reason for the letter

- what they want to happen as a result of the request
- documentation that they have included to support their claim

Distribute a copy of the letter to all of the students. Have them determine if there is any additional information that needs to be added, whether or not there are errors within the letter, and what edits/revisions should be made.

Resources

MyFICO — includes consumer resources that explain how FICO scores are determined as well as many other resources for improving credit scores. The site also includes a section on Facts and Fallacies that may be of interest to students.

<http://www.myfico.com/crediteducation/whatsinyourscore.aspx>

FTC.gov — includes information on steps to take in repairing your credit. The site includes information on the Credit Repair Organization Act and consumer's rights. A sample dispute letter is also included as a resource for consumers.

<http://www.ftc.gov/bcp/edu/pubs/consumer/credit/cre13.shtm>

Lesson 6.6: Consumer Protection Tools — Sara Jane

Pre-GED Skills

- **LAR 10** Ask questions and make observations that reflect understanding of what you read.

Introducing the Lesson

Introduce the lesson by asking students if they have ever encountered a situation where they needed information, but weren't sure where to find it. Ask them how they handled that situation.

Students may say that they:

- asked a friend or family member for advice
- used the Internet to search for information
- looked through the phone book to find possible agencies to call
- went to an agency or organization to talk to someone
- used the local library as a resource

Explain that there are many resources available to people when they encounter new situations with which they may be unfamiliar. The key is to have a starting point for finding the information they need in a timely manner.

Have students read the scenario and discuss the questions. Divide the students into small groups. Have them discuss the situation in which Sara Jane finds herself. Provide each team with chart paper and markers. Ask them to make a list of the types of information or resources they believe that Sara Jane needs in order to take care of her mother's health care and financial needs.

After students have completed their charts, post them around the room. Have the entire group work together to identify possible agencies or organizations that could possibly provide those services.

Examples may include:

- Home health care or assisted living — Eldercare Locator which provides information about senior care available within their own community
- Local Center on Aging — provide information on issues related to senior citizens
- AARP — advocacy for senior citizen issues
- Scams and fraud — Federal Trade Commission - State Attorney General's office to report fraud and elder abuse

Answers will vary depending on resources within the local community where the students reside. This activity provides students an opportunity to share their own personal experiences and background knowledge.

Presentation of Targeted Pre-GED Skills

Pre-GED Skill — Ask questions and make observations that reflect understanding of what you read.

Introduce the lesson by explaining that it is important to have a clear purpose in mind when reading. By previewing text, students can often develop questions to which they want to find answers when they read. Asking questions and reflecting on what has been read are essential elements to extract meaning from text.

One way for students to preview text is to skim the first line of each paragraph. Have students look back at the scenario and skim the first line of the first paragraph. Ask them what questions they have as a result of what they just skimmed.

Examples may include:

- What responsibilities will Sara Jane have?
- How will she handle her mother's health care?

Explain that as they continue through the text, finding the answers to these questions will help them focus on what they are reading. In addition, they will begin the process of pulling their own background knowledge to help them understand the text.

Ask students what other questions came to their minds as they read the scenario. Have students make a list of the questions that came to mind as they read through each paragraph.

Examples may include:

- Will home health care be sufficient to meet Sara Jane's mother's health needs or will she need more care than a home health aide can provide?
- How much will home health care cost?
- Will Medicare and her mother's supplemental health plan cover the cost?
- What types of products and services had her mother purchased?
- Can anything be returned and money refunded?
- What is the annual benefit on her mother's supplemental insurance?
- What medical services have they provided to date?

Discuss with students how their own personal background knowledge about issues related to elderly parents and grandparents, health care issues, and finances helped them to identify the questions they generated from the text.

Going the Next Step — A Challenge Activity

This activity provides students with an opportunity to explore consumer protection resources that are available to them. Provide students with the handout **Consumer Protection for You**. The handout includes the name of the website, a brief overview, and a space for questions.

Have students review the description and write down questions they believe the site might help them answer. Have students share their questions. Remind students that they will be able to take this form with them so they can access the sites and use them as consumer protection tools.

As an extension of the activity, have students select one of the sites, explore the information, and share their findings with the class.



Answer Keys for Handouts

Lesson 1.2: What Is Missing?

Identify what is missing to make each a SMART financial goal. Rewrite the sentence to include the missing element.

Financial Goal # 1

I plan to save the \$800 that I need to purchase a new television set by the first of the year.

What Is Missing?

Attainable – Is this a goal that you can attain or is it unrealistic to save this much by the first of the year?

Sample Sentence (answers may vary)

By getting a part-time job, I plan to save \$800 for purchasing a new television by the first of the year.

Financial Goal # 2

I plan to save for a new cell phone by saving \$10 each week for the next three months.

What Is Missing?

Measurable — How much will the cell phone cost?

Sample Sentence (answers may vary)

I plan to purchase a new cell phone for \$120 by saving \$10 each week for the next three months.

Financial Goal # 3

By saving \$50 each month for two years, I plan on saving \$1,200.

What Is Missing?

Specific—For what reason are you saving the money?

Sample Sentence (answers may vary)

By saving \$50 each month for two years, I plan on saving \$1,200 to purchase a long-term certificate of deposit.

Financial Goal # 4

I plan to save my whole paycheck for 3 months so I can rent a larger apartment.

What Is Missing?

Realistic—How will you live on zero income?

Sample Sentence (answers may vary)

By saving 15% of each paycheck, I will be able to rent a larger apartment in eight months that will cost an additional \$120 per month.

Lesson 2.2: Reading and Interpreting Paystubs

1. What is the name of Nadil Navarre's employer? **Livonia Public Works Department**
2. How much did Nadil earn before taxes? **\$1,580.00**
3. What is Nadil's hourly wage? **\$19.75**
4. What pay period does Nadil's check cover? **01/17 through 01/28/11**
5. How much federal income tax has been taken out of Nadil's check so far this year? **\$441.60**
6. How much did Nadil contribute to a retirement plan from this paycheck? **\$0**
7. How much is Nadil's take-home pay? **\$1,062.80**
8. How much money was deducted from Nadil's paycheck? **\$517.20**
9. What was the largest deduction from Nadil's paycheck? **\$220.80 (Federal withholding)**
10. What optional deduction did Nadil request? **Family health insurance**

Lesson 3.1: Balancing a Checkbook

Check Number	Date	Transaction Description	Payment, Fee Withdrawal (-)			Deposit Credit (+)		\$ Balance	
	9/25/10	Starting Balance						680	46
122	9/30/10	ABC Grocery	48	36				-48	36
								632	10
	10/1/10	Paycheck				1520	30	+1520	30
								2152	40
123	10/4/10	Rent	568	32				-568	42
								1584	08
124	10/8/10	Car Payment	281	22				-281	22
								1302	86
	10/10/10	Deposit				150	00	+150	00
								1452	86

Lesson 3.2: Let's Practice Calculating Savings

Simple Interest					Compound Interest				
Year	Principal Amount Saved	Annual Interest Rate	Annual Interest Earned	Ending Balance	Year	Principal Amount Saved	Annual Interest Rate	Annual Interest Earned	Ending Balance
1	\$5000	5%	\$250	\$5,250	1	\$5000	5%	\$250.00	\$5,250.00
2	\$5,250	5%	\$250	\$5,500	2	\$5,250	5%	\$262.50	\$5,512.50
3	\$5,500	5%	\$250	\$5,750	3	\$5,512.50	5%	\$275.63	\$5,788.13
4	\$5,750	5%	\$250	\$6,000	4	\$5,788.13	5%	\$289.41	\$6,077.54
5	\$6,000	5%	\$250	\$6,250	5	\$6,077.54	5%	\$303.88	\$6,381.42
6	\$6,250	5%	\$250	\$6,500	6	\$6,381.42	5%	\$319.07	\$6,700.49
7	\$6,500	5%	\$250	\$6,750	7	\$6,700.49	5%	\$335.02	\$7,035.51
8	\$6,750	5%	\$250	\$7,000	8	\$7,035.51	5%	\$351.78	\$7,387.29
9	\$7,000	5%	\$250	\$7,250	9	\$7,387.29	5%	\$369.36	\$7,756.65
10	\$7,250	5%	\$250	\$7,500	10	\$7,756.65	5%	\$387.83	\$8,144.48

Additional Savings Practice

- What is 4.5% of \$64.00? **\$2.88**
- What is 3.2% of \$125.00? **\$4.00**
- If you earn \$250.00 a week in a part-time job, how much will you have left to spend each week after saving 10%? **\$225.00 left**
- At this rate, how much will you save in a month (4 weeks)? **\$100 per month**
- At this rate, how much will you save in 3 years (36 months)? **\$3,600**
- How much will you have in your account at the end of 3 years if you have an annual compound interest rate of 4.2%? You may wish to draw a chart similar to p. x. **\$4,072.92**

Lesson 3.3: Wise Financial Steps to Take When Using a Debit Card

Answers: Students should check the following:

- X Keep your card and PIN in a safe place
- X Keep all purchase receipts
- X Record purchases made with your debit card in your checkbook registry
- X Check your bank statements regularly

Lesson 3.4: How Much Does Credit Cost?

2.

Beginning Credit Balance	Interest Rate	Estimated Minimum Payment	Years to Pay Off Balance	Interest Charges Paid	Total Amount Paid
\$5000	10%	\$100	17 years	\$3,157	\$8,157
\$5000	15%	\$100	24 years	\$7,246	\$12,246
\$5000	20%	\$100	49 years	\$21,169	\$26,169

3. If you have 10% interest rate? **\$107**
4. If you have a 15% interest rate? **\$119**
5. If you have a 20% interest rate? **\$133**

Lesson 4.2: Managing Personal Debt

Part 1

Account #	Starting Balance	Day of Payment	Amount of Payment	Average Daily Balance
1376224455	\$1,300.00	15	\$400.00	\$1,087.00
142504669	\$780.00	16	\$35.00	\$763.00
259427821	\$2,020.00	15	\$120.00	\$1,953.00
658438770	\$648.00	21	\$300.00	\$548.00
899008899	\$3,200.00	16	\$550.00	\$2,925.00
569782543	\$1,011.00	15	\$75.00	\$971.00

Part 2

Account #	Average Daily Balance	APR	Monthly Interest Rate	Total Interest Charges
1376224455	\$1,087.00	22.75%	1.89%	\$20.54
142504669	\$763.00	14.8%	1.23%	\$9.38
259427821	\$1,953.00	13.00%	1.08%	\$21.09
658438770	\$548.00	17.99%	1.50%	\$8.22
899008899	\$2,925.00	21.00%	1.75%	\$51.19
569782543	\$971.00	18.5%	1.54%	\$14.95

Lesson 4.6: Estimating Emergency Fund Needs

Expense	Cost for 1 month	Cost for 3 months
Grocery bill	\$489.12	\$1467.36
Pharmacy bill	\$55.50	\$166.50
Electric bill	\$115.00	\$345.00
Water/sewer bill	\$41.00	\$123.00
Cell phone bill	\$74.50	\$223.50
Student loans	\$210.00	\$630.00
Mortgage payment	\$879.00	\$2637.00
Gas for Car	\$124.25	\$372.75

Total amount required for 1-month emergency fund **\$1988.37**

Total amount required for 3-month emergency fund **\$5965.11**

Bryan and Connie decided to use \$800 they had set aside for their next vacation to start the emergency fund.

How long will it take them to reach 1 month of expenses, if they add \$150 every two weeks to the fund?

Students need to first subtract. \$1988.37 - \$800.00. This will leave them with \$1188.37. They can then divide the remainder by \$150 (the amount that will be deposited every two weeks).

They will need to make 8 payments (4 months) to fully fund one month of expenses.

Starting with \$800, how long will it take them to put aside 3 months of expenses, if they add \$150 every two weeks to the fund?

It will take them approximately 1 year in order to fully fund the emergency account, unless they are able to include additional funds, such as bonuses from work, gifts of cash from relatives, etc.

Lesson 4.7: Planning for Retirement

Part I - Estimating Social Security Benefits

1. Dina = **\$1,100 per month**, Alex = **\$900 per month**
2. Alex and Dina would each receive about **\$300 more per month** by waiting until age 66.

Part II - What Will They Need to Save

Name	Current Age	Take Home Pay Per Week	Money Needed for Retirement
Richard	45	\$1,430.00	\$291.72 per week
Dolores	25	\$855.00	\$80.37 per week
Agnes	55	\$1,856.00	\$734.98 per week
Adriana	35	\$1,046.00	\$139.12 per week

Lesson 5.1: Responsibilities of Government

Students may include other items; however as a minimum they should have included the following.

Income Taxes		Transaction Taxes	Property
Federal	State		
National defense	Higher Education	School aid for K-12	Schools
Regulate trade and commerce	Public Safety	Local governments	Hospitals
Social Security benefits	Corrections	State general fund	Maintenance of local roads
Medicare health coverage	Family assistance, juvenile justice, foster care, adoptions	Transportation	Public safety
National debt	Departments such as Agriculture, Natural Resources		City services
Federal departments such as Education, Energy, Health	School aid		City infrastructure - sewer, water, etc.
Research and development - health, energy, etc.	Transportation		
Social Aid programs	Community Health		

Lesson 5.2: Making Sure It's Right

Personal Allowances Worksheet

1. Keep it for your own records
2. 1
3. 2, unless you have three or more children and then you have to subtract 1
4. 1
5. Two-Earners/Multiple Jobs Worksheet

Employee's Withholding Allowance Certificate

1. Social Security number
2. Both
3. Sign it
4. The employer
5. Single

Two-Earners/Multiple Jobs Worksheet

1. If you have two jobs or your spouse also works
2. To determine the amount of allowances based on your lowest paying job
3. To determine if additional taxes should be withheld from your pay
4. To determine any additional amount that should be withheld, if you complete the form after the first of the year
5. The information from Line H

Lesson 5.3: To Itemize or Not to Itemize — That is the Question!

SCHEDULE A (Form 1040)

Department of the Treasury
Internal Revenue Service (99)

Name(s) shown on Form 1040

Itemized Deductions

▶ Attach to Form 1040.

▶ See Instructions for Schedule A (Form 1040).

OMB No. 1545-0074

2009

Attachment
Sequence No. **07**

Your social security number

Medical and Dental Expenses	Caution. Do not include expenses reimbursed or paid by others.				
	1	Medical and dental expenses (see page A-1)	1	6040	00
	2	Enter amount from Form 1040, line 38	2	57000	00
	3	Multiply line 2 by 7.5% (.075)	3	4275	00
	4	Subtract line 3 from line 1. If line 3 is more than line 1, enter -0-	4	1765	00
Taxes You Paid (See page A-2.)	5 State and local (check only one box):				
	a	<input checked="" type="checkbox"/> Income taxes, or	5	2580	00
	b	<input type="checkbox"/> General sales taxes			
	6	Real estate taxes (see page A-5)	6		
	7	New motor vehicle taxes from line 11 of the worksheet on back. Skip this line if you checked box 5b	7		
	8	Other taxes. List type and amount ▶	8		
	9	Add lines 5 through 8	9	2580	00
Interest You Paid (See page A-6.)	10	Home mortgage interest and points reported to you on Form 1098	10		
	11	Home mortgage interest not reported to you on Form 1098. If paid to the person from whom you bought the home, see page A-7 and show that person's name, identifying no., and address ▶	11		
	12	Points not reported to you on Form 1098. See page A-7 for special rules	12		
	13	Qualified mortgage insurance premiums (see page A-7)	13		
	14	Investment interest. Attach Form 4952 if required. (See page A-8.)	14		
	15	Add lines 10 through 14	15	00	00
Gifts to Charity If you made a gift and got a benefit for it, see page A-8.	16	Gifts by cash or check. If you made any gift of \$250 or more, see page A-8	16	2850	00
	17	Other than by cash or check. If any gift of \$250 or more, see page A-8. You must attach Form 8283 if over \$500	17	720	00
	18	Carryover from prior year	18		
	19	Add lines 16 through 18	19	3570	00
Casualty and Theft Losses	20	Casualty or theft loss(es). Attach Form 4684. (See page A-10.)	20		
Job Expenses and Certain Miscellaneous Deductions (See page A-10.)	21	Unreimbursed employee expenses—job travel, union dues, job education, etc. Attach Form 2106 or 2106-EZ if required. (See page A-10.) ▶	21	1500	00
	22	Tax preparation fees	22		
	23	Other expenses—investment, safe deposit box, etc. List type and amount ▶	23	50	00
	24	Add lines 21 through 23	24		
	25	Enter amount from Form 1040, line 38	25	57000	00
	26	Multiply line 25 by 2% (.02)	26	1140	00
	27	Subtract line 26 from line 24. If line 26 is more than line 24, enter -0-	27	410	00
Other Miscellaneous Deductions	28	Other—from list on page A-11. List type and amount ▶	28		
Total Itemized Deductions	29	Is Form 1040, line 38, over \$166,800 (over \$83,400 if married filing separately)? <input type="checkbox"/> No. Your deduction is not limited. Add the amounts in the far right column for lines 4 through 28. Also, enter this amount on Form 1040, line 40a. <input type="checkbox"/> Yes. Your deduction may be limited. See page A-11 for the amount to enter.	29	8325	00
	30	If you elect to itemize deductions even though they are less than your standard deduction, check here			

For Paperwork Reduction Act Notice, see Form 1040 instructions.

Cat. No. 17145C

Schedule A (Form 1040) 2009

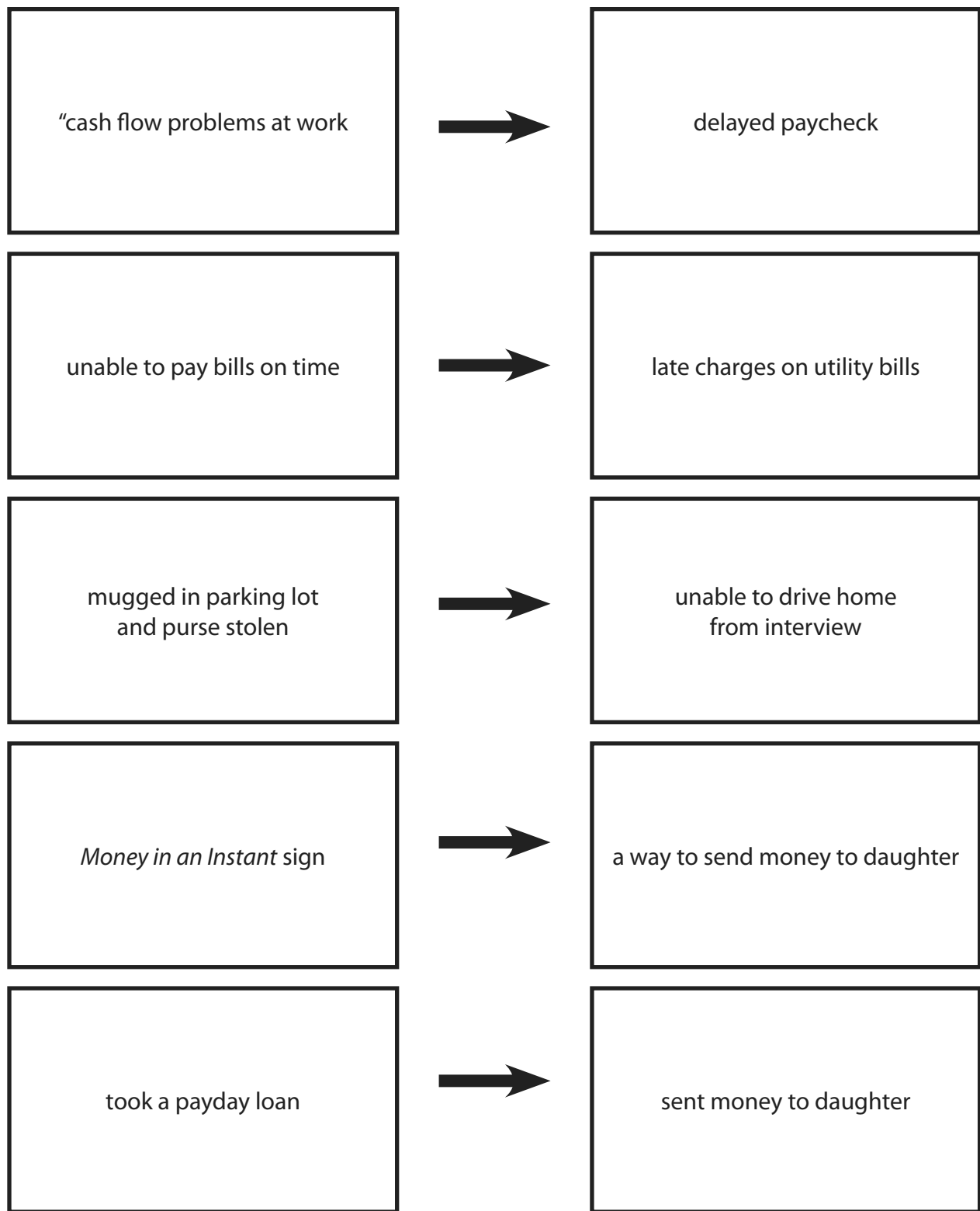
Lesson 5.4: Keep Those Records!

1. There is no limit. He did not file a return in 2008.
2. At least until 2011 (three years after the original tax was filed)
3. Seven years
4. They will need to maintain all of their records for 2007 for an unlimited period of time because they failed to declare more than 25% of their gross income.
5. Auditors can go back for an unlimited period of time because Sarah has filed fraudulent returns.

The following is a list of tax records that students may include. This should not be considered an exhaustive list, but rather a representation of different types of records individuals may need to maintain.

- copies of tax returns
- proof of income and expenses, such as
 - tax form - W-2, 1099, etc.
 - bank statements
 - investments
 - bills, invoices
- proof of payment of expenses
 - sales slips, receipts, cancelled checks, or other proof of payment
 - electronic fund transfers
 - payroll deductions
- specific records
 - alimony
 - child care
 - casualty or theft losses
 - contributions to charity
 - education expenses
 - exemptions
 - retirement accounts
 - medical or dental expenses
 - mortgage interest
 - moving expenses

Lesson 6.1: Recognizing Cause and Effect



Did you find any other cause and effect relationships within the passage? **Examples:**

Maxed out credit cards — unable to take a cash advance

Didn't wait on confirmation of money transfer — daughter didn't receive funds

Lesson 6.4: Telemarketing Fraud - Does Age Really Matter

1. 40-49
2. under 20
3. Answers will vary

Age Group	# Reported = 18,000	# Reported = 790,000
Under 20 - 1%	180	7,900
20-29 - 13%	2,340	102,700
30-39 - 16%	2,880	126,400
40-49 - 19%	3,420	150,100
50-59 - 16%	2,880	126,400
60-69 - 13%	2,340	102,700
70-79 - 15%	2,700	118,500
80+ = 7%	1,260	63,200

Challenge students to answer the final question. In this question, students should use 790,000 as the number of total telemarketing crimes reported and then determine the cost of that fraud to consumers. Students will need to determine the total number of victims 60+ and then multiply by the average cost per telemarketing fraud, \$1,174.

Number of victims 60+ = $102,700 + 118,500 + 63,200 = 284,400$

Total number of victims x average cost per fraud

$284,400 \times \$1,174 = \$333,885,600$



Handouts

Lesson 1.1:

“A financially literate individual understands his/her relationship to money (e.g. the need for financial security, tolerance for risk) and can read about, discuss, and communicate regarding personal financial issues. The financially literate individual possesses knowledge of banking and credit, practices money management, understands the need for protection against unforeseen emergencies, plans for major life events, and saves and invests for the future. A financially literate individual is a lifelong learner, who applies that learning to new financial situations. He/she knows how and when to find information to make effective personal financial choices. The distinguishing characteristic of such a person is self efficacy—the sense that “I can do this!” and “I want to do this!”—in pursuit of what he or she believes are attainable goals.”

Personal Finance and the Rush to Competence, Financial Literacy Education in the U.S. (2000)

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Lesson 1.2: Creating SMART Financial Goals

Creating SMART Financial Goals	
Specific	State exactly what is to be done with the money involved
Measurable	Write the exact dollar amount that the goal will require
Attainable	Determine how you can reach the goal; make sure you think about your budget
Realistic	Make sure that the goal is attainable and realistic
Time Bound	Specifically state when you plan to reach the goal.

Example:

Goal – I want to buy a new car

SMART Financial Goal

Specific: I plan to save for a down payment on a new car

Measurable: I plan to save \$5,000 for a down payment on a new car

Attainable: I plan to save \$5,000 for a down payment on a new car by saving \$200 from every paycheck

Realistic: It is realistic to save \$200 from each paycheck for a down payment on a car because I usually waste the money on unnecessary items instead of saving it

Time Bound: I plan to save \$5,000 for a down payment on a new car by saving \$200 from each paycheck for two years.

Lesson 1.2: What Is Missing?

Directions: Read each of the following financial goals. Identify what is missing to make each a SMART financial goal. Rewrite the sentence to include the missing element.

Financial Goal # 1

I plan to save the \$800 that I need to purchase a new television set by the first of the year.

What Is Missing?

Rewrite the financial goal:

Financial Goal # 2

I plan to save for a new cell phone by saving \$10 each week for the next three months.

What Is Missing?

Rewrite the financial goal:

Financial Goal # 3

By saving \$50 each month for two years, I plan on saving \$1,200.

What Is Missing?

Rewrite the financial goal:

Financial Goal # 4

I plan to save my whole paycheck for 3 months so I can rent a larger apartment.

What Is Missing?

Rewrite the financial goal:

Lesson 1.3: Setting Financial Goals—What Do I Want?

Setting financial goals is a multi-step process. Complete each of the following activities to set your initial short-term and long-term goals.

What Do I Want?

Directions: List the things you want that will require financial resources. If you are setting financial goals for the family, have each member of your family also write a list of wants requiring financial resources.

Things I Want That Require Money

- | | |
|-----------|-----------|
| 1. _____ | 2. _____ |
| 3. _____ | 4. _____ |
| 5. _____ | 6. _____ |
| 7. _____ | 8. _____ |
| 9. _____ | 10. _____ |
| 11. _____ | 12. _____ |
| 13. _____ | 14. _____ |
| 15. _____ | 16. _____ |

Lesson 1.3: Setting Financial Goals—Setting My Short-Term and Long-Term Goals.

Setting My Short-Term Goals

Directions: From the list(s) that you prepared, list the short-term goals. Short-term goals are those goals that you can accomplish in two years or less. Be sure to combine the short-term goals of all of your family members.

Goals That Can Be Achieved in Two Years or Less	

Setting My Long-Term Goals

Directions: From the list(s) that you prepared, list the long-term goals. Long-term goals are those that you want to accomplish in five years or more. Be sure to combine the long-term goals of all of your family members.

Goals That Can Be Achieved in Five Years or More	

Lesson 1.3: Setting Financial Goals—Prioritizing My Goals.

Directions: Identify five goals that you want to achieve and complete the following table. You should include both long-term and short-term goals. Prioritize the goals in the order you want to reach them. Make sure that each family member also develops his/her prioritized list. Working towards similar goals as a family helps prevent future problems or conflicts.

My Financial Goal Plan						
Goal	Check the Type of Goal		Estimated Cost	Date to Start	Date to Achieve	Estimated Savings per Week
	Short-Term	Long-Term				
1.						
2.						
3.						
4.						
5.						

Lesson 1.4: Wants Versus Needs — What Do They Mean to Me?

Directions: List as many needs and wants as you can. When you are done, share your list with another student. Add ideas to your list. When you are done, circle your personal choices for the top three wants and top three needs in life.

Wants	Needs

Lesson 1.4: Is It a Want or Need?

Directions: Print enough copies for the class. Cut each page into strips and place the strips into an envelope.

Wants	Needs
eating out	groceries
movies	housing
text messaging	clothing
lottery tickets	transportation
club membership	medicine
daily espresso	furniture
golf clubs	water
large house	heat and air conditioning
designer shoes	health care
swimming pool	child care
ice-cream	refrigerator and stove
digital cable	education
vacation	debt payments
jewelry	repairs

Lesson 1.5: Talk About Money Quiz

Directions: Family members should answer these questions separately, then compare answers. Next, talk about similarities and differences in your money attitudes and practices.

1. If you received \$5,000 tax free, what would you do with it?

\$ _____ for _____

\$ _____ for _____

\$ _____ for _____

2. Rank the following activities on a scale from 1 - 6, using 1 to indicate what you would enjoy doing most and 6 to indicate what you would enjoy least.

___ An evening at home with the family ___ Involvement in physical activity

___ A night on the town ___ Spending time with friends

___ A few extra hours on the job ___ Some quiet time to myself

3. If you had to make a major cut in your current spending, what area would you cut first?

4. Do you agree (A) or disagree (D) with the following statements?

A	D	
		I'm basically too tight with money.
		My spouse is basically too tight with money.
		Equality in family decision making is important to me.
		I feel good about the way financial decisions are made in my family.
		Sometimes I buy things that I don't need because they are on sale.
		I believe in enjoying today and letting tomorrow worry about itself.

5. I'd like to see us spend less money on _____ and see more dollars go for _____.

6. What money problem is the most frequent cause of argument? _____

7. What was the most sensible thing you've done with money? _____

The most foolish? _____

8. Do you know the dollar figures that go in the following blanks?

\$ _____ Family take-home income \$ _____ Rent or mortgage payment

\$ _____ Money spent on food monthly \$ _____ Monthly car payment

9. Buying on credit is _____

Money Mechanics Communication. Iowa State University Extension. Iowa State University of Science and Technology, Ames, Iowa. (2008). Retrieved from the World Wide Web at: <http://www.extension.iastate.edu/Publications/PM1453.pdf>

Lesson 2.2: What are Payroll Deductions?

Payroll deductions are mandatory federal or state deductions from an employee's income, or voluntary deductions authorized by the employees. These mandatory deductions include: payroll, state and sales, state income, federal income, and FICA taxes.

Payroll Taxes

Federal and state law requires employers to deduct from the employee's income, payroll taxes such as federal income taxes, social security, Medicare, and state income tax or municipal income taxes where applicable. Michigan is among the states that do not use a tax bracket system for their state income tax. Instead, Michigan applies a flat tax rate to all incomes. You can calculate what you'll owe in state income tax by applying the rate to your taxable income.

Federal Income Taxes

Federal income taxes are mandatory deductions from employee's salaries and wages. These are paid to the federal government to assist with expenditures such as building roads.

Federal Insurance Contributions Act (FICA)

FICA requires employers to pay 15.3 percent to the federal government, shared equally (7.65%) between employer and employee. These contributions are paid over for social security (retirement income) and Medicare (health insurance). Self-employed persons pay 15.3 percent.

Voluntary Deductions

These deductions, authorized by the employee, include deferred compensation plans, tax deferred annuities, dependent care and flexible spending.

Read more about Types of Payroll Deductions at eHow.com: http://www.ehow.com/facts_5374065_types-payroll-deductions.html#ixzz12HEXIXY6

Lesson 2.2: Paycheck Term Match

Deductions	The amount of money subtracted or deducted from a person's gross pay.
FICA (Federal Insurance Contributions Act)	Tax deductions for Social Security and Medicare.
Gross Pay	The amount earned during the pay period without any deductions.
Medical	The amount taken from employee's paycheck for medical benefits.
Medicare	The nation's health care program for the elderly and the disabled.
Net Pay	Money received in the pay period after deductions.
Pay Period	Pay on a regular schedule weekly, bi-weekly or monthly
Pay Stub	A form so the employee can immediately see the deductions taken out of the paycheck.
Personal Information	An employee's full name, address, social security number, etc.
Retirement Plan	An account to which an employee, and often the employer, contributes each pay period for the purpose of retirement.
Salary	Earnings for a set amount of money for a specified period of time.
Social Security	It provides retirement income for the elderly and disability income.
State Withholding Tax	The 3.9% deducted from an individual's paycheck in Michigan.
Taxes	Compulsory charges imposed on citizens by local, state, and the federal government.
Year-to-date (YTD)	The total of all wages earned or deductions taken from a paycheck from January 1 to the last day of the pay period.

Lesson 2.2: Reading and Interpreting Paystubs

Using Nadil's paystub, answer the following questions. When you are done, share your answers with a classmate.

1. What is the name of Nadil Navarre's employer?
2. How much did Nadil earn before taxes?
3. What is Nadil's hourly wage?
4. What pay period does Nadil's check cover?
5. How much federal income tax has been taken out of Nadil's check so far this year?
6. How much did Nadil contribute to a retirement plan from this paycheck?
7. How much is Nadil's take-home pay?
8. How much money was deducted from Nadil's paycheck?
9. What was the largest deduction from Nadil's paycheck?
10. What "before tax" deductions are listed on Nadil's paycheck?

Livonia Public Works Department

111 Livonia Avenue

Livonia, MI

Pay Period: 01/17/11 through 01/28/11

Employee Name: Nadil Navarre

Social Security Number: 999-99-9999

Date: 02/04/11

Wages					Deductions		
Description	Hours	Rate	Current Amount	YTD Amount	Description	Current Amount	YTD Amount
Regular	80.00	\$19.75	\$1,580.00	\$3,160.00	Federal Withholdings	\$220.80	\$441.60
Overtime	0.0				FICA		
Holiday	0.0				MI State Income Tax	\$112.60	\$225.20
					Livonia Cty Tax	\$57.40	\$114.80
						\$18.40	\$36.80
					Other	0	0
					401 (k) *	0	0
					Life Insurance	0	0
					Loan	0	0
					Family Health Insurance*	\$108.00	\$216.00
					Dental*	.00	
					HMO*	.00	
					Union	.00	
Totals			\$1,580.00	\$3,160.00	Deduction Totals:	\$517.20	\$1,034.40
					NET PAY:	\$1,062.80	\$2,125.60

*Excluded from federal taxable wages: FICA, Federal, and Michigan taxes.

Lesson 2.2: Ten Tips for Understanding Your Paycheck

Ten Tips for Understanding Your Paycheck

1. Examine your gross pay.
2. Study the different types of deductions.
3. Identify your federal income tax deductions.
4. Identify Social Security deductions.
5. Identify state income tax deductions.
6. Identify local income tax deductions (if required).
7. Identify retirement deductions.
8. Identify insurance deductions.
9. Identify miscellaneous deductions, such as health care, 401K, savings, dues, etc.
10. Examine your net pay.

Lesson 2.2: Ten Tips for Understanding Your Paycheck

Ten Tips for Understanding Your Paycheck

1. Examine your gross pay.
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5. Identify state income tax deductions.
6. Identify local income tax deductions (if required).
7. Identify retirement deductions.
8. Identify insurance deductions.
9. Identify miscellaneous deductions, such as health care, 401K, savings, dues, etc.
10. Examine your net pay.

Lesson 2.3: Creating a Budget

Step 1: Identify Your Income

When completing this worksheet, don't overestimate your income. Look back at check stubs and savings or investment statements to get the following information.

Income Sources	Annual Amount	Amount Per Month
Wages — your own, after taxes	\$	\$
Wages — others in your household, after taxes	\$	\$
Job bonuses, overtime pay, or tips	\$	\$
Interest and dividends on savings and investments	\$	\$
Child support	\$	\$
Pension benefits	\$	\$
Social Security benefits	\$	\$
Gifts	\$	\$
Tax refund(s)	\$	\$
Rental income	\$	\$
Business income	\$	\$
Other _____	\$	\$
_____	\$	\$
_____	\$	\$
_____	\$	\$
Total Income	\$	\$

Lesson 2.3: Sample Daily Spending Diary Worksheet

Use this budgeting tool to track where your money is going. You are far more likely to save your money when you see how much small, miscellaneous purchases, such as coffee and soda, can add up.

Day	What did I spend my money on today?
Sunday	
Monday	
Tuesday	
Wednesday	
Thursday	
Friday	
Saturday	

Lesson 2.4: Step 2: List Your Expenses

To get started identifying your expenses, gather the items listed below:

- Your checking account statements for three months
- Your credit card statements for three months (if you use a credit card)
- Your flexible spending expenses and expenses paid with cash

Use this information to fill in the worksheet. It's important not to underestimate expenses, so always include actual costs, not averaged costs.

Expenses	Per Month	Yearly
Savings and investments		
Housing (mortgage or rent)		
Electricity		
Gas/heating oil		
Water		
Telephone <ul style="list-style-type: none">• Monthly charges• Long distance• Cell phone		
Satellite or cable TV		
Internet		
Groceries		
Snacks and meals eaten out		
Transportation <ul style="list-style-type: none">• Car payment• Gas• Car repairs• Insurance premiums• Bus fare• Parking• Tolls		
Child care		
Alimony or spousal maintenance		
Child support or support to other family members		
Insurance premiums <ul style="list-style-type: none">• Life• Health• Property/Homeowners• Rental		

Expenses	Per Month	Yearly
Doctor or dentist bills		
Pet care		
Union or professional association dues		
Clothing/uniforms: <ul style="list-style-type: none"> Purchase cost Dry cleaning bills 		
Donations		
Loan payments (not mortgage or car payment)		
Credit card payments (all credit cards)		
Personal expenses (allowances, toiletries, etc.)		
Home improvements and repairs		
Other (classes, downloads, special purchases, etc.) <ul style="list-style-type: none"> 		
Total Expenses		

Lesson 2.4: Step 3: Compare Income and Expenses

Write down your total monthly income (from Step 1 in Lesson 8)	\$
Write down your total monthly expenses (from Step 2 in Lesson 9)	\$
Subtract your expenses from your income and list amount here. If your expenses are more than your income, write the amount in red.	\$

Lesson 2.4: Step 4—Set Priorities and Make Changes

Ask yourself the following questions and read the suggestions:

1. Do I have money left over at the end of the month?
 - If you answered “yes”, your income and expenses are balanced. That is fantastic! Put the money left over each month into your savings account, and you will be on your way to financial security.
 - If you answered “no”, your budget is currently “out of balance.” This can happen to anyone, but does need your attention.
2. What can I do if my expenses are more than my income?

You can:

- Cut back on your expenses.
 - Find spending leaks by listing everything you buy and how much you pay. Don’t forget the small items or those things you purchase with cash.
 - Decrease the amount of your flexible spending.
 - Revise your actual spending list by adding monthly amounts for infrequent or unusual expenses, such as a car insurance bill you pay every six months.
- Increase your income
 - Look for a better job.
 - Ask if you can work overtime.
 - Take on a second job.
 - Turn a hobby into extra income.
 - Sell unwanted items.
- Do both – cut back on expenses and increase your income.

Lesson 3.1: Why Should I Have a Checking Account?

Checking accounts are convenient. You can pay your bills online or with checks instead of going to a bank for a money order or cashier's check. You would never mail cash payments, would you? You can also use your checking account for purchases at stores and restaurants by using checks or a debit card. A cancelled check can be used as proof that you have paid a bill.

A checking account helps you keep track of your money. It's hard to keep track of the cash in your wallet or in a drawer at home. Using a checking account, you can see your account's activity through a check register, online, and from your monthly bank statement. Plus, a checking account protects your money from loss, theft, or fire and federally insures your money up to \$250,000.

The following are three types of financial institutions that provide services:

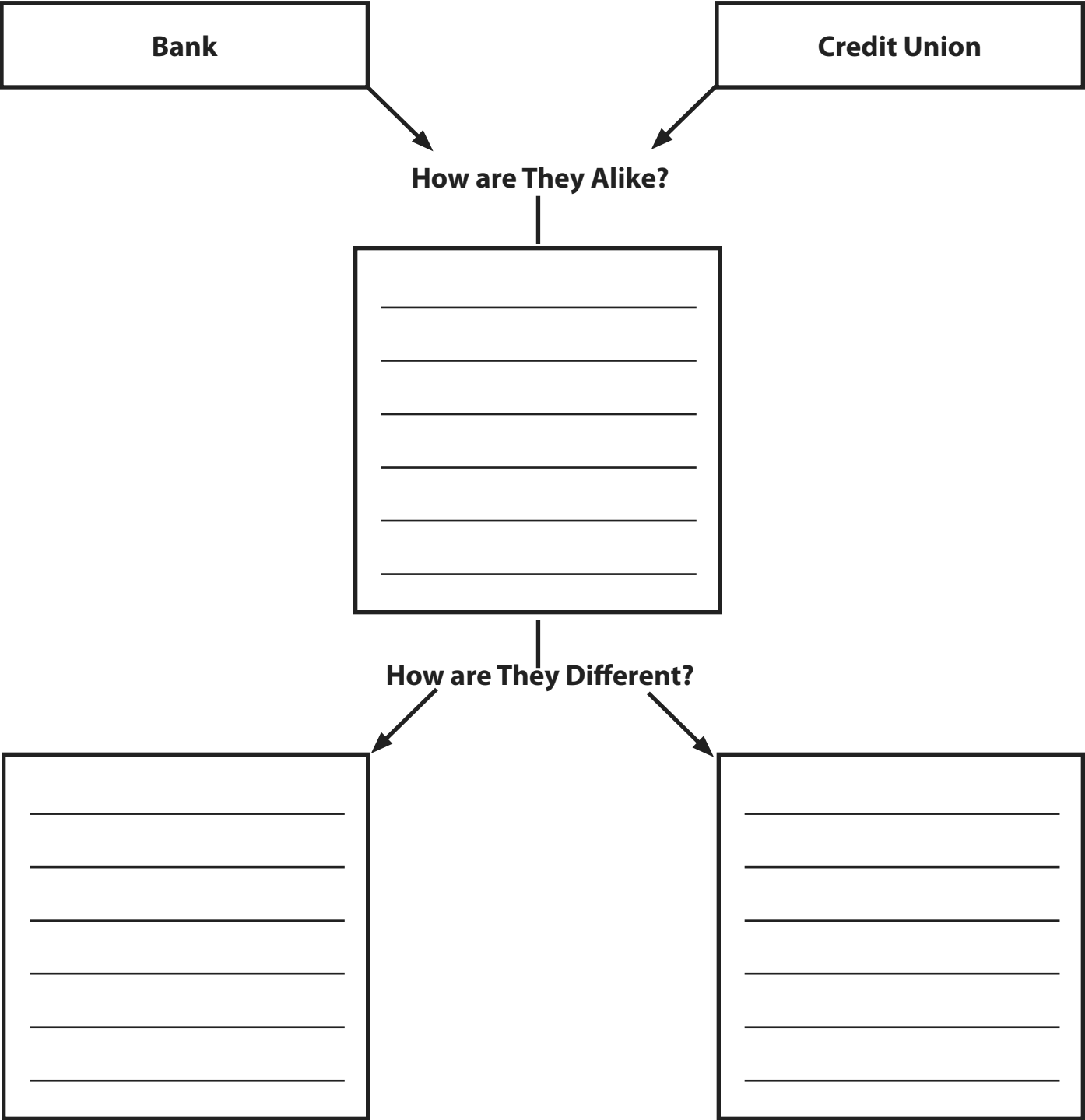
Credit Unions are non-profit cooperative financial institutions owned and controlled by their members. Credit unions serve groups that share something in common, such as their profession, place of worship, or neighborhood. Credit unions generally have lower costs on checking accounts and pay you higher interest rates on your savings. All accounts are federally insured. To find a credit union that you can join, visit the Credit Union National Association access the website at <http://www.cuna.org/>.

Banks are for-profit companies that make money from charging fees and lending money. Banks offer a wider range of services at generally higher fees than credit unions. Often fees are dependent on the amount of money kept in an account or the number of checks written per month. Checking and savings accounts are insured, but investment services are not. Banks may be more convenient due to location and number of institutions.

Check Cashing Services and **Finance Companies** are corporations that charge very high fees and don't offer checking or savings accounts. They often charge a fee of 2-5% of paychecks and 5-20% of personal checks just to cash them. Finance companies charge very high interest rates for loans, often over 20% APR. Check cashing services and finance companies do not have checking accounts, and they are not federally insured.

Lesson 3.1: Build Your Financial Knowledge

Use the following graphic organizer to compare and contrast banks and credit unions. When you are done, identify which financial institution you would choose and why. Share your ideas with the class.



Lesson 3.1: Balancing a Checkbook

Help George balance his checkbook register. He has just written two checks: check 123 on 10/4/10 for \$568.32 for his rent and check 124 on 10/8/10 for \$281.22 for his car payment. George has also deposited a check on 10/10/10 for \$150.00.

Complete the following registry to see how much George has in his account. Notice that George brings the numbers he is adding or subtracting over to the Balance column. This method helps you more easily see the number that needs to be added or subtracted.

Check Number	Date	Transaction Description	Payment, Fee Withdrawal (-)			Deposit Credit (+)		\$ Balance	
	9/25/10	Starting Balance						\$680	46
122	9/30/10	ABC Grocery	\$48	36				-\$48	36
								\$632	10
	10/1/10	Paycheck				\$1520	30	+\$1520	30
								\$2152	40

How much did George have in his account after he balanced his checkbook registry? _____

Lesson 3.2: Let's Practice Calculating Savings

You invest \$5,000 for ten years in a money market account and are guaranteed an annual return of 5%. How much would you make at the end of ten years if you were paid simple interest? Compound interest? Complete the following chart and see the difference. It's important to remember that most accounts do not pay as well as 5% per year.

Simple Interest					Compound interest				
Year	Principal Amount Saved	Annual Interest Rate	Annual Interest Earned	Ending Balance	Year	Principal Amount Saved	Annual Interest Rate	Annual Interest Earned	Ending Balance
1	\$5000	5%			1	\$5000	5%		
2		5%			2		5%		
3		5%			3		5%		
4		5%			4		5%		
5		5%			5		5%		
6		5%			6		5%		
7		5%			7		5%		
8		5%			8		5%		
9		5%			9		5%		
10		5%			10		5%		

Additional Savings Practice

1. What is 4.5% of \$64.00?
2. What is 3.2% of \$125.00?
3. If you earn \$250.00 a week in a part-time job, how much will you have left to spend each week after saving 10%?
4. At this rate, how much will you save in a month (4 weeks)?
5. At this rate, how much will you save in 3 years (36 months)?
6. How much will you have in your account at the end of 3 years if you have an annual compound interest rate of 4.2%? You may wish to draw a chart similar to p. x.

Lesson 3.3: Debit Cards and ATMs

A debit card is a banking card that you can use to purchase things. Think of your debit card like a blank check. You need to guard your card. If your card gets stolen, a person can empty your bank account in minutes just by having your name and card number.

An ATM (Automated Teller Machine) card is a banking service that allows you to get cash and conduct banking transactions 24 hours a day.

To use either card, you need to have a PIN (Personal Identification Number) to access your account. With identify theft rampant, it is important to choose a PIN that cannot be easily guessed. When creating your PIN, make sure to:

- Avoid repeating numbers like 2222 or 5555.
- Go for unique combinations, not birthdays or addresses that can be easy to guess.
- Use a different PIN for each account.
- Choose a PIN that you can remember. Example: numbers can stand for certain letters, such as my great-grandmother's first name was Mary so my PIN is 6279.

If your card is lost or stolen:

- Call your financial institution immediately– the longer you wait, the more money you may lose
- Follow-up with a letter that explains your dispute
- Send your letter certified mail, return receipt requested
- Keep a copy for your files

Lesson 3.3: Wise Financial Steps to Take When Using a Debit Card

Remember, using a debit card is like writing a check. Read the following list and check the items that you think would be wise financial steps to take when using a debit card.

- ☐ Keep your card and PIN in a safe place
- ☐ Accept but never use your debit card
- ☐ Use the same PIN for each account
- ☐ Keep all purchase receipts
- ☐ Record purchases made with your debit card in your checkbook registry
- ☐ Use your debit card only when you have a low bank balance
- ☐ Check your bank statements regularly

Lesson 3.3: Writing a Business Letter

When writing a business letter, it is important to ask yourself the following questions:

- Why am I writing this letter?
- Who am I writing to and what do I want them to understand?
- What kind of tone should I use?
- What kind of tone would I want to see if I were receiving this letter?

Directions: Use the following outline to write a business letter to your local bank. You have had your debit card stolen and notice a charge on your bank statement of \$500.00 that you did not authorize. You contacted the bank yesterday and spoke with Mr. Darius Sills, Bank Supervisor. You reported that your billfold had been stolen and your debit card.

Component	Description
Return Address	Your Name Your Address Your City, State, Zip Code Your Phone Number
Date	Month/Day/Year
Inside Address	Name of Person to Whom Letter Is Being Written Title Company Address City, State, Zip Code
Greeting	Dear Mr./Ms. Last Name:
Body	Keep your letter simple and focused, so the purpose of your letter is clear. The first paragraph of your business letter should provide an introduction to briefly explain why you are writing. Then, in the following paragraphs provide more information and details about your request. The final paragraph should reiterate the reason you are writing and thank the reader for reviewing your request. Single space your letter and justify your letter to the left. Leave a blank line between each paragraph.
Closing	Respectfully yours,
Signature	Handwritten Signature (for a mailed letter)
Name	Typed Signature

Lesson 3.4: Choosing a Credit Card: Locating Information to Compare Your Options

Directions: Use your reading skills in comparing and contrasting to select a credit card that best fits your needs. Read three credit card offers. Identify the items listed in the chart below. Complete the chart for each credit card offer. When you are done, compare each of the cards and select the card that best fits your needs.

Card Costs and Features	Card 1	Card 2	Card 3
Interest Rate			
Balance Calculation Method			
Grace Period			
Annual Fee			
Late Fee			
Credit Limit			
Minimum Finance Charge			
Any Special Offers?			

1. Are the offers alike or different? Explain your answer.

2. Which card appears to be the best choice for you? Why?

Lesson 3.4: How Much Does Credit Cost?

Go to the following website and use the calculator to see how long it would take to pay off a \$5,000 balance if you make only the minimum payment.

Federal Reserve's Credit Card Repayment Calculator
<http://www.federalreserve.gov/creditcardcalculator/>

1. Use the credit card repayment calculator and find the years to pay off the balance and interest charges paid. Then add the interest charges to the beginning balance to see the total amount paid.
- 2.

Beginning Credit Balance	Interest Rate	Estimated Minimum Payment	Years to Pay Off Balance	Interest Charges Paid	Total Amount Paid
\$5000	10%	\$100			
\$5000	15%	\$100			
\$5000	20%	\$100			

Ok, let's see if we try to pay the loan sooner, if will make a difference. Using a beginning balance of \$5,000, how much would your monthly payment be to pay off your loan in five years?

3. If you have 10% interest rate? _____
4. If you have a 15% interest rate? _____
5. If you have a 20% interest rate? _____

Sale! Sale! Sale!

**Get 2 Limited
Edition Collectibles
for the Price of 1!**

Free Shipping

Fast Delivery

Easy Low, Low Payments

*Complete Satisfaction Guaranteed
or Your Money Back! No Questions Asked!*

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Two Collectibles

Good Price

No Charge to Ship

123 Collectibles

Lesson 3.6: What Does It Really Cost?

The table below will help you calculate the real cost of owning a car. Assume that you have saved all the money needed to purchase your slightly used car and will be paying the retail price listed in the Kelly Blue Book. You will be driving the car 15,000 miles a year. Use the Internet, your local telephone book, and local businesses to find the following information. Calculate the yearly cost of owning your car and the projected cost for four years.

Description	Cost Source	Annual Cost	Total for 4 Years
Vehicle Purchase Cost	Example: Kelley Blue Book		
Tax, tags, license, and registration			
Car insurance			
Gas (15,000 miles per years x price per gallon ÷ miles per gallon)			
Engine oil and filter every 3,000 – 5,000 miles			
Engine air filter every 30,000 miles			
Engine coolant every 30,000 miles			
Transmission fluid every 30,000 miles			
Engine drive belts every 30,000 miles			
Fuel filter every 30,000 miles			
Radiator cap every 30,000 miles			
Tires			
Tire rotation every 5,000 – 10,000 miles			
Windshield wiper blades and fluid every 3-6 months			
Other (explain)			
TOTAL COST			

Lesson 3.7: How Payday Loans Work

You decide to head down to the place on the corner that advertises “Quick Cash Now.” You’ve walked by it a hundred times but never had cause to go inside. You decide to give it a try. It’s so easy! You’re out the door in 15 minutes, and \$500 will be deposited in your account sometime the next day. Sure, it cost you \$50 in fees, but nothing beats that convenience, right?

A payday loan is a short-term, high-interest loan. The usual amount of the loan is between \$50 and \$500. You obtain one of these loans from a payday lender.

Payday loans work like this:

- You fill out an application and provide the lender with items such as paycheck stubs and a photo ID.
- You sign a loan agreement, write a postdated check to the lender, and receive your money. The lender will add the finance charge or fee. Usually lenders express their fees in \$100s. Paying \$15 per \$100 of loan is fairly common.
- Your check is held until your loan payment is due - usually two weeks. The lender then deposits your check.
- Rollover: If you can’t afford for that check to be cashed, you can roll the loan over into another term (usually another 14 days). The lender will tack on another fee.

One of the biggest advantages that payday lenders have over banks is their flexibility. Payday lenders have more locations and longer hours than most banks. Some lenders are open 24 hours a day. And payday lenders seldom check your credit.

The biggest drawback to payday loans is the price to the customer. Although most states regulate how much a payday lender can hold you accountable for over a long period of time, payday loans can be extremely costly if you use them frequently or roll the loans over for several terms.

Lesson 3.8: Lease Agreement

LEASE AGREEMENT

ARTICLE OF AGREEMENT this 7th day of September 2010, by and between Daniel Jones of Shady Oaks Apartments, hereinafter referred to as the "Landlord", and Shirley Johnson, hereinafter referred to as the "Tenant".

WHEREAS, the Landlord is the owner of certain premises situated at 1234 S. Lane, Lansing, MI 48901, hereinafter referred to as the "Leasehold Premises"; and

WHEREAS, the Tenant desires to rent and lease the Leasehold Premises from the Landlord and the Landlord has agreed to rent and lease the same to the Tenant upon the following terms and conditions.

1. The term of this lease shall extend from October 1, 2010 to and through October 1, 2011.
2. The Tenant will pay the Landlord the monthly rental amount of \$825.00, payable in advance on or before the first day of each month.
3. The Tenant shall pay the first and last month's rent in the amount of \$1,650.00 prior to occupancy of the property. The final month's rent will be surrendered if the lease is terminated early.
4. The Tenant shall further pay to the Landlord a security deposit in the sum of \$150.00. The Landlord may take all or part of security deposit should damages occur due to: nonpayment of rent; damage to the premises or failure to return the premises in a cleaned condition.
5. Should the premise be vacated by the Tenant before the expiration of the term of the lease, the Tenant will be responsible for the monthly payment until the lease expires.
6. If the Tenant is more than five days late in paying the monthly rental payment of \$825.00, the Tenant will pay a \$50.00 late fee in addition to the rent.
7. The tenant, family, and guests will follow the rules in this agreement and those posted in the recreation center. The Tenant may be evicted if these rules are not followed:
 - a. There are to be no more than 5 visitors at a time.
 - b. Loud music is not permitted.
 - c. No pets allowed.
8. The Landlord will assume payment for the water bill and garbage collection. The Tenant shall be responsible for all other utilities, including gas, electric, telephone, cable, and any service fees required for the installation of these utilities.
9. The Tenant will be provided with two assigned parking spaces.
10. The Landlord shall provide for the necessary repairs and maintenance of the Leasehold Premises. The Tenant shall not provide or arrange for any repair or maintenance.
11. The Tenant agrees to maintain and keep the property in as good repair and condition as that now existing.
12. This agreement shall be binding upon the Landlord and the Tenant.

Signature _____
(Tenant)

Date _____

Signature _____
(Landlord)

Date _____

Lesson 3.8: What's Available to Rent?

Housing Type	Least Expensive	Most Expensive	Advantages	Disadvantages
Rented Room				
Apartment				
Apartment to Share				
House to Share				
Condominium to Rent				
Townhouse to Rent				
House to Rent				

Lesson 3.9: Shirley's Closing Costs

Shirley's Closing Costs		
Item	Cost	Purpose
Loan application fees and credit report	\$300.00	Bank's fee for application and completing loan paperwork
Points	\$1,500.00	Lender's charge for lower interest rate.
Title search and insurance	\$600.00	Insurance to guarantee the title to the property.
Appraisal	\$250.00	Fee for determining the fair cost of the property.
Homeowner's insurance	\$700.00	Insurance to cover the house and contents.
Inspections	\$300.00	Professional inspector provides report on condition of house.
Survey	\$125.00	Survey report on property lines.
Closing fees and notary	\$475.00	Fee for preparing final paperwork and transacting the closing
Recording fees	\$75.00	Fee for recording purchase of property
Transfer taxes	\$1,125.00	A tax paid to transfer the property
Attorney's fees	\$1,200.00	An attorney is not always necessary but may be used to ensure no problems exist with the property transfer and contract.
Escrow deposit for taxes	\$895.00	The lender uses the escrow account to guarantee certain bills are paid, debts that might otherwise cause the lender problems if not paid.
Partial month's interest	\$476.00	Payment in advance of the first month's mortgage interest
SUBTOTAL		
Down payment	\$12,000.00	
FINAL TOTAL		

Lesson 3.9: My Dream Home

Before you begin shopping for your home, it's a good idea to think about your housing wants and needs. Complete the following worksheet. Then search the following websites to find a property that comes closest to meeting your priorities.

- <http://www.realtor.com/>
- <http://www.homes.com/>

Price range: From \$ _____ to \$ _____

Location/City/town: _____

Home Type:

☐ Single-family home ☐ One-story ☐ Condominium ☐ Multi-story ☐ Townhouse

Home Exterior

☐ Wood ☐ Stucco ☐ Brick/Stone ☐ Other: _____

Condition:

☐ New ☐ Some work needed ☐ Move-in condition ☐ TLC/fixer-upper

Home size (square feet): _____

Rooms: # of bedrooms: _____ # of bathrooms: _____

☐ Dining room ☐ Laundry room ☐ Living Room ☐ Finished attic

☐ Family room ☐ Finished basement ☐ Office ☐ Other: _____

Features:

☐ Fireplace ☐ Storage space ☐ View ☐ Alarm system

☐ Yard/Landscaping ☐ Deck or patio ☐ Swimming pool

☐ Other: _____

Parking:

☐ Garage ☐ Carport ☐ Driveway

Heating/Cooling:

☐ Central air conditioning ☐ Ceiling fans ☐ Wood stove/fireplace

☐ Other: _____

List the top three needs that you must have in a home that you purchase.

1. _____

2. _____

3. _____

Lesson 4.2: Managing Personal Debt

Part I - Determine Average Daily Balance

Steve used a bonus check from work to start paying down the amounts on each of their credit cards. Calculate the average daily balance for each of Steve and Celine's credit card accounts using the information provided below. Remember that each account has a 30-day billing cycle. When you have finished, compare your answers with a classmate. Check for accuracy.

Account #	Starting Balance	Day of Payment	Amount of Payment	Average Daily Balance
1376224455	\$1,300.00	15	\$400.00	
142504669	\$780.00	16	\$35.00	
259427821	\$2,020.00	15	\$120.00	
658438770	\$648.00	21	\$300.00	
899008899	\$3,200.00	16	\$550.00	
569782543	\$1,011.00	15	\$75.00	

Part II - Determine Interest Charges Based On Average Daily Balance

Steve wants to know how much interest he will pay for the month of March on each of the following accounts. Calculate the monthly interest rate and total interest charges for each of the following accounts. When you have finished, compare your answers with a classmate. Check for accuracy.

Account #	Average Daily Balance	APR	Monthly Interest Rate	Total Interest Charges
1376224455	\$1,087.00	22.75%		
142504669	\$763.00	14.8%		
259427821	\$1,953.00	13.00%		
658438770	\$548.00	17.99%		
899008899	\$2,925.00	21.00%		
569782543	\$971.00	18.5%		

Lesson 4.3: It's Your Point of View

Use the chart to take notes during your conversations about the use of credit to purchase large items for the home. Be prepared to share the information you learned from each generation with your classmates.

Millenial	
Gen Xer	
Baby Boomer	
Silent Generation	

Bankruptcy 101

Bankruptcy laws were passed at the state and federal levels to protect individuals, not to punish them. Bankruptcy provides people with a chance to start over, unburdened by debts that they cannot pay. According to the Federal Trade Commission, personal bankruptcy is usually considered to be the debt management option of last resort because it has long-lasting and far-reaching results.

Chapter 7

Chapter 7 is one type of personal bankruptcy. A person who qualifies agrees to the liquidation of all of their non-exempt assets. The money from the sale of these assets is turned over to the person's creditors. At that point, the remaining debt is discharged or removed. To qualify for Chapter 7, an individual must pass a "means test" which requires that they show that their income is below a certain amount.

In Chapter 7, a person may be entitled to keep some property, such as a car, work-related tools, and basic home furnishings, and in some cases their home. Student loans, child support, alimony, fines, and taxes are not removed as part of the Chapter 7 process.

Chapter 13

Chapter 13 is often called "reorganization" bankruptcy. Chapter 13 requires that a person use his/her income to repay some or all of the debt owed. There are some "means testing" requirements that must be met. Chapter 13 allows individuals who have a steady income to keep property, such as a mortgaged home or a car that they might lose in Chapter 7.

After completing credit counseling, the application for Chapter 13 is submitted to the court. The court approves a repayment plan that allows a person to use future income to pay off debts during a three- to five-year period. After all payments have been made, the remaining debts are removed. Chapter 13 requires that some debts be paid in full and that regular payments be made on debts such as a car loan or mortgage.

Consequences of Bankruptcy

Bankruptcy should be the last resort. Individuals who file for bankruptcy can lose their home or possessions. Under Chapter 7 bankruptcy, most assets are taken. Chapter 13 eliminates a large portion of debt, but requires that a person fulfill a repayment plan.

Filing for bankruptcy has a very negative impact on credit ratings. Bankruptcy remains on a credit report for seven to ten years. Filing for bankruptcy makes it difficult to obtain credit, buy a home, get life insurance, and sometimes even to get a job.

Lesson 4.6: Estimating Emergency Fund Needs

After talking with Jamal and Amira, Bryan and Connie decided to set up an emergency fund. Because some bills varied from week to week or month to month, Bryan pulled copies of those bills over a period of four months, so he would have a good idea of the mean cost for those bills. Connie found the receipts from the grocery store for the past month and the local pharmacy for the past four months. They pulled copies of their bank statements to find the amount of their mortgage, car payment, and student loan payments.

Variable Expenses					
Groceries (4 weeks)	Pharmacy Bills (4 months)	Electric Bill (4 months)	Water/Sewer (4 months)	Cell Phones (4 months)	Gas for Car (4 months)
\$110.22	\$48.00	\$89.00	\$42.00	\$73.00	\$145.00
\$141.38	\$62.00	\$114.00	\$38.00	\$78.00	\$120.00
\$122.90	\$50.00	\$125.00	\$43.00	\$71.00	\$110.00
\$114.62	\$62.00	\$132.00	\$41.00	\$76.00	\$122.00

Fixed Expenses

Student Loans - Connie - \$130.00 per month, Bryan - \$80.00

Mortgage Payment (including insurance and taxes) - \$879.00

Car Payment (including insurance) - \$165.00

Use Bryan and Connie's information to determine how much they will need in an emergency fund to cover expenses for 3 months.

Expense	Cost for 1 month	Cost for 3 months
Grocery bill		
Pharmacy bill		
Electric bill		
Water/sewer bill		
Cell phone bill		
Student loans		
Mortgage payment		
Car Payment		
Gas for Car		

Total amount required for 1-month emergency fund \$ _____

Total amount required for 3-month emergency fund \$ _____

Bryan and Connie decided to use \$800 that they had set aside for their next vacation to start the emergency fund.

How long will it take them to set aside 1 month of expenses, if they add \$150 every two weeks to the fund?

How long will it take them to set aside 3 months of expenses?

Lesson 4.6: Estimating Your Emergency Fund Needs

Use what you have learned about estimating an emergency fund. Calculate your own personal expenses and fill in the information for each of the following categories:

Variable Expenses					
Groceries (4 weeks)	Pharmacy Bills (4 months)	Electric Bill (4 months)	Water/Sewer (4 months)	Cell Phones (4 months)	Gas for Car (4 months)

Fixed Expenses

	Amount
Student or Personal Loan Monthly Payment (if applicable)	
Mortgage/Lease Payment	
Car Payment or other transportation costs (bus, train, etc)	
Insurance payments (car, home, health)	

Expense	Cost for 1 month	Cost for 3 months
Grocery bill		
Pharmacy bill		
Electric bill		
Water/sewer bill		
Cell phone bill		
Student loans		
Mortgage payment		
Car Payment		
Gas for Car		

Total amount required for 1-month emergency fund \$ _____

Total amount required for 3-month emergency fund \$ _____

Time for Reflection

Steps I can take to reach my goal of setting aside money for my emergency fund.

Lesson 4.7: Planning for Retirement

Part I - Estimating Social Security Benefits

The following chart provides examples of the estimated social security income a person would receive at early, full, and delayed retirement age given certain income levels. The figures are merely estimates, but provide rough idea of what an individual might expect to receive if social security remains on its present course of compensation.

Estimated Retirement Monthly Payment				
Average Annual Income	\$35,000	\$45,000	\$55,000	\$65,000
Age 62 (early retirement)	\$800	\$900	\$1,100	\$1,200
Age 66 (full benefits)	\$1,000	\$1,200	\$1,400	\$1,600
Age 70 (delayed retirement)	\$1,500	\$1,700	\$2,000	\$2,200

1. Determine the monthly benefits that Alex and Dina would receive using Dina's current income and a projected salary of \$3,750 per month for Alex.
2. How much more would they receive if they waited until age 66 to retire.

Part II - Determining Contributions to Retirements

According to NEFE, individuals should on average save 15% of their pay for retirement. However, if a person starts saving earlier or later that percentage will change.

If you start saving at age:	You need to save ___% of your pay
25	9.4%
35	13.3%
45	20.4%
55	39.6%

Use the information provided and calculate the amount of money that each of the following individuals would need to set aside from his/her paycheck each week to better prepare for retirement.

Name	Current Age	Take Home Pay Per Week	Money Needed for Retirement
Richard	45	\$1,430.00	
Dolores	25	\$855.00	
Agnes	55	\$1,856.00	
Adriana	35	\$1,046.00	

Lesson 4.8: Plugging the Leaks - Stopping Unnecessary Spending

Take a few minutes and answer yes or no to each of the following questions about your spending habits.

Yes	No	
		1. I carry my lunch to work each day.
		2. I eat out with friends most days of the week.
		3. I rarely buy items from the vending machines at work.
		4. I buy three or more items from a vending machine each day.
		5. I carpool or use public transportation to go to work.
		6. I use my personal car to get back and forth to work.
		7. I buy in bulk at wholesale clubs, such as Costco or Sam's so I can save money on essential household items.
		8. I stop at the store almost every day to purchase groceries or other items that I need for my family
		9. I always use coupons.
		10. I never use coupons.
		11. I usually cook at home for my family, saving take-out for special occasions.
		12. I stop for take-out items for dinner several times a week.
		13. I use the public library to check out new books, movies, and CDs.
		14. I buy books, movies, and CDs as soon as they come out.
		15. I keep receipts for clothing items in case I need to return them.
		16. I never return items. I just give them to friends or co-workers.
		17. I always stay within my cell phone and text message limits.
		18. I use my phone and text whenever I need them, even though I often have to pay extra for them.
		19. I have basic cable and internet service.
		20. I have premium cable and internet service.

Take a look at your responses. Did you answer yes more often to the odd-numbered questions or the even-numbered questions?

If you answered yes more often to the even-numbered questions, then you have some spending leaks that you could plug. By plugging only a few of these leaks, you can save literally hundreds of dollars each year and become more fiscally fit.

If you answered yes more often to the odd-numbered questions, then you are definitely on your way to fiscal fitness.

Lesson 4.8: How Much Can I Save?

Transfer the information you gathered from the *Challenge Activity in Chapter 2, Lesson 8*. In that activity, you were asked to track your personal spending for one week. On the following form make a list of the individual items that you purchased. Calculate the cost of those items for a one-month and one-year period of time. See how much you can save.

The following is an example: Sylvia purchased a diet soda each day at work. The cost for the soda is \$1.25. In the course of a week, Sylvia spent \$6.25 on diet soda, more than the cost of a case of soda if she purchased them at the market. See how that one purchase adds up over time.

Item Regularly Purchased	Cost of item	Cost for 1 month	Cost for 1 year
Example: 1 soft drink each day (20 days)	\$1.25	\$25.00	\$300.00
Total Potential Savings			

Lesson 5.1: Responsibilities of Government

Read the following passage and use the information to help you fill in the chart below. Add other services for which you believe your taxes paid. The first one has been provided for you. Remember, sometimes services are provided through more than one tax source.

The U.S. Constitution divides powers among the national, state, and local governments. Each level has its own set of responsibilities.

- Federal responsibilities include: defense, currency regulation and foreign relations. At the federal level there is also responsibility for health, education, welfare, transportation, housing and urban development.
- State responsibilities include: state criminal code, working conditions, internal communications, and regulation of property, industry, business and public utilities. States also have responsibility for education, health, transportation, and public services.
- Local responsibilities include police and fire protection, health regulations, education, public transportation, and housing.

[illegible]

Lesson 5.2: Making Sure It's Right

Form W-4 is used by employers to determine the correct amount of federal income tax to withhold from your pay. Take a few minutes to review the three segments of Form W-4 that are included in this handout and then answer each of the following questions.

Personal Allowances Worksheet

1. What should you do with the worksheet after you have completed it?
2. In Line B, how many allowances should you enter if you are married and have on job and your spouse does not work?
3. In Line G, if you are eligible for the Child Tax Credit, how many allowances do you receive for each child if you make less than \$61,000?
4. How many allowances can you enter if you are the head of household on your return?
5. If you have more than one job, what portion of Form W-4 do you need to complete?

Employee's Withholding Allowance Certificate

1. What special number needs to be included on this form?
2. Line 7 allows you to claim an exemption from withholding. Do you need to meet one or both of the conditions included on the form?
3. What must you do before Form W-4 is considered valid?
4. Who else must complete a portion of this form?
5. In Line 3, which box must you select if you are married, but legally separated?

Two-Earners/Multiple Jobs Worksheet

1. When should you complete this form?
2. For what purpose do you use Table 1?
3. For what purpose would you use Table 2?
4. What is the purpose for Item 9?
5. Is there any information that you need to include from the Personal Allowances Worksheet?

Form W-4 (2011)

Purpose. Complete Form W-4 so that your employer can withhold the correct federal income tax from your pay. Consider completing a new Form W-4 each year and when your personal or financial situation changes.

Exemption from withholding. If you are exempt, complete **only** lines 1, 2, 3, 4, and 7 and sign the form to validate it. Your exemption for 2011 expires February 16, 2012. See Pub. 505, Tax Withholding and Estimated Tax.

Note. If another person can claim you as a dependent on his or her tax return, you cannot claim exemption from withholding if your income exceeds \$950 and includes more than \$300 of unearned income (for example, interest and dividends).

Basic instructions. If you are not exempt, complete the **Personal Allowances Worksheet** below. The worksheets on page 2 further adjust your withholding allowances based on itemized deductions, certain credits, adjustments to income, or two-earners/multiple jobs situations.

Complete all worksheets that apply. However, you may claim fewer (or zero) allowances. For regular wages, withholding must be based on allowances you claimed and may not be a flat amount or percentage of wages.

Head of household. Generally, you may claim head of household filing status on your tax return only if you are unmarried and pay more than 50% of the costs of keeping up a home for yourself and your dependent(s) or other qualifying individuals. See Pub. 501, Exemptions, Standard Deduction, and Filing Information, for information.

Tax credits. You can take projected tax credits into account in figuring your allowable number of withholding allowances. Credits for child or dependent care expenses and the child tax credit may be claimed using the **Personal Allowances Worksheet** below. See Pub. 919, How Do I Adjust My Tax Withholding, for information on converting your other credits into withholding allowances.

Nonwage income. If you have a large amount of nonwage income, such as interest or dividends, consider making estimated tax payments using

Form 1040-ES, Estimated Tax for Individuals. Otherwise, you may owe additional tax. If you have pension or annuity income, see Pub. 919 to find out if you should adjust your withholding on Form W-4 or W-4P.

Two earners or multiple jobs. If you have a working spouse or more than one job, figure the total number of allowances you are entitled to claim on all jobs using worksheets from only one Form W-4. Your withholding usually will be most accurate when all allowances are claimed on the Form W-4 for the highest paying job and zero allowances are claimed on the others. See Pub. 919 for details.

Nonresident alien. If you are a nonresident alien, see Notice 1392, Supplemental Form W-4 Instructions for Nonresident Aliens, before completing this form.

Check your withholding. After your Form W-4 takes effect, use Pub. 919 to see how the amount you are having withheld compares to your projected total tax for 2011. See Pub. 919, especially if your earnings exceed \$130,000 (Single) or \$180,000 (Married).

Personal Allowances Worksheet (Keep for your records.)

A	Enter "1" for yourself if no one else can claim you as a dependent	A	_____						
B	Enter "1" if: <table border="0"><tr><td>• You are single and have only one job; or</td><td rowspan="3">}</td><td rowspan="3">B</td><td rowspan="3">_____</td></tr><tr><td>• You are married, have only one job, and your spouse does not work; or</td></tr><tr><td>• Your wages from a second job or your spouse's wages (or the total of both) are \$1,500 or less.</td></tr></table>	• You are single and have only one job; or	}	B	_____	• You are married, have only one job, and your spouse does not work; or	• Your wages from a second job or your spouse's wages (or the total of both) are \$1,500 or less.		
• You are single and have only one job; or	}	B				_____			
• You are married, have only one job, and your spouse does not work; or									
• Your wages from a second job or your spouse's wages (or the total of both) are \$1,500 or less.									
C	Enter "1" for your spouse . But, you may choose to enter "-0-" if you are married and have either a working spouse or more than one job. (Entering "-0-" may help you avoid having too little tax withheld.)	C	_____						
D	Enter number of dependents (other than your spouse or yourself) you will claim on your tax return	D	_____						
E	Enter "1" if you will file as head of household on your tax return (see conditions under Head of household above)	E	_____						
F	Enter "1" if you have at least \$1,900 of child or dependent care expenses for which you plan to claim a credit	F	_____						
	(Note. Do not include child support payments. See Pub. 503, Child and Dependent Care Expenses, for details.)								
G	Child Tax Credit (including additional child tax credit). See Pub. 972, Child Tax Credit, for more information. • If your total income will be less than \$61,000 (\$90,000 if married), enter "2" for each eligible child; then less "1" if you have three or more eligible children. • If your total income will be between \$61,000 and \$84,000 (\$90,000 and \$119,000 if married), enter "1" for each eligible child plus "1" additional if you have six or more eligible children	G	_____						
H	Add lines A through G and enter total here. (Note. This may be different from the number of exemptions you claim on your tax return.) ▶	H	_____						
	For accuracy, complete all worksheets that apply. <table border="0"><tr><td>• If you plan to itemize or claim adjustments to income and want to reduce your withholding, see the Deductions and Adjustments Worksheet on page 2.</td><td rowspan="3">}</td><td rowspan="3">H</td><td rowspan="3">_____</td></tr><tr><td>• If you have more than one job or are married and you and your spouse both work and the combined earnings from all jobs exceed \$40,000 (\$10,000 if married), see the Two-Earners/Multiple Jobs Worksheet on page 2 to avoid having too little tax withheld.</td></tr><tr><td>• If neither of the above situations applies, stop here and enter the number from line H on line 5 of Form W-4 below.</td></tr></table>	• If you plan to itemize or claim adjustments to income and want to reduce your withholding, see the Deductions and Adjustments Worksheet on page 2.	}	H	_____	• If you have more than one job or are married and you and your spouse both work and the combined earnings from all jobs exceed \$40,000 (\$10,000 if married), see the Two-Earners/Multiple Jobs Worksheet on page 2 to avoid having too little tax withheld.	• If neither of the above situations applies, stop here and enter the number from line H on line 5 of Form W-4 below.		
• If you plan to itemize or claim adjustments to income and want to reduce your withholding, see the Deductions and Adjustments Worksheet on page 2.	}	H				_____			
• If you have more than one job or are married and you and your spouse both work and the combined earnings from all jobs exceed \$40,000 (\$10,000 if married), see the Two-Earners/Multiple Jobs Worksheet on page 2 to avoid having too little tax withheld.									
• If neither of the above situations applies, stop here and enter the number from line H on line 5 of Form W-4 below.									

Cut here and give Form W-4 to your employer. Keep the top part for your records.

Form W-4 Department of the Treasury Internal Revenue Service		Employee's Withholding Allowance Certificate		OMB No. 1545-0074 2011	
▶ Whether you are entitled to claim a certain number of allowances or exemption from withholding is subject to review by the IRS. Your employer may be required to send a copy of this form to the IRS.					
1 Type or print your first name and middle initial.		Last name		2 Your social security number	
Home address (number and street or rural route)				3 <input type="checkbox"/> Single <input type="checkbox"/> Married <input type="checkbox"/> Married, but withhold at higher Single rate. Note. If married, but legally separated, or spouse is a nonresident alien, check the "Single" box.	
City or town, state, and ZIP code				4 If your last name differs from that shown on your social security card, check here. You must call 1-800-772-1213 for a replacement card. ▶ <input type="checkbox"/>	
5 Total number of allowances you are claiming (from line H above or from the applicable worksheet on page 2)				5 _____	
6 Additional amount, if any, you want withheld from each paycheck				6 \$ _____	
7 I claim exemption from withholding for 2011, and I certify that I meet both of the following conditions for exemption. • Last year I had a right to a refund of all federal income tax withheld because I had no tax liability and • This year I expect a refund of all federal income tax withheld because I expect to have no tax liability. If you meet both conditions, write "Exempt" here ▶				7 _____	
Under penalties of perjury, I declare that I have examined this certificate and to the best of my knowledge and belief, it is true, correct, and complete.					
Employee's signature (This form is not valid unless you sign it.) ▶				Date ▶	
8 Employer's name and address (Employer: Complete lines 8 and 10 only if sending to the IRS.)				9 Office code (optional) 10 Employer identification number (EIN)	

Deductions and Adjustments Worksheet**Note.** Use this worksheet *only* if you plan to itemize deductions or claim certain credits or adjustments to income.

- 1 Enter an estimate of your 2011 itemized deductions. These include qualifying home mortgage interest, charitable contributions, state and local taxes, medical expenses in excess of 7.5% of your income, and miscellaneous deductions **1** \$ _____
- 2 Enter: $\left\{ \begin{array}{l} \$11,600 \text{ if married filing jointly or qualifying widow(er)} \\ \$8,500 \text{ if head of household} \\ \$5,800 \text{ if single or married filing separately} \end{array} \right\}$ **2** \$ _____
- 3 **Subtract** line 2 from line 1. If zero or less, enter "-0-" **3** \$ _____
- 4 Enter an estimate of your 2011 adjustments to income and any additional standard deduction (see Pub. 919) **4** \$ _____
- 5 **Add** lines 3 and 4 and enter the total. (Include any amount for credits from the *Converting Credits to Withholding Allowances for 2011 Form W-4 Worksheet* in Pub. 919.) **5** \$ _____
- 6 Enter an estimate of your 2011 nonwage income (such as dividends or interest) **6** \$ _____
- 7 **Subtract** line 6 from line 5. If zero or less, enter "-0-" **7** \$ _____
- 8 **Divide** the amount on line 7 by \$3,700 and enter the result here. Drop any fraction **8** _____
- 9 Enter the number from the **Personal Allowances Worksheet**, line H, page 1 **9** _____
- 10 **Add** lines 8 and 9 and enter the total here. If you plan to use the **Two-Earners/Multiple Jobs Worksheet**, also enter this total on line 1 below. Otherwise, **stop here** and enter this total on Form W-4, line 5, page 1 **10** _____

Two-Earners/Multiple Jobs Worksheet (See *Two earners or multiple jobs* on page 1.)**Note.** Use this worksheet *only* if the instructions under line H on page 1 direct you here.

- 1 Enter the number from line H, page 1 (or from line 10 above if you used the **Deductions and Adjustments Worksheet**) **1** _____
- 2 Find the number in **Table 1** below that applies to the **LOWEST** paying job and enter it here. **However**, if you are married filing jointly and wages from the highest paying job are \$65,000 or less, do not enter more than "3" **2** _____
- 3 If line 1 is **more than or equal to** line 2, subtract line 2 from line 1. Enter the result here (if zero, enter "-0-") and on Form W-4, line 5, page 1. **Do not** use the rest of this worksheet **3** _____

Note. If line 1 is **less than** line 2, enter "-0-" on Form W-4, line 5, page 1. Complete lines 4 through 9 below to figure the additional withholding amount necessary to avoid a year-end tax bill.

- 4 Enter the number from line 2 of this worksheet **4** _____
- 5 Enter the number from line 1 of this worksheet **5** _____
- 6 **Subtract** line 5 from line 4 **6** _____
- 7 Find the amount in **Table 2** below that applies to the **HIGHEST** paying job and enter it here **7** \$ _____
- 8 **Multiply** line 7 by line 6 and enter the result here. This is the additional annual withholding needed **8** \$ _____
- 9 Divide line 8 by the number of pay periods remaining in 2011. For example, divide by 26 if you are paid every two weeks and you complete this form in December 2010. Enter the result here and on Form W-4, line 6, page 1. This is the additional amount to be withheld from each paycheck **9** \$ _____

Table 1**Table 2**

Married Filing Jointly				All Others			
If wages from LOWEST paying job are—		Enter on line 2 above		If wages from LOWEST paying job are—		Enter on line 2 above	
\$0 - \$5,000 -		0		\$0 - \$8,000 -		0	
5,001 - 12,000 -		1		8,001 - 15,000 -		1	
12,001 - 22,000 -		2		15,001 - 25,000 -		2	
22,001 - 25,000 -		3		25,001 - 30,000 -		3	
25,001 - 30,000 -		4		30,001 - 40,000 -		4	
30,001 - 40,000 -		5		40,001 - 50,000 -		5	
40,001 - 48,000 -		6		50,001 - 65,000 -		6	
48,001 - 55,000 -		7		65,001 - 80,000 -		7	
55,001 - 65,000 -		8		80,001 - 95,000 -		8	
65,001 - 72,000 -		9		95,001 - 120,000 -		9	
72,001 - 85,000 -		10		120,001 and over		10	
85,001 - 97,000 -		11					
97,001 - 110,000 -		12					
110,001 - 120,000 -		13					
120,001 - 135,000 -		14					
135,001 and over		15					

Married Filing Jointly		All Others	
If wages from HIGHEST paying job are—		Enter on line 7 above	
\$0 - \$65,000	\$560	\$0 - \$35,000	\$560
65,001 - 125,000	930	35,001 - 90,000	930
125,001 - 185,000	1,040	90,001 - 165,000	1,040
185,001 - 335,000	1,220	165,001 - 370,000	1,220
335,001 and over	1,300	370,001 and over	1,300

Privacy Act and Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. Internal Revenue Code sections 3402(f)(2) and 6109 and their regulations require you to provide this information; your employer uses it to determine your federal income tax withholding. Failure to provide a properly completed form will result in your being treated as a single person who claims no withholding allowances; providing fraudulent information may subject you to penalties. Routine uses of this information include giving it to the Department of Justice for civil and criminal litigation, to cities, states, the District of Columbia, and U.S. commonwealths and possessions for use in administering their tax laws; and to the Department of Health and Human Services for use in the National Directory of New Hires. We may also disclose this information to other countries under a tax treaty, to federal and state agencies to enforce federal nontax criminal laws, or to federal law enforcement and intelligence agencies to combat terrorism.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by Code section 6103.

The average time and expenses required to complete and file this form will vary depending on individual circumstances. For estimated averages, see the instructions for your income tax return.

If you have suggestions for making this form simpler, we would be happy to hear from you. See the instructions for your income tax return.

Lesson 5.3: To Itemize or Not to Itemize — That is the Question!

Each year the IRS releases the standard deduction amounts that can be used based on your filing status. The deduction rates are adjusted each year based on inflation. The following is an example of the rates set for taxes reported in 2009.

Standard Deductions for 2009

Filing Status	Standard Deduction
Single	\$5,700
Married Filing Jointly	\$11,400
Head of Household	\$8,400
Married Filing Separately	\$5,700
Qualifying Widow(er)	\$11,400

It's Your Turn!

Use the information provided below and complete the sample Schedule A to determine whether or not Jessica and Antonio should itemize their deductions or take the standard deduction. Use \$57,000 for their income on Line 2 and on Line 25.

Jessica and Antonio are both employed. Their employers pay for health insurance, but it doesn't cover many of the medical and dental expenses that they have.

In 2009, they had a total of:

- \$3,610 in medical expenses
- \$2,430 in dental expenses

They paid \$2,580 in state income tax on their combined income of \$57,000. They do not own a home. Each month, they contribute food to a local soup kitchen. The food costs them \$60 each month. Each year, they give 5% of their income to a local charity.

Jessica was required to take three certification courses this year for her job. Each course cost \$300 and was not reimbursed by her employer. Antonio paid \$600 in union dues. They complete their own taxes each year so they do not pay a preparer's fee. They do have a safe deposit box that costs \$50 per year.

Should Jessica and Antonio take the standard deduction or should they itemize? Why?

**SCHEDULE A
(Form 1040)**Department of the Treasury
Internal Revenue Service (99)**Itemized Deductions**▶ **Attach to Form 1040.**▶ **See Instructions for Schedule A (Form 1040).**

OMB No. 1545-0074

2009Attachment
Sequence No. **07**

Name(s) shown on Form 1040

Your social security number

Medical and Dental Expenses	Caution. Do not include expenses reimbursed or paid by others.				
	1	Medical and dental expenses (see page A-1)	1		
	2	Enter amount from Form 1040, line 38 2			
	3	Multiply line 2 by 7.5% (.075)	3		
	4	Subtract line 3 from line 1. If line 3 is more than line 1, enter -0-		4	
Taxes You Paid (See page A-2.)	5 State and local (check only one box):				
	a <input type="checkbox"/> Income taxes, or		5		
	b <input type="checkbox"/> General sales taxes				
	6	Real estate taxes (see page A-5)	6		
	7	New motor vehicle taxes from line 11 of the worksheet on back. Skip this line if you checked box 5b	7		
	8	Other taxes. List type and amount ▶	8		
	9	Add lines 5 through 8		9	
Interest You Paid (See page A-6.) Note. Personal interest is not deductible.	10	Home mortgage interest and points reported to you on Form 1098	10		
	11	Home mortgage interest not reported to you on Form 1098. If paid to the person from whom you bought the home, see page A-7 and show that person's name, identifying no., and address ▶	11		
	12	Points not reported to you on Form 1098. See page A-7 for special rules	12		
	13	Qualified mortgage insurance premiums (see page A-7)	13		
	14	Investment interest. Attach Form 4952 if required. (See page A-8.)	14		
	15	Add lines 10 through 14		15	
	Gifts to Charity If you made a gift and got a benefit for it, see page A-8.	16	Gifts by cash or check. If you made any gift of \$250 or more, see page A-8	16	
17		Other than by cash or check. If any gift of \$250 or more, see page A-8. You must attach Form 8283 if over \$500	17		
18		Carryover from prior year	18		
19		Add lines 16 through 18		19	
Casualty and Theft Losses	20	Casualty or theft loss(es). Attach Form 4684. (See page A-10.)		20	
Job Expenses and Certain Miscellaneous Deductions (See page A-10.)	21	Unreimbursed employee expenses—job travel, union dues, job education, etc. Attach Form 2106 or 2106-EZ if required. (See page A-10.) ▶	21		
	22	Tax preparation fees	22		
	23	Other expenses—investment, safe deposit box, etc. List type and amount ▶	23		
	24	Add lines 21 through 23	24		
	25	Enter amount from Form 1040, line 38 25			
	26	Multiply line 25 by 2% (.02)	26		
	27	Subtract line 26 from line 24. If line 26 is more than line 24, enter -0-		27	
Other Miscellaneous Deductions	28	Other—from list on page A-11. List type and amount ▶		28	
Total Itemized Deductions	29	Is Form 1040, line 38, over \$166,800 (over \$83,400 if married filing separately)? <input type="checkbox"/> No. Your deduction is not limited. Add the amounts in the far right column for lines 4 through 28. Also, enter this amount on Form 1040, line 40a. <input type="checkbox"/> Yes. Your deduction may be limited. See page A-11 for the amount to enter.		29	
	30	If you elect to itemize deductions even though they are less than your standard deduction, check here			

Lesson 5.4: Keep Those Records!

Periods of Limitations established by the IRS for maintaining tax records

	If you...	Then the period is...
1	Owe additional tax and (2), (3), and (4) do not apply to you.	3 years
2	Do not report income that you should and it is more than 25% of the gross income shown on your return.	6 years
3	File a fraudulent return	No limit
4	Do not file a return	No limit
5	File a claim for credit or refund after you filed your return	The later of 3 years or 2 years after tax was paid.
6	File a claim for a loss for worthless securities	7 years

Read each of the following scenarios and use the information from the table to decide how long the tax records should be maintained.

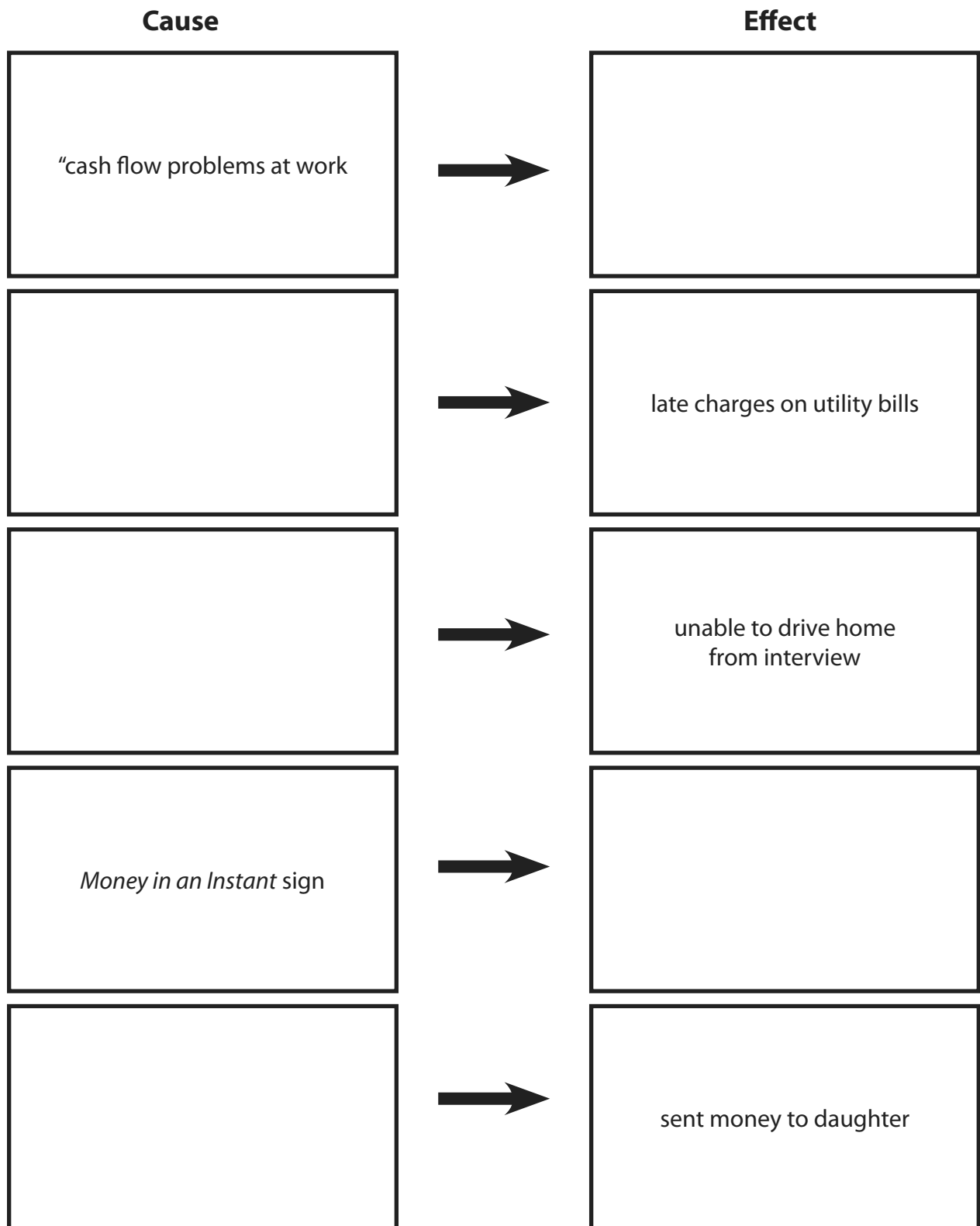
1. Chai filed returns in 2006, 2007, and 2009. When will he be able to dispose of the records from 2008?
2. Tau amended his 2008 returns in January of 2009 when he discovered that he had not included the Child Care Tax Credit on his original return. How long will he need to keep his 2008 return?
3. In 2008, Adele lost a substantial sum of money she had invested in an energy conservation company that was later discovered to be a scam. How long will she need to maintain these records?
4. Thomas and Genny failed to report all of their income in 2007. They just received a notice that they owe taxes on more than \$15,000 in income. On their 2007 taxes, they showed an income of \$36,000. How long will they be required to maintain their 2007 records?
5. Sarah believes that taxes are unconstitutional. She files a return each year, but never reports all of her income and sometimes even includes deductions to which she is not entitled. How far back can auditors go in search of her records?

Bonus Question

What tax records should you maintain?

Lesson 6.1: Recognizing Cause and Effect

Kirby had a challenging week with multiple problems occurring at home and work. Re-read the scenario and identify either the cause or effect in the graphic organizer.



Did you find any other cause and effect relationships within the passage? If so, jot them down in the space below and share them with your classmates.

Lesson 6.2: It's a Fact! Or Is It?



The only option available to people in Dolores' situation is to use a Rent-to-Own store.	Local stores with their own in-house financing are the best options for buying appliances.
Rent-to-Own stores provide a payment plan to purchase brand new merchandise such as furniture, computers, and appliances.	Jack's RTO offers customers the best service in town when purchasing merchandise.
AFS providers give customers the highest quality service at the lowest cost.	In a recent survey, 70% of RTO customers failed to make all of their payments on time.
If she hadn't been so irresponsible with her money, Dolores would not have been in such a bad situation.	Most people think that RTOs are the best option for people who don't have money to make a down-payment on new merchandise.
Research has shown that for individuals with limited income, AFS may be the only option available for meeting their financial needs.	RTOs provide customers with an opportunity to buy new, name-brand merchandise without a large down payment.
RTO customers who do not make payments will have their merchandise repossessed.	Alternative financial services charge people exorbitant rates for poor services.
Dolores' neighbor swears that Jack's RTO is the best place for purchasing appliances.	You can't beat our prices.
You can always find what you need at Homewares SuperExpress. We have it all!	Homewares SuperExpress is a family-owned and operated store serving the greater Detroit area since 1969.

Lesson 6.3: Getting the Main Idea

Directions: Read the following passage and then select the main idea.

One of the most common methods for trying to steal a person's identity involves the Internet. Maybe you have been the recipient of an email like the following:

A block has been placed on your account due to suspected fraud. Please click on the following link and update your PIN and password so you can continue to enjoy online banking.

If you have ever received an official looking email from your bank or even the Internal Revenue Service (IRS) that asks you to click on a link and provide personal financial information, you have been the target of a phishing attempt. The IRS does not use email to communicate with individuals, but rather sends request for information through the United States Postal Service and they always provide a phone number for personal contact.

It is easy to avoid identity theft through phishing, just delete the email and report it to your bank or the appropriate government agency. If there is a problem with your account, just pick up the phone and talk personally with a legitimate bank or agency employee. Identity thieves can't win when consumers don't respond.

The main idea of this paragraph is:

- ☐ A. Phishing is rarely used as a way to steal a person's identity.
- ☐ B. Banks send out many emails requesting personal financial information.
- ☐ C. Phishing is a common method that thieves use to try and steal your identity.
- ☐ D. The IRS does not send emails requesting personal financial information.

Directions: Now that you have found the main idea, make a list of the relevant details in the passage that explain why the information is important or what you should do.

The relevant details in this passage are

Lesson 6.3: My Personal Identity Security Plan

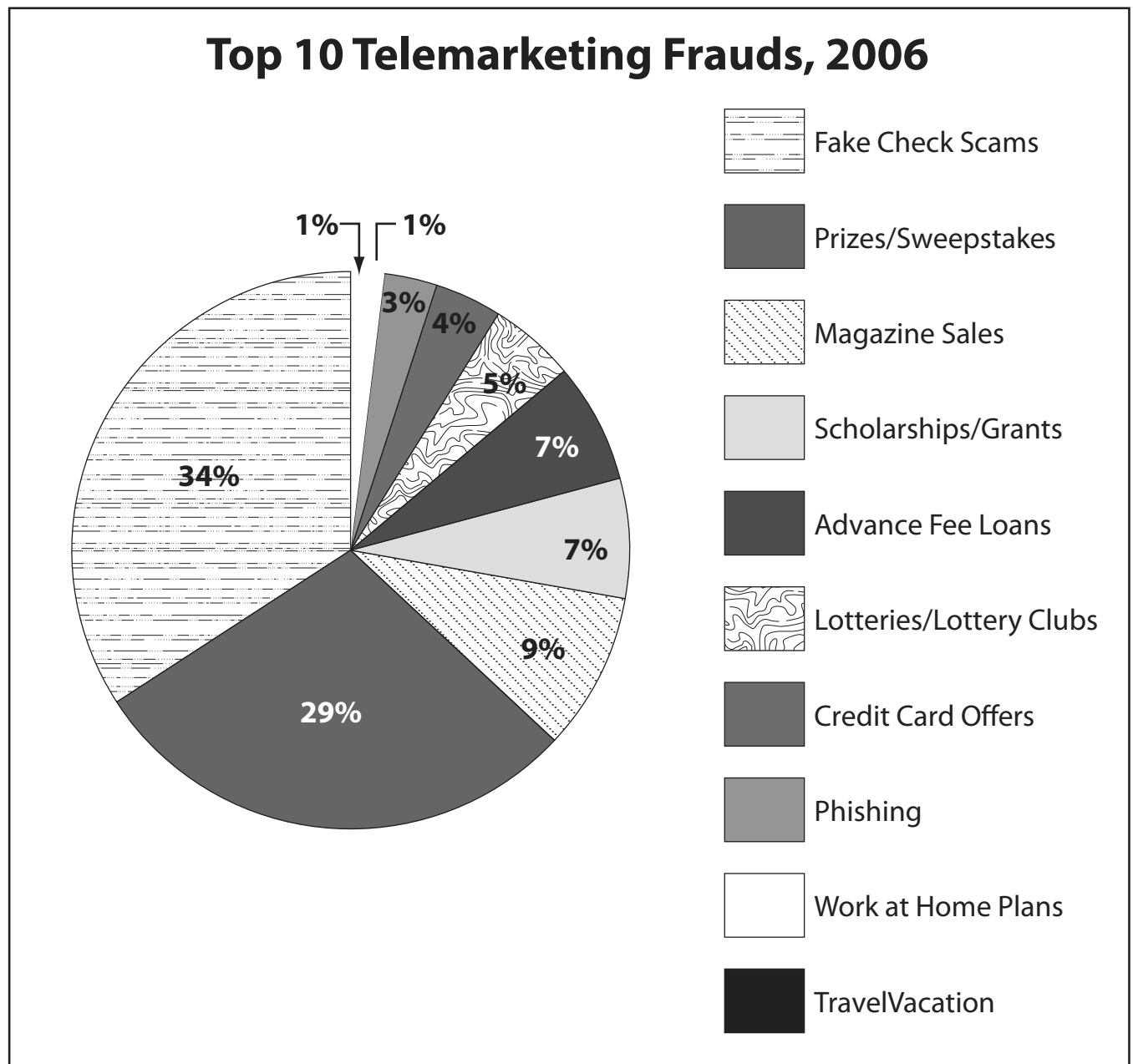
To deter thieves from stealing my personal information, I will:	To detect any possible signs of identity theft, I will:	To defend myself and my family against identity theft as soon as I suspect something has occurred, I will:
1.	1.	1.
2.	2.	2.

To ensure that my family is aware of the dangers of identity theft and what they should do, I will:

1.
2.
3.

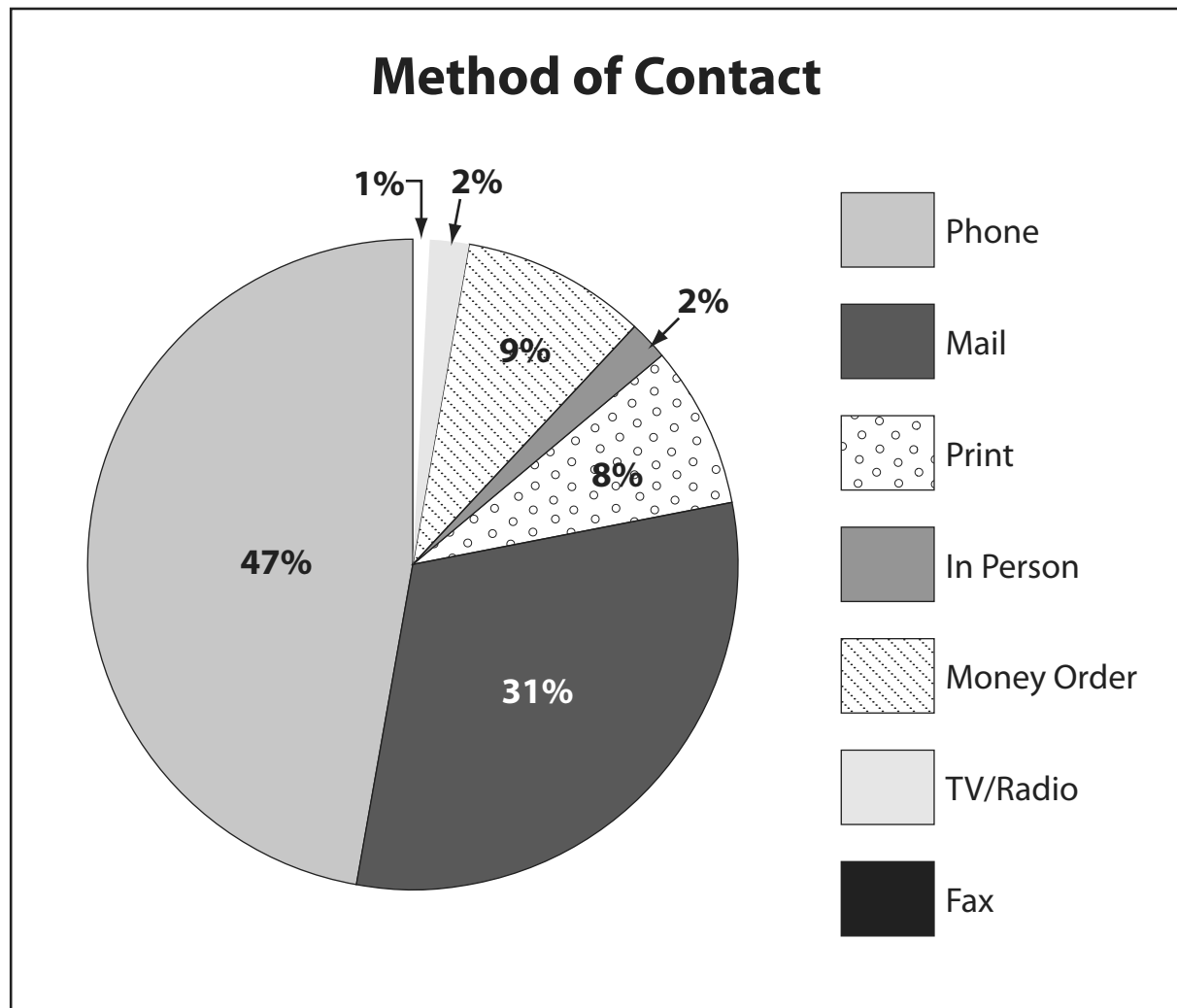
Lesson 6.4: Telemarketing Fraud

The following graphs include information from the *National Consumer League's National Fraud Information Center*. Take a few minutes and review the graph.



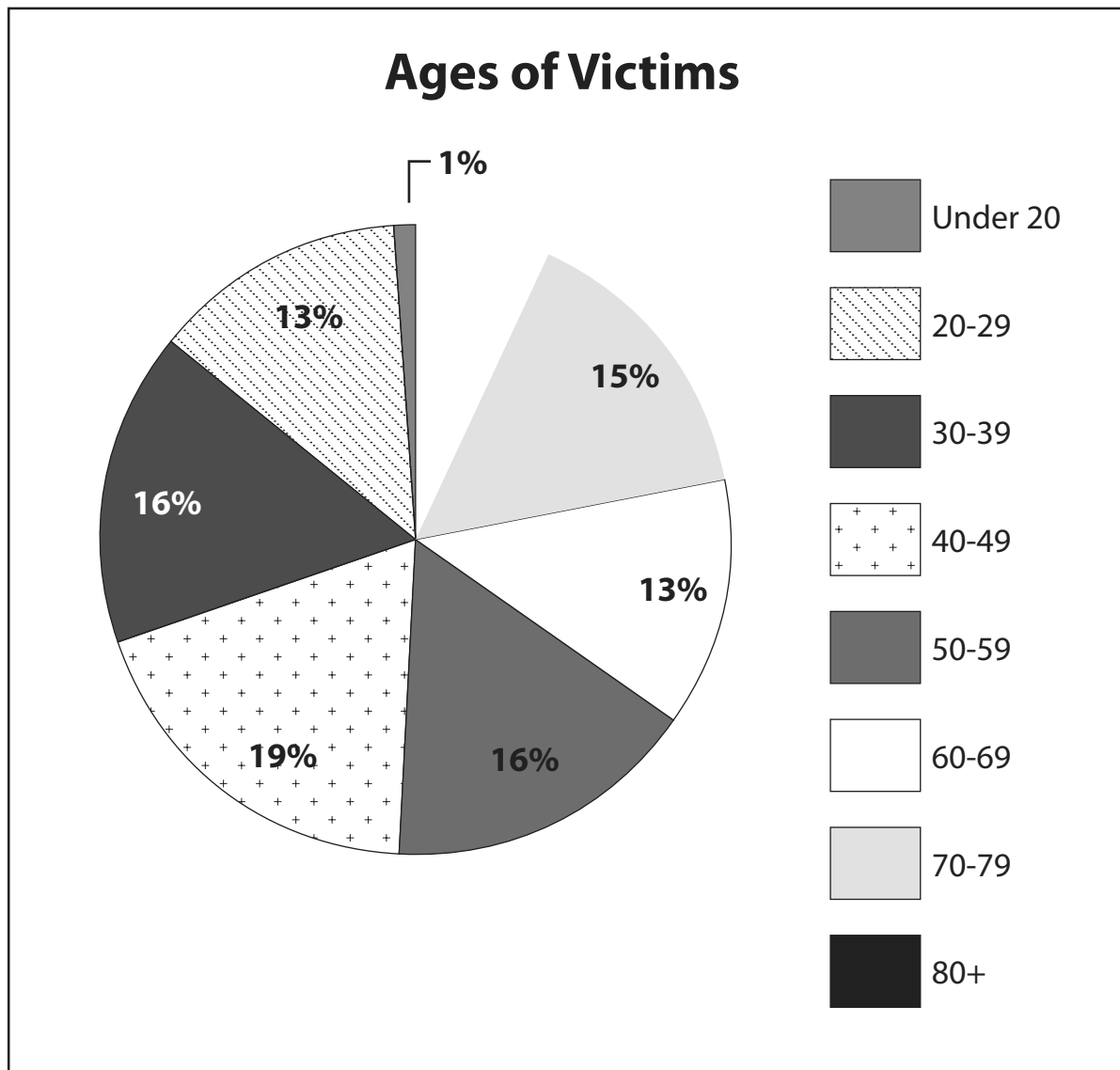
What information does the graph provide? What conclusions can you draw from the graph?

Take a few minutes to review the following graph? What conclusions can you draw from this graph?



Lesson 6.4: Telemarketing Fraud — Does Age Really Matter

The following graph was developed based on information from the National Consumer's League, National Fraud Information Center (NFIC) in Washington, D.C. Take a few minutes to review the graph. What conclusions can you draw from the graph?



1. Which age group was targeted most frequently?
2. Which age group was targeted least frequently?
3. Based on the information included in the graph, which members of your family are most likely to be targeted by fraudulent telemarketers?

Do the Math

Using the information provided in the graph, calculate the number of victims in each category if the total number of crimes reported was 18,000? 790,000. Share your responses with the rest of the class.

Take the challenge! If the average loss per person was \$1,174, what was the total cost to consumers for those 60 years of age and older?

Lesson 6.5: Which One Is Right for Me?

Directions: Read each of the following passages and determine the primary purpose for each: to inform, to persuade, or to entertain. In the space provided, write your impression about each passage and whether or not you would use this organization if you needed to improve your credit rating.

Fix It Now! Credit Repair Made Easy

Do you have credit problems? Are you afraid that you will never be able to own your own home or buy a new car? We can Fix It Now!

Did you know that credit reporting agencies and your creditors are responsible for proving every claim against you? Don't worry; you don't need a lawyer to make them prove it. You have us.

All we need to get started are copies of your credit reports. Credit agencies always charge a fee for your reports - in fact you can pay \$30, \$40, or even more for those reports. We can access them for you and begin our analysis today. For a small initiation fee of \$29*, we will have you on your way to financial freedom in 30 days or less. We'll get those negative items legally removed - all of them - guaranteed!

Fix It Now! We know how!

*Other charges may apply including process, investigation, onsite and phone communications, written verification, etc. Offer void where prohibited.

1. What is the purpose of this text?
2. What is your reaction to the services they provide?

Community Credit Services (CCS)

CCS is a non-profit organization dedicated to helping consumers repair and rebuild their credit. We are highly trained staff, who can work with you to determine the best course of actions based on your individual needs.

Did you know that each year, you are entitled to receive copies of your credit report, free. We will help you access those reports and conduct a detailed analysis, at no cost to you. We will help you develop a plan for long-term financial freedom from debt, and we'll be with you every step of the way. Visit us today - don't worry our services are free thanks to our generous donors

1. What is the purpose of this text?
2. What is your reaction to the services they provide?

Lesson 6.6: Consumer Protection for You.

Review each of the descriptions of the Internet resources listed below. In the column provided, write down one or two questions that you believe the site might be able to answer. Share your questions with the rest of the class.

Name and URL of Site	Description	I believe this site might help me answer the following questions
OnGuard Online http://www.onguardonline.gov/	This site was produced by the federal government and the technology industry to help consumers avoid Internet fraud, keep your computer secure, and protect personal information.	
Federal Trade Commission, Consumer Protection http://ftc.gov/bcp/consumer.shtml	This site offers practical information on a variety of consumer topics. The information provided can help you avoid rip-offs and exercise your consumer rights.	
Federal Trade Commission, Medical Identity Theft http://ftc.gov/bcp/edu/pubs/consumer/	This site provides information on medical identity theft, its effects, and ways to prevent it.	
US.gov Consumer Protection for Seniors http://www.usa.gov/Topics/Seniors/Consumer.shtml	This site serves as a portal to information on a wide range of issues that impact senior citizens, including Social Security/Medicare fraud, elder abuse, and financial crimes against the elderly.	

