MICHIGAN ADULT EDUCATION

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EXPLORING Personal Finance CHOICES

For the Adult Education Student

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Introduction to the Michigan Adult Education Student

Overview
"Making Sound Personal Finance Choices" was developed with two goals in mind. First, to provide Pre-GED students with real-world material that will help learn skills needed to pass the GED Test. Second, the content of the workbook was also chosen to provide students with content that will assist in making sound financial choices. The economic crisis has made all of us more aware of the need to make good financial decisions. Each of us needs the right information when faced with complicated financial issues. This course is designed to help you with the twin goals stated above.

Organization of the Scenarios
This workbook is divided into six units. There are several reading selections in each unit. Each selection begins with a list of GED preparation goals called "Advancing Your GED Skills." Another feature is the list of "Vocabulary" words to review before reading the selection. If you are unsure of the meaning or definition of one or more of the vocabulary words check the "Glossary" in the back of the book. The readings are stories of people faced with personal finance choices. At the end of the reading there are several "Think About It!" questions. The questions are designed to help you think about different ways to solve the issue faced by the person in the reading.

Classroom Activities
Your instructor has been provided with several different activities for each lesson. Many of the classroom activities contain worksheets designed to improve your knowledge of personal finance while you complete GED preparation exercises. These activities are often designed to be completed in small groups. The group exercises guide you and your fellow students through discussion of personal finance issues. The old saying "Two heads are better than one" applies here.

Summary
Thank you for choosing to enroll in this course. The Michigan Department of Adult Education hopes that your participation will provide you with information that will make you a smarter consumer of financial services while you advance in the skills necessary to pass the GED Test. Attainment of both goals is our hope for each student who uses this material.

UNIT 1

Building Financial Responsibility and Making Financial Decisions

- Taking Responsibility for Being Financially Literate
- Developing SMART Financial Goals
- Setting Short Term and Long-Term Financial Goals
- Values, Wants, and Needs
- Discussing Financial Issues

1.1

Unit 1, Lesson 1: Taking Responsibility for Being Financially Literate — Phillipe (Part I)

Advancing Your GED Skills

In this lesson, you will:

- Define what it means to be financially literate.
- Identify the need for taking responsibility for being financially literate.
- Identify different patterns of organization in textbooks and lessons.
- Learn more about your personal knowledge of financial topics.

Vocabulary

- Certificates of Deposit
- FICA
- Financially literate
- Money market account
- Individual retirement account (IRA)

Scenario 1.1: Philipe (Part I)

Phillipe has always heard that it's neither too early nor too late to learn about personal finance. With a new job that has great potential for promotion and a baby on the way, Phillipe has decided that he needs to become more familiar with all of the financial options that are available. Phillipe knows that he and his wife need to plan for the future so that their goal of owning a first home can become a reality. However, there are so many things that Phillipe and his wife need and want. He never thought about how much it really costs to get married and start a family.

Phillipe isn't sure where to begin in planning for his family's financial future. It was so much easier when he was in high school and all he had to worry about was making enough money to pay for the gas for his car. Phillipe wonders how he could have missed learning so many important skills when he was in school. Even reading his paystub is challenging. What in the world are all of those deductions taken from his paycheck? FICA? Two different types of taxes? Insurance?

Then of course, there are all of the different investments that he can use to start a savings account. Should he look at Certificates of Deposit (CDs) or a money market account, or just a regular savings account? Phillipe knows that his company has started an individual retirement account (IRA) for him, but he wonders whether he should add to that account at this time.

It's hard to figure out what to do, especially when there are so many things that he and his wife want to buy for the baby. There are so many great deals on the Internet and even some of the local stores offer what look like affordable payment plans. Phillipe has heard that some of these types of plans can be real scams, but how would he know?

1.1

Phillipe wonders how people are supposed to understand all of these things and become financially literate. Phillipe talks with his friend David about his concerns in planning for the future. David shares with Phillipe that in today's world, a person's overall money management tasks have become more and more complicated.

As a consumer, it is important that Phillipe understand both the basics, as well as the more complex financial transactions. By taking responsibility for his own financial future, David explains to Phillipe that he has taken an important first step. The next step is obtaining accurate information. David tells Phillipe about a class that is being sponsored at work. The class is Making Sound Personal Financial Choices and will cover all of the different areas that Phillipe wants to learn more about. In fact, David tells Phillipe that he can bring his wife as well. Making financial choices needs to be a family commitment.

Philipe thanks David for his guidance and looks forward to attending the class so that he and his wife can feel more comfortable in taking responsibility for their family's financial future.

Think About It!

1. Why is it important to take personal responsibility for becoming financially literate?
2. What types of skills are necessary in order to be financially literate?
3. How did you learn the different skills necessary to become financially literate?
4. Have you ever taken a workshop or course on financial or money issues?
5. Why is it important to have accurate information when developing a financial plan for the future?

1.2

Unit 1, Lesson 2: Developing SMART Financial Goals — Phillipe (Part II)

Advancing Your GED Skills

In this lesson, you will:

- Learn about the benefits of financial goal setting.
- Define the five elements of a well-written financial goal.
- Apply your skills by writing a SMART goal.

Vocabulary

- Financial objectives
- Financial security
- SMART goals

Scenario 1.2: Phillipe (Part II)

Phillipe took David's advice, and he with his wife Marta enrolled in the Making Sound Personal Financial Choices workshop. Both Phillipe and Marta are excited about learning more about how to plan for their future by making better financial decisions. At the first session, the instructor asks everyone to identify their top three financial objectives.

Phillipe and Marta discuss what they feel would be most important for their financial future. They write down that their top three financial objectives are to:

1. Achieve financial security
2. Save money
3. Start investing

As they are sharing their objectives with the group, Phillipe and Marta notice that the other members have similar goals. It appears that all of them really want to first and foremost achieve financial security.

The instructor looks at the list on the board. She asks the group what they mean when they say they want to achieve financial security, save money, and start investing. Phillipe answers that he and Marta want to have enough money to have a good life. The instructor asks Phillipe what specifically they will need to do financially to make their life better. Phillipe thinks about what the instructor has asked. He isn't sure how to answer.

The instructor says, "Most people, when asked what their top three financial objectives are, answer with very general goals. The fact is that many of us haven't thought much about which financial objectives really matter the most. Instead, we go through our financial lives spending our paychecks to meet the day-to-day expenses that dominate our attention.

1.2

This method of dealing with our financial future often means that what we really want never happens. That is why in today's workshop, we're going to talk about setting personal financial goals that are specific, measurable, attainable, realistic, and have a time-frame. We often call these SMART goals. Let's get started!"

Think About It!

1. How could have Phillipe and Marta answered the instructor's question differently?
2. What does financial security mean to you?
3. What did the instructor mean by "we go through our financial lives spending our paychecks to meet the day-to-day expenses"?
4. Why is it important to set financial goals?
5. Why is it important to set financial goals that are specific, measurable, attainable, realistic and have a time-frame?

1.3

Unit 1, Lesson 3: Setting Short-Term and Long-Term Financial Goals — Phillipe (Part III)

Advancing Your GED Skills

In this lesson, you will:

- Define short-term and long-term goals.
- Develop your own financial plan.
- Apply writing skills to charts and tables.

Vocabulary

- Intermediate goal
- Long-term goal
- Short-term goal
- Resources

Scenario 1.3: Phillipe (Part III)

Phillipe and Marta have learned how to develop a SMART financial goal. They know it's an important step to being able to look at their personal goals and develop a plan for the future. Their homework assignment this week is to think about the future that they would like to have and identify the financial goals that they will need to accomplish in order to realize that future.

The instructor provided them with the following steps to use when creating their personal financial plan:

Step 1: Identify and write down all of your wants and needs, whether you are buying a new car, saving for a down payment on a house, going on vacation, paying off credit card debt, or planning for you and your spouse's retirement. Write down any goals that you have that require money.

Step 2: Separate your goals into short-term (less than two years), intermediate goals (two to five years), and long-term (more than five years). This will make the process easier.

Step 3: Prioritize your goals. It is difficult to work on more than two to three goals at a time. For your financial plan, identify the top five goals that you want to work on as a family.

Step 4: Complete the **My Financial Goal Plan** worksheet. Make sure to be specific when writing your goal.

Their instructor has requested that Phillipe and Marta first develop their financial goals separately. Then they are to discuss their lists together.

Phillipe and Marta start writing down all of the things that they want. The list seems to be endless. They look and each other and start laughing. No wonder the instructor told them that they would have to prioritize

1.3

their goals. Looking at their lists, they both agreed that they had more goals than they could ever have resources to reach!

Think About It!

1. Why did the instructor have Phillipe and Marta work separately on their lists of wants and needs?
2. Why is it important that family members communicate with each other about their individual financial goals?
3. What did Phillipe and Marta mean when they said they had more goals than they would ever have resources to reach?
4. How are short-term and long-term goals the same? Different?
5. What would be the next steps for Phillipe and Marta to take in developing their financial plan?

Unit 1, Lesson 4: Values, Wants, and Needs — Joseph

1.4

Advancing Your GED Skills

In this lesson, you will:

- Learn more about your personal values.
- Define the differences between wants and needs.
- Apply the first step of the writing process.

Vocabulary

- Benchmark
- Bonus
- Economy
- Invest

Scenario 1.4: Joseph

Joseph has been working hard at his sales position at Mt. Pleasant Electronics. This past year, Joseph surpassed each of his quarterly benchmarks in sales. For his hard work, Joseph receives a yearly bonus of $5,000. The money is quite a surprise to Joseph, as he was not expecting a bonus given the current economy. The question is what should he do with the unexpected windfall?

Joseph has recently set his short-term and long-term financial goals. He knows that setting and following his financial goals is a positive step towards financially security. Joseph reviews each of his goals to see where the bonus money could best be used. He isn't sure whether it would be best to invest the money in his money market account or to use it to pay off his car loan. His regular paycheck usually covers his monthly living expenses, so that isn't a priority right now. However, until he has a chance to better think out his plan, Joseph decides to just put the money into his checking account.

Over the weekend, Joseph goes shopping. While walking down the aisle of his favorite department store, Joseph sees a great buy on a flat-screen television. Joseph thinks about the small television that he currently owns. It works just fine, but it is not nearly as clear or large as this new model. Plus, he has the perfect place in his living room to put a new flat-screen television. Joseph questions whether he really needs the television, but then he looks again at how great the picture is on the television. If he buys it today, he can have all of his friends over next weekend to watch the football game. His friends will be so envious.

1.4

Think About It!

1. What do you think Joseph will do with his bonus money?
2. Did Joseph use his bonus money to purchase an item that he needed or that he wanted? Why?
3. What is the difference between a need and a want?
4. Would you have made the same decision? Why or why not?
5. Why is it important to review your financial goals before making a decision on purchasing an item?

Unit 1, Lesson 5: Discussing Financial Issues — Liz and Dean

1.5

Advancing Your GED Skills

In this lesson, you will:

- Learn the rules of good communication.
- Identify issues that occur when family members have differing values about finances.
- Define the purpose for different types of writing.

Vocabulary

- Balance
- Communication

Scenario 1.5: Liz and Dean

It's the first of the month and time for Liz to balance the bank statement. She looks at the different purchases and sighs. How can Dean be so irresponsible? He has to know that finances are tight right now and a down payment on a bike just isn't part of the budget. Liz didn't realize that he had spent so much on it. It looks like she is going to have to balance the monthly payments again and send some of them after the due date. In fact, Liz isn't sure that there is even enough money in the account to pay the house rent next week.

If Dean just wouldn't go out and buy things without telling her. He really didn't need that new bike; however, Dean's attitude has always been one of "let's enjoy today, because you never know what will happen tomorrow." Although Liz loved that about him when they were dating, now they have two kids to support and Dean was just laid off his job last week. Since Dean was one of the last hired at the plant, Liz doesn't think he has much chance of getting his job back.

How will they be able to manage on one salary? Dean always tells her that they will get along just fine. However, Dean doesn't have to try and pay the bills each month. He just doesn't seem to realize that what they make isn't enough to pay the basic needs that they have.

With school starting in a month, how can she tell the kids that they won't be able to have new clothes and backpacks this year? Should she tell them that it's a rough time right now for them? It's just not fair! Dean needs to just grow up and learn how to be responsible about money. Maybe she needs to just sit Dean down and tell him that since she is the one earning the money, he cannot spend anything without first talking with her. That's exactly what she's going to do. Maybe then she can get their budget back on track and even start saving for their future. Liz knows that Dean won't like what she has to say, but she doesn't know what else to do.

Think About It!

1. What do you think will be the outcome of Liz's talk with Dean?
2. How are Liz and Dean's value systems regarding finances different?
3. What could Liz do to have a more positive outcome?
4. Should Liz and Dean share the family's financial problems with their children? Why or why not?
5. Why is it important to have ongoing communication with family members about money issues?
6. What are steps to take to start family talks about money matters.

UNIT 2

Budgeting for Today and the Future

- Income
- Deductions
- Developing a Personal Financial Plan

2.1

Unit 2, Lesson 1: It Takes Income — Marilina

Advancing Your GED Skills

In this lesson, you will:

- Define income.
- Identify the need for supplemental income sources.
- Use different types of reference materials.

Vocabulary

- Commercial
- Income
- Salary
- Wage

Scenario 2.1: Marilina

Marilina is a high school graduate who attended college for one year. Her plan was to become a nurse. However, she got married as she was beginning her second year of college and moved to Michigan with her husband. There weren't many jobs available for someone without training or a college degree, so Marilina got her commercial driver's license and started working as a bus driver for the City of Detroit. The money was a nice addition to the household income when she was married. However, now that she's single again, her monthly paycheck just doesn't seem to quite cover those monthly bills.

Marilina sighs as she looks at her current bills. She guesses she should be happy that she has a secure job. She has a great shift — the bus route that she is assigned runs Monday through Friday from 6:00 a.m. to 2:30 p.m. Marilina also likes the stability as she has had the opportunity to keep the same shift for the past two years. However, the $13.50 an hour wage just isn't enough, especially when she will be faced with the added cost of heat that always accompanies the winter months.

Marilina wishes that she had just stayed in school and gotten her degree in nursing. As she looks through the newspaper want ads, Marilina sees so many positions for RNs. The beginning salaries that are offered would definitely pay all of her bills and even provide her with the opportunity to begin to save for the future. Marilina guesses that what everyone said about education and salary is true. You really can make more if you have the skills offered through postsecondary education and training.

However, thinking about how staying in school would have been the smart thing to do isn't helping her with her current situation. Marilina guesses that she could ask her supervisor if it is possible to get a raise for her performance. She's always on time and is viewed as one of the most dependable employees. But in this bad economy what if the company decides they can hire someone else at a lower salary? Marilina definitely doesn't want to jeopardize her job. It may not be the greatest, but it does pay for the basics and she's not sure she could get another full-time job with benefits right now with the economy the way it is.

What can she do? How can she make sure that she has the money to pay her monthly bills so that she doesn't find herself in financial difficulty? If only she had the skills for a better job.

Think About It!

1. Have you ever found yourself in a situation where you needed to bring in extra money in order to pay your monthly bills? What options did you pursue?
2. Why is Marilina concerned about asking her supervisor for a raise? Is this a valid concern? Why or why not?
3. What options would you suggest to Marilina to increase her monthly income?
4. Would you advise Marilina to quit her current job and return to school to realize her dream of becoming an RN? Why or why not?
5. What steps could Marilina take to realize her dream of becoming an RN?

Unit 2, Lesson 2: Deductions...Where Did the Money Go? — Nabil

2.2

Advancing Your GED Skills

In this lesson, you will:

- Identify the different types of payroll deductions.
- Distinguish between gross and net pay.
- Calculate how deductions impact your income.
- Discuss specific ethical rights and responsibilities of employees, employers, and citizens.
- Read and interpret the information on a paystub.

Vocabulary

- Deductions
- Ethical
- Federal income tax
- 401K
- Gross
- Mandatory
- Net
- Optional
- Social security
- Medicare

Scenario 2.2: Nabil

Nadil has just started a new position with the Livonia Public Works Department. With a full-time position as a supervisor in waste management, Nadil is looking forward to having a paycheck that will provide his family with the income necessary to pay their monthly bills. Plus, the city offers great benefits, such as health insurance and even yearly paid vacation days. There is even the possibility of overtime with his new position. Nadil has been told that his 40 hours per week will be guaranteed. However, during certain times of the year he will also make overtime hours at the rate of 1.5 times his regular pay.

Before beginning his new job, Nadil attends an orientation session. The Human Resources department shares that regular deductions or withholdings will be deducted from each person's paycheck. Nadil listens carefully. There are so many different categories of deductions: federal income tax, social security, Medicare, state income tax, family health insurance, retirement plans, and union dues. Nadil never realized how many deductions could be taken from one's gross salary. The spokesperson stresses that some of the deductions are mandatory, such as state and federal income tax, social security, and Medicare. Other deductions are for services that are voluntary, such as family health insurance, 401Ks, savings plans, dental insurance, and union dues. The choice is up to Nadil as to what optional services he wishes to have. It's a good thing that he has received a substantial raise from his last job. Nadil knows that he needs the extra income just to pay the various deductions and still maintain enough income to cover the family budget that he and his wife have developed.

It's Friday at last, and Nadil picks up his first paycheck. He can hardly wait to deposit the money in the bank before it closes. He looks at the document and sees his gross salary for the two weeks. He then quickly scans the different deductions. Yes, each deduction is one that he had requested or is mandatory. Finally, he looks at the net amount of the check. It's exactly what thought he would have as a take-home amount. Although the deductions really added up, Nadil is pleased that he listened so closely at orientation. At least there were no surprises when he opened up his check and saw his net income.

Think About It!

1. What is the difference between gross and net income?
2. How do deductions impact an individual's take-home pay?
3. Why are some deductions, such as federal and state taxes, mandatory, while others, such as family health insurance and 401Ks, optional?
4. Why did Nadil say that there were no surprises when he opened up his first check?
5. What important steps did Nadil take to ensure that income from his new position would cover his expenses?

2.3

Unit 2, Lesson 3: Building a Personal Financial Plan (Part I) — Raul and Josephine

Advancing Your GED Skills

In this lesson, you will:

- Apply problem solving and critical thinking skills.
- Complete the first part of your personal financial plan.
- Calculate monthly and yearly income.
- Locate extra monthly expenses.

Vocabulary

- Budget
- Expenses
- Financial planning
- Flexible spending
- Income

Scenario 2.3: Raul and Josephine (Part I)

"We don't have any money left in our checking account, Raul. We're broke again, and our next paychecks won't be deposited for another two weeks." Raul couldn't believe what he was hearing. Both Josephine and he had full-time jobs. Although their income wasn't great, it was enough to pay the bills and still have some money left for the extra monthly expenses that they had identified when they took the financial planning workshop last spring. This was the third month in a row that they had run out of money before receiving their next paycheck. For the last two months, they had asked Josephine's parents for some extra cash to pay for the children's school lunches, groceries, gas for the car, parking, and tolls. It wasn't fair. Josephine's parents were on a fixed income and really couldn't afford to continue to help them out with money each month.

"Let's look at our income and see if we can figure out why it's not covering our expenses. Something different has to have happened in the past couple of months," Raul share with Josephine. Josephine went to the filing cabinet and pulled out their paystubs for the last six months. As they looked at them, they noticed that their income had actually increased due to the raise that Josephine had received in February. "How can that be?" Josephine said exasperatedly to Raul. "We're making better money than when we were able to get through the month without borrowing. What are we doing differently?" Raul remembered what the instructor had shared about reviewing their budget periodically to make sure that they stayed on track. It was definitely time to take a closer look at where their money was actually going.

Think About It!

1. Why do you think that Josephine and Raul do not have enough income to make it through the month?
2. What questions should Josephine and Raul ask themselves?
3. Should Josephine and Raul continue to borrow from their parents? Why or why not?
4. Why is it important to frequently review your budget?
5. What steps should Josephine and Raul take to make sure that their expenses match their income?

Unit 2, Lesson 4: Building a Personal Financial Plan (Part II) — Raul and Josephine

2.4

Advancing Your GED Skills

In this lesson, you will:

- Apply problem solving and critical thinking skills.
- Calculate monthly expenses.
- Complete your personal budget.

Vocabulary

- Budget
- Expenses
- Financial planning
- Flexible expense
- Fixed expense

Scenario 2.4: Raul and Josephine (Part II)

Raul and Josephine were very pleased with themselves. They found the problem with their budget. Just like they had learned in their financial planning class, Raul and Josephine decided to examine their spending habits by writing down everything that they purchased each day for a week, even the cost of Raul's morning cup of coffee and donut from the neighborhood bakery. By creating a spending log, Raul and Josephine noticed that they were both going to a restaurant for lunch instead of bringing their lunch to work. That expense alone added up to $87.40 a week. Who would have thought that lunch specials would be so expensive! Then there were the sodas and snacks from the vending machines at work, the pay-for-view movies that they were renting at home, and their trips to the mall to "window shop."

Raul and Josephine looked at their spending log. It wasn't hard to determine where their money was going. It was all of the little things that they were purchasing that were creating their budget problem. Josephine looked at the long list of expenses. "I can't believe that we spent this much on things that we really didn't need." Raul agreed. It was time to take a serious look at their budget and reexamine their spending habits.

Raul and Josephine decided that it was time to review all of the expenses that they had listed in their budget. Since their income had increased, due to Josephine's raise, maybe their fixed expenses had also increased. Josephine thought about the cost of some of the grocery items that she had purchased last week. They were definitely more expensive than they had been. It was possible that their budget problem was being caused by more than just their flexible spending habits. Raul and Josephine took out their budget and decided that it was time to look at every item and decide whether everything in their expense column was absolutely necessary.

Think About It!

1. Why was completing a weekly spending log an important step for Raul and Josephine to take when examining their expenses?
2. How could Raul and Josephine decrease their flexible spending?
3. What types of expenses appear in a family's budget?
4. Why would fixed expenses increase or decrease?
5. What next steps should Josephine and Raul take after examining their expenses to ensure that their expenses balance with their income each month?

UNIT 3

Using Financial Institutions and Services

- Using a Checking Account
- Saving for the Future
- Debit Cards and ATMs
- Credit Cards
- Installment Plans
- Purchasing a Car
- Instant Loans
- Rent or Purchase a Home

3.1

Unit 3, Lesson 1: Using a Checking Account — Rida

Advancing Your GED Skills

In this lesson, you will:

- Compare and contrast the different types of financial institutions.
- Use the writing process to evaluate different types of financial institutions.
- Calculate the effect of deposits and withdrawals on a checking account balance.

Vocabulary

- Deposit
- Overdraft
- Minimum balance
- Withdrawal

Scenario 3.1: Rida

Rida has just received her monthly bank statement. Rida has created a monthly budget that she follows. However, this past month her youngest son got sick. Rida needed to use the local clinic and pay for prescriptions. She used her local ATM to withdraw the necessary cash. Rida forgot that her direct deposit would not be placed in her account until the fifteenth of the month. When Rida received her bank statement, she was shocked at the different charges that appeared.

3.1

Think About It!

1. How could Rida have overdraft and minimum balance charges when she ended the month with money in her account?
2. Why is it important for people to get into the habit of looking at their monthly checking account statements?
3. What should Rida consider doing with her current checking account?
4. Why do banks charge fees on checking accounts?

3.2

Unit 3, Lesson 2: Saving for the Future — Vicente

Advancing Your GED Skills

In this lesson, you will:

- Compare and contrast different types of savings accounts.
- Use personal background knowledge to make predictions.
- Calculate simple and compound interest rates.

Vocabulary

- Certificate of Deposit (CD)
- Deposit
- Federal Deposit Insurance Corporation (FDIC)
- Simple interest
- Compound interest
- Money market
- Principal
- Savings account

Scenario 3.2: Vicente

Vicente has been employed for the last three years at Muskegon HVAC, Inc. As a licensed heating and air conditioning contractor, Vicente has been able to repay his school loan. After paying his monthly bills, Vicente now has money left over from his paycheck. He has been keeping his money in a box under his bed. Vicente knows that it is not safe to keep extra money in the house, so he wants to set up a savings account at his local bank. Vicente has read that saving 10% of each check is an excellent way to build his assets.

Vicente visits his local bank at which he has his checking account. Vicente has $1,200 to start his savings account. He speaks with Ms. Hess, the advisor. Ms. Hess tells Vicente that they have three different types of savings accounts: regular savings, money market, and a certificate of deposit. Vicente is nervous about putting his money into a savings account. Ms. Hess provides Vicente with the following chart to review and tells him to take his time before he decides what is best for his situation.

3.2

STAR Bank	Types of Savings Accounts (All savings insured by the FDIC up to $250,000)	
Savings Account	**Money Market Account**	**Certificate of Deposit (CD)**
Access your money at any time	Access your money at any time	12 month, 24 month, and 36 month CDs available
Earn 1.2% interest	Earn 2.4% interest	Minimum deposit of $1,000
Minimum deposit of $500	No fees for minimum balance of $2,000	Interest beginning at 3.8%
No fees	Offers check-writing services for a fee	Early withdrawal penalty
		Receive the principal and interest at the end of the term

Think About It!

1. Why is it important for people to get into the habit of saving some of their income each month?
2. What should Vicente consider before he deposits his money in a savings account?
3. Why is it safer for Vicente to deposit his money in a bank than to keep it in a safe place in his home?
4. Which is the best account for Vicente to set up at this time based on his current situation? Why?
5. What type of account would be best if Vicente has $3,000 to deposit and wishes to purchase an automobile in the next year? Why?
6. What should Vicente consider before he places money into a certificate of deposit?

Unit 3, Lesson 3: Debit Cards and ATMs — Alfred

3.3

Advancing Your GED Skills

In this lesson, you will:

- Learn about Debit Cards and ATMs.
- Write a business letter.
- Use information from business documents.

Vocabulary

- ATM
- Debit card
- Liability
- PIN (Personal Identification Number)

Scenario 3.3: Alfred

Alfred purchases many different items on the Internet. He enjoys the convenience of shopping at home and being able to compare different prices. Three months ago, Alfred purchased some furniture online. It was really a great buy! He used his debit card to pay for the furniture. Alfred knew that he had sufficient funds in his banking account so he didn't worry.

When Alfred received his monthly bank statement, he noticed that the online company had charged an additional $200 to his account for shipping and handling. Alfred tried to contact the online company for over two months. Finally, Alfred learned that the company had gone out of business with no contact information.

Alfred was distraught. Not only had he paid almost $500 for furniture that he did not like, but he also had an additional $200 withdrawal from his bank account. Alfred went to his local bank to see what he could do. The bank supervisor told Alfred that he should have reported the problem immediately. Because he had not contacted the bank within 60 days of receiving the bank statement, the bank was not responsible.

Think About It!

1. How could have Alfred avoided the problem with the online purchase?
2. Why is it important to understand the pros and cons of using different types of electronic banking services?
3. What should Alfred do next?

3.4

Unit 3, Lesson 4: Credit Cards — Gina

Advancing Your GED Skills

In this lesson, you will:

- Learn about credit cards.
- Compare different credit card offers.
- Use a calculator to compute credit card interest,

Vocabulary

- Annual Percentage Rate (APR):
- Credit
- Credit limit
- Finance charge
- Grace period
- Interest

Scenario 3.4: Gina

Gina received a credit card offer in the mail. The credit card company was offering 0% APR and a cooler for accepting the offer. Gina was excited about the great deal, so she signed without reading the fine print in her cardholder agreement. She didn't see that the 0% APR was just an introductory rate.

One of the first purchases Gina made was for a digital camera that she wanted. It cost $350, but Gina wasn't worried as she only had to pay $35.00 a month. Gina used her credit card to get all sorts of things, even when she knew she couldn't afford them. Whenever her bank account was low, Gina used her credit card for extra cash. Gina enjoyed having a credit card. It made things so easy to purchase, especially those things that she really wanted but couldn't afford.

Gina paid the minimum monthly payment that was listed on her credit card bill. However, sometimes Gina forgot to send in the payment so the next month she made larger payments, but she made them late. Gina didn't look carefully at her credit card statements and didn't notice that the rate had jumped to 24% due to her not making monthly payments or making them so late and making so many cash withdrawals. In fact, when Gina finally took a good look at her statement she was shocked. How could her balance be almost $10,000!

3.4

Think About It!

1. How did Gina find herself with such a debt problem?
2. What should have Gina done before she began to use her credit card?
3. What would you recommend that Gina do to get her debt problem under control?
4. Based on Gina's situation, is it important to have a credit card?

Unit 3, Lesson 5: Installment Plans — Teresa

Advancing Your GED Skills

In this lesson, you will:

- Learn about different types of installment plans.
- Determine cause and effect when making financial decisions.
- Identify effective words in advertisements.

Vocabulary

- Deposit
- Installment plan
- Layaway
- Trigger words

Scenario 3.5: Teresa

Teresa's son wants a new video game player for his birthday. Teresa knows that she does not have the cash to purchase what her son wants. Yet, she knows that her son seldom asks for anything special. Teresa goes to the Detroit Superstore which is advertising a sale on the game players. The ads are spectacular. They show the newest version of the game and that the game can be hers for only $10.00 a week! The offer has to be too good to be true.

Teresa talks to the salesperson. He tells Teresa that it's a special one-time offer, and that he only has a few left. The salesperson tells Teresa that if she signs today, she will even get a free game. The salesperson convinces Teresa that using the store's installment payment plan is the easiest way to purchase those special things that you want. Teresa knows that when you use an installment plan, you get to use the item while you are paying for it on a monthly basis

Teresa is excited. All she has to do is give the store $25.00 down and then pay $10.00 a week for a year. Plus, if she signs today, she will get that free game the salesperson promised. Teresa is so excited about the great deal that she is receiving. Teresa was sure that she would not have been able to ever afford a $350.00 video game player to give to her son. Now she can give him the gift he has so wanted.

3.5

Think About It!

1. What did the salesperson say to get Teresa to purchase the video game player?
2. What should Teresa do before she signs the installment plan contract?
3. Based on the information in the scenario, was using the installment purchase plan a good choice for Teresa? Why or why not?
4. What other options did Teresa have for buying a birthday gift for her son?

3.6

Unit 3, Lesson 6: Purchasing a Car — Jason

Advancing Your GED Skills

In this lesson, you will:

- Learn how to locate consumer information on the Internet.
- Determine the best buy for a used vehicle.

Vocabulary

- Asking price
- Blue book price
- Negotiate

Scenario 3.6: Jason

Jason has just bought a new car; well at least it's new to him. Before he began looking, Jason researched what to look for when purchasing a used car. He knew that he should check out the car's maintenance record to ensure that the car had been properly serviced. Jason also knew that it was important to test drive the car and even have it inspected by a mechanic. Because most of the cars in Jason's price range were being sold "as is," Jason knew that he would be responsible for anything that went wrong after the sale. After visiting a couple of dealerships, Jason wasn't sure he'd find the one he really wanted.

As Jason was driving to his friend's house one evening, he saw a car for sale in the front yard of a neighbor's house. Jason couldn't believe it! The car was exactly the make and model that he wanted. It was even blue, his favorite color. As he was looking at the car, a gentleman came out of the house. The gentleman told Jason that he had purchased the car new five years ago and had all of the maintenance records. Although the car had a few dents, Jason really liked the leather interior, as well as the great sound system. When test driving the car, Jason was thrilled with how well the car handled. It was perfect. In fact, Jason had enough in his checking account to pay the asking price, instead of having to negotiate.

Jason was so excited with his purchase that he drove immediately to his friend's house. Gregg was excited for Jason and asked what he had paid for the car. Jason shared the purchase price. Gregg was silent for a bit and then sadly told Jason that he could have gotten the same car at the Kalamazoo Auto Superstore for $1,000.00 less than he had paid. Jason couldn't believe it! Had he paid too much? Jason had to see for himself, so he drove to the Kalamazoo Auto Superstore and sure enough, there was the same car on the lot. The only difference was that the car on the dealer's lot didn't have any exterior dents. He should have thought to have first checked the "blue book" value of the car before he bought it.

Think About It!

1. What options does Jason have?
2. What should have Jason done before he purchased the car?
3. What are the disadvantages of buying a used car from a private seller?
4. How could have Jason negotiated a fairer price for the car?

3.7

Unit 3, Lesson 7: Loans in an Instant! — Reuben

Advancing Your GED Skills

In this lesson, you will:

- Learn about different types of loans.
- Identify cause and effect when faced with financial problems.
- Use your personal knowledge to identify reasons and solutions to not paying bills on time.

Vocabulary

- Excessive
- Notarize

Scenario 3.7: Reuben

Reuben is very worried. He has just lost his full-time job as the head of grounds maintenance at the golf course. The golf course just wasn't making enough money to stay in business, so now all Reuben has is a part-time job working for a friend's lawn maintenance service. Reuben is behind in paying both his rent and utilities. He's worried that if he doesn't find a better job soon, he will not have a place to live.

Reuben has noticed the ABC Money Store in his neighborhood. The store advertises that they offer short term loans with no questions asked. Reuben knows that he has to make his rent payment tomorrow. Reuben goes into the ABC Money Store. The manager is very friendly. She talks with Reuben about his money concerns and tells him that he has definitely come to the right place. In fact, if Reuben signs everything today, she can write him a check immediately. All Reuben has to do is to sign some papers and provide a driver license and credit card. Reuben is told that the company only charges $100 to set up the loan and the manager will even notarize all of the paperwork at no cost. This is exactly the type of news that Reuben needs to hear. He will be able to pay his rent and utilities and not be late with either payment.

The manager quickly types the paperwork and tells Reuben that all he has to do is sign and date on the final page. Reuben notices that there are many different pages to the contract. He asks the manager what each page says. She tells him that these pages are just the formal contract that is required and not to worry about anything. Listening to the manager's sales talk, Reuben becomes concerned. If it is this easy to get a check for $3,000.00, then there must be something that he doesn't know. Reuben takes the time to read the contract. He can't believe all of the fees and rates that are attached to the loan. Reuben thanks the manager for her time, but tells her that the cost of this loan is too high and the interest rate too excessive for him to consider.

Reuben walks out of the store. He knows that he has to do something to pay his rent and utilities on time, but taking out a loan that has such high interest and fees is not what he needs.

Think About It!

1. Why is it important not to be pressured into making a financial decision immediately?
2. How did Reuben show that he was a wise consumer?
3. What would you have done if you were in Reuben's situation?
4. What other options can Reuben explore to pay his rent and utilities?

3.8

Unit 3, Lesson 8: Rent or Purchase — Shirley (Part I)

Advancing Your GED Skills

In this lesson, you will:

- Compare renting versus owning your home.
- Discuss your legal rights as a renter.
- Use questioning to better understand how to read a lease.

Vocabulary

- Down payment
- Equity
- Lease
- Security deposit
- Tenant

Scenario 3.8: Shirley (Part I)

Shirley has just been offered a new position in Lansing. It's a great opportunity and a wonderful promotion. However, the new job means that Shirley will need to relocate from Gaylord to Lansing. Shirley purchased her home in Gaylord fifteen years ago when the cost of homes was quite reasonable. She already has someone who wants to rent the house and possibly make an offer to purchase it. Shirley's thrilled that she won't have to worry about making two payments.

As Shirley thinks about her move, she wonders whether she should try to buy a home in Lansing or rent an apartment. Shirley has always felt a real sense of pride in owning her own home. She enjoys being able to work in the yard and decorate according to her personal taste. The financial advantages of owning have also provided Shirley with tax deductions, not to mention the equity that she has been able to build by owning her home.

Shirley knows that renting also has some advantages, especially since she has a new job and doesn't know the area well. Shirley anticipates that she may not have a lot of free time in this new position. The apartment complexes that she has looked at would take care of all of the maintenance, which would be a real time-saver. Many of the complexes also have recreation facilities, including a workout center.

Shirley calculates the cost of renting an apartment. She would have to sign a twelve-month lease and pay the first and last month's rent, as well as a security deposit. The cost would definitely be less than the down payment on a house, but she doesn't really like the idea of a year's lease and being a tenant again.

3.8

Think About It!

1. Based on Shirley's situation, would you advise her to purchase or rent a home in Lansing? Why?
2. What are the pros and cons of renting a home?
3. What are the pros and cons of purchasing a home?
4. Would you prefer to rent or own a home? Why?

3.9

Unit 3, Lesson 9: Purchasing a Home — Shirley (Part 2)

Advancing Your GED Skills

In this lesson, you will:

- Define the different steps in purchasing a home.
- Discuss the different types of mortgages and costs in purchasing a home.
- Learn how to read a table or chart.

Vocabulary

- Closing costs
- Commission
- Down payment
- Mortgage
- Points
- Prequalify

Scenario 3.9: Shirley (Part II)

Shirley has been in Lansing for two years. She really enjoys her job, and it looks like she will be selected for another promotion next month. Although the apartment she rented two years ago has been convenient, Shirley really wants to invest her savings in buying a home. She sold her house in Gaylord six months ago, so it is time to reinvest her earnings into another house.

Before she begins to house hunt, Shirley wants to calculate how much she can afford as a down payment, as well as the monthly payment. She knows this is the first step in purchasing a home. After she determines how much she can spend, Shirley plans to contact a realtor to assist her in locating a home that she wants.

Shirley has already looked into the different home mortgage rates available. There were so many different types of mortgages available — adjustable rate, fixed rate, 15-year, 30-year, even a 40-year loan. After looking at all of the options, Shirley decided that a 30-year fixed would be the best option for her, especially since the points on the loan were so low. Having low points will definitely result in lower closing costs. Shirley remembers all of the different costs that she had to pay when she purchased her first house.

While at the bank, Shirley also looked into prequalifying for a loan so that when she finds that perfect house, she can make an offer. All she has to do now is get all of her paperwork together. All of her records are in her locked file cabinet at home so it shouldn't take long to get the bank the information they need to give her a prequalification notice.

Shirley thinks about all of the planning it takes when buying a house. She hopes that she has remembered everything so that the home-buying process is an enjoyable one.

3.9

Think About It!

1. How will Shirley decide on what price home she can afford?
2. Why is it important for Shirley to prequalify for a loan before she begins to look at homes for sale?
3. What information should Shirley consider before deciding on the type of mortgage to use?
4. Why is planning important when purchasing a house?

UNIT 4

Managing Your Money for Today and the Future

- Improving Your Credit Rating
- Managing Personal Debt
- Using Credit Wisely
- Avoiding the Habit of Impulse Shopping
- Avoiding Bankruptcy or Foreclosure
- Building an Emergency Fund
- Planning for Retirement
- Staying Fiscally Fit

4.1

Unit 4, Lesson 1: Improving Your Credit Rating — Joseph and Maria

Advancing Your GED Skills

In this lesson, you will:

- Learn about your credit rating.
- Learn how your credit rating is determined.
- Identify and compare data from tables, charts, and graphs.
- Choose an appropriate method for computing to solve real-world problems.

Vocabulary

- Credit report
- Credit reporting agencies
- FICO score

Scenario 4.1: Joseph and Maria

As they had done many times before, Joseph and Maria sat down at the kitchen table in their small apartment and talked about their plans for the future. The apartment was perfect for the two of them, but they wanted children. To them, having a family was important, but they didn't want to start a family until they had their own home. It didn't have to be a big house, just a starter home. They wanted at least three bedrooms and two bathrooms and a big yard in which their children could play.

For the past few weeks, Joseph and Maria had been searching the Internet and the local newspapers for homes in the area where they wanted to live. They knew that houses in the area were selling for $120,000 to $200,000. With combined incomes of $60,000, they dreamed about the higher priced homes, but felt that they needed to stay closer to the lower end of their price range.

Jennie, a close friend and realtor, had told them that they needed to make sure their finances were in order before they continued. They would need copies of their credit reports and taxes for the past few years, so that they could develop a budget that they could live with for a long time. Jennie also recommended that Joseph and Maria use an online mortgage calculator to see what they might be facing in monthly payments.

Maria had pulled their credit reports, but was concerned about the information. Over the years, both Joseph and Maria had experienced financial problems, but nothing major. However, Maria felt that they should focus on building better credit reports and improving their FICO scores before they went to the bank to prequalify for a loan.

Joseph's FICO score was 620 and Maria's was 700. They paid their bills on time and tried not to use their credit cards very often. They did carry a balance on their credit cards, but always paid more than the minimum required. Joseph had a new job and had been employed for only three months. However, Maria had worked for the same company since college, more than three years.

Maria started a list of their current debts and expenses.

Outstanding Debts
- **$5,000 – college loans**
- **$8,000 – credit card debt**

Monthly expenses
- **$1,000 – rent on the apartment**
- **$200 – utilities**
- **$400 – groceries**
- **$300 – miscellaneous expenses (eating out, entertainment, clothes)**
- **$500 – car payments, gas, service**
- **$300 – savings**

As Joseph and Maria looked at the information before them, they knew that they needed to build up their credit scores and improve their credit reports. They just didn't know where to begin.

Think About It!

1. What do you think Joseph and Maria should do about their credit score at this point?
2. Why should they care about increasing their credit scores before pre-qualifying for a mortgage?
3. What do you consider a "good" credit score?
4. If you were in Joseph's and Maria's situation, what would you do to decrease monthly expenses?
5. Have you ever faced a similar situation? What did you do?

4.2

Unit 4, Lesson 2: Managing Personal Debt — Steve and Celine

Advancing Your GED Skills

In this lesson, you will:

- Strategies to help you keep personal debt under control.
- How credit card companies determine interest charges for credit card accounts.
- How to calculate average daily balances and monthly interest rates.

Vocabulary

- Annual Percentage Rate (APR)
- Average daily balance
- Debt consolidation

Scenario 4.2: Steve and Celine

Steve looked through the stack of bills pilled on the kitchen table. He knew there was no getting around it; he had to take time after a long day at work to go through those bills and decide which ones to pay. Steve hated dealing with the bills, but he had no choice.

As Steve flipped through the bills, he noticed two credit card statements that he didn't recognize. As he continued to go through the envelopes on the table, he noticed three with big red stamps on them saying "last notice." When he had opened all of the envelopes, he couldn't believe what he saw.

There were six credit card statements with varying outstanding balances, some more than a $1,000. Steve knew that two of the cards had started with an introductory offer of 0% interest for three months, but that rate was no longer available. The other statements had interest rates ranging from 13% to 22%. There were late notices from the electric, phone, and water companies. The bill from the auto repair shop had not been paid and had been turned over to a collection agency with more than $100 in penalties and interest charges. Steve wasn't sure they could make even the minimum payments on the credit cards, much less all of the other overdue bills.

Just as he thought things couldn't get worse, Celine walked through the door with shopping bags in both hands. Celine walked quickly around the table and told him she had just had the most wonderful time shopping with her mother, and she had saved a ton of money buying clothes that were on sale at the local department store.

Steve looked at the shopping bags and thought to himself that this has got to stop. Steve knew he should have talked to Celine about her outrageous spending habits long ago, but all he had ever wanted was for Celine to be happy. Now, they were deeply in debt, and the situation was growing more serious every day.

Think About It!

1. Do you know of anyone who has been in a similar situation? What did they do?
2. Based on the information in the scenario, what has been going on with Steve and Celine?
3. What advice would you give Steve?
4. What advice would you give Celine?
5. What would you do if you were in a similar situation?

Unit 4, Lesson 3: Using Credit Wisely — Eric

4.3

Advancing Your GED Skills

In this lesson, you will:

- Identify questions to ask before you make a purchase.
- Learn the importance of building good credit habits.
- Compare and contrast different points of view.

Vocabulary

- Silent Generation
- Baby Boomer
- Gen Xer
- Millennial

Scenario 4.3: Eric

Eric didn't know what to do. His dad had always told him that cash was the only way to go. In fact, Eric's dad didn't even have a credit card. Now Eric was on his own. He had a new job with a good salary, more than he had expected to make as a new college graduate. Eric was still considered a probationary employee until he completed his six month review, but he didn't see any problems there.

Eric had rented an apartment right in the heart of the city with restaurants and clubs just around the corner. He could meet with friends after a hard day at work and just walk a couple of blocks back to his apartment. Life was good, but Eric still didn't know what to do.

The apartment was fantastic with killer views of the city. It had a great kitchen with all the appliances included. He didn't have to worry about going to a Laundromat; he had a washer and dryer right in the apartment. There was only one thing missing —furniture.

Eric looked around the empty apartment and thought how great it would be to have a couch, chairs, and a big screen high-definition television. He looked at the breakfast area and thought that a table and some chairs would be nice there, as well.

Eric looked at the credit card applications lying on the kitchen counter. It seemed as if every day there were more of those applications in the mail. If he opened a credit card account, he could go down the street to Apartments by Design and purchase all new furniture for his place. In fact, they might even have their own financing that he could use. So many places had special low interest rates; maybe he could take advantage of one of them.

4.3

There were so many possibilities, but Eric still didn't know what to do. Should he wait and save his money like his dad recommended, or should he just go for it and get his place fixed the way he wanted it now?

Think About It!

1. What do you think about Eric's dad's feeling about paying cash for everything?
2. Why do you think that Eric is confused about what he should do?
3. What factors should Eric take into consideration before making his final decision?
4. What advice would you give Eric?
5. What would you do if you were in a similar situation?

4.4

Unit 4, Lesson 4: Avoiding the Habit of Impulse Buying — Kerry

Advancing Your GED Skills

In this lesson, you will:

- Learn about the strategies used by advertisers to get you to spend your money.
- Learn how to avoid impulse buying.
- Recognize persuasion techniques used in advertising.
- Evaluate the accuracy of information and distinguish fact from opinion.

Vocabulary

- Impulse buying
- Impulse shopping

Scenario 4.4: Kerry

Kerry loved to shop. She liked nothing better than getting together with friends at the mall to check out all of the latest fashions. She could always find a good buy. If she saw something interesting on an infomercial on television, she would order it. When Kerry went to the store to pick up milk, eggs, and bread, she would invariably come home with some new kitchen gadget and a ton of junk food.

Kerry always had to have the latest in everything — clothes, electronics, and home furnishings. When a new type of e-book came on the market, Kerry bought it even though she had an e-book at home that was less than six months old.

There was only one problem, Kerry loved to shop so much that she was struggling to pay her regular monthly expenses. Kerry had 13 credit cards, most from stores that offered her 10-15% off her purchases if she opened an account. So, Kerry opened one account, then another, and still another.

Kerry's mother, Sylvia, knew something was seriously wrong when Kerry didn't call her on Saturday. Kerry always called her mother on Saturday to tell her about her latest shopping adventure. Instead, on this Saturday the phone remained silent. Finally on Sunday morning, Sylvia called Kerry to find out what was going on. Kerry answered the phone in tears. Sylvia silently listened as Kerry poured out her dismay. She had maxed out her credit cards; her rent was overdue; and she wouldn't get a paycheck for another week.

Think About It!

1. Do you know of anyone who is an impulse buyer?
2. If you were Sylvia what advice or assistance would you give Kerry?
3. Do you believe that Sylvia should help Kerry by paying some of her bills? Why or why not?
4. What steps should Kerry take at this point?
5. What would you do if you found yourself in a similar situation?

4.5

Unit 4, Lesson 5: Avoiding Bankruptcy — Nadine

Advancing Your GED Skills

In this lesson, you will:

- Learn about the consequences of bankruptcy.
- Learn steps to take to avoid bankruptcies.
- Assess whether information is adequate and appropriate to support generalizations.
- Evaluate the accuracy of information and distinguish fact from opinion.

Vocabulary

- Bankruptcy
- Chapter 7 Bankruptcy
- Chapter 13 Bankruptcy
- Liquidation
- Means test
- Reorganization

Scenario 4.5: Nadine

A single mother of three, Nadine had worked hard to build a life for herself and her children. Nadine had a full-time job and until six months ago had received child support from her ex-husband. Without the child support, it was difficult for Nadine to stretch her paycheck to cover all of the essential monthly bills. Her check covered most of the monthly house payment and all of the utilities.

However, Nadine had to use her credit cards to buy groceries, clothes, and other essentials for her children. Using credit cards was becoming more difficult as Nadine had not even made the minimum payments on her cards in four months. She still owed more than $10,000 in education loans and even had a personal loan of more than $8,000 that she was responsible for from her marriage to Jack. She hadn't paid on either of these loans since the child support stopped. All of her money was going to cover just the basics.

To make matters worse, Nadine's car was old and constantly breaking down. She needed the car to get back and forth to work and to get the children to school. Thankfully, one of her friends was a mechanic. He always fixed her car without charging labor. All she had to do was pay for the parts. In fact, Nadine had used the last of her savings to buy a new battery and tires for her car a few weeks ago.

Nadine was getting phone calls from the credit card companies every day. All she could do was promise that she would make a payment as soon as she could. It was just a matter of time before the bank called about her house payment.

Janell, Nadine's best friend, recommended that she consider filing for bankruptcy. Nadine really didn't like the idea of not paying her bills, but Janell told her that she could start over with a clean slate, with all of her debts erased. Nadine thought that not having to worry about buying groceries or about what to pay at the end of each month sounded very good.

Think About It!

1. What do you think about Janell's advice to Nadine that bankruptcy would solve her financial problems?
2. What factors should Nadine take into consideration before deciding whether or not to file for bankruptcy?
3. What advice would you give Nadine?
4. Are there any other options open for Nadine at this point?
5. What would you do if you were in a similar situation?

4.6

Unit 4, Lesson 6: Building an Emergency Fund — Bryan and Connie, Jamal and Amira

Advancing Your GED Skills

In this lesson, you will:

- Learn about the importance of having an emergency fund.
- Learn steps to take to set up an emergency fund.
- Use estimation skills.
- Find the mean and range of data.

Vocabulary

- Emergency fund
- Fixed expenses
- Variable expenses

Scenario 4.6: Bryan and Connie, Jamal and Amira

As Bryan and Connie walked into the restaurant, they saw their friends already seated at the table. Bryan asked Jamal, "Where is your car? We didn't see it in the parking lot." Jamal replied that it was in the shop and would be ready in a few days. Connie said, "I am so sorry; I don't know if we could handle a repair bill at this point in time. Jamal and his wife Amira looked at each other and smiled. Amira said, "Connie, it isn't so bad when you have an emergency fund." Amira explained that she and Jamal decided a long time ago that they would always have money set aside, just in case something happened. In fact, each month they set aside 5% of their earnings just for their emergency fund.

Later that evening, Bryan and Connie talked about their own situation. They knew that they just weren't ready to handle any type of financial emergency. They were doing okay financially; in fact they always paid their bills on time, had recently purchased a home, and both of them contributed to retirement accounts. They usually had money left over at the end of the month, but they used that for vacations or something special for their home. However, they had never thought about setting up an emergency fund, even though they had heard about them.

As they talked, Bryan and Connie thought about the different types of emergencies that might arise where they would need readily available funds. They had a lot of questions though about how much they should save and what type of account they could use. Before calling it a night, Bryan told Connie that he would call and talk with Jamal about setting up an emergency fund.

4.6

Think About It!

1. Do you, or anyone you know, have an emergency fund?
2. What will Bryan and Connie need to know before setting up their emergency fund?
3. Why do you think that people often forget about setting up an emergency fund?
4. If you were in Bryan and Connie's financial situation, would you set up an emergency fund or continue to use any extra money for vacations and items for the home?

4.7

Unit 4, Lesson 7: Planning for Retirement — Alex and Dina

Advancing Your GED Skills

In this lesson, you will:

- Learn about the importance of preparing for retirement.
- Use the writing process to evaluate different types of financial institutions.
- Add, subtract, multiply, and divide with whole numbers and percents.
- Identify and compare data from tables, charts, and graphs.

Vocabulary

- Fixed income
- Defined benefit person

Scenario 4.7: Alex and Dina

Alex and Dina are in their mid-40s and have good, steady jobs. Alex works for an energy company that designs and constructs wind turbines and other alternative energy sources. Dina is a registered nurse. It took six years for her to complete her degree, but she now works in the emergency room at a local hospital.

Alex and Dina have two children. Their son joined the military immediately after high school. Their daughter is a senior in high school and plans on going to college to become an engineer. Alex and Dina have set aside some money for their daughter's education, and they intend to cover her full college expenses.

Dina's mother is in an assisted living facility. Dina provides about $300 per month for her mother's care. Alex's parents live in their own home. They have health problems and live on a limited, fixed income. Alex has been helping with their household expenses for more than a year. Neither Alex nor Dina's brothers and sisters provide any support for their parents.

Alex and Dina have tried several times to start building a retirement account. However, something always happens, and the money is used for something else. Alex's company provides employees with a 401(k) plan. The company will match each employee's contribution to the plan up to $4,000 per year. Alex doesn't currently contribute to the plan.

The hospital in which Dina works has a defined benefit pension. She has been employed at the hospital for eight years. After 25 years of service, she will be eligible for a pension that is 48% of her salary. Her current salary is $52,000 a year.

4.7

Alex and Dina know that they need to plan for their retirement. They know how difficult it can be to live on a limited, fixed income like their parents.

Think About It!

1. Alex and Dina are in their mid-40s, why do they need to start thinking about retirement now?
2. What could Alex and Dina do to help reduce the amount of money they are currently contributing to their parents?
3. Why do you think that people often delay planning for their retirement?
4. If you were in Alex and Dina's financial situation, what would you do?
5. When do you think that people should start planning for retirement?
6. Do you have a plan for your retirement?

4.8

Unit 4, Lesson 8: Staying Fiscally Fit — Elijah and Layla, Ayden and Aaliyah

Advancing Your GED Skills

In this lesson, you will:

- Learn steps to take to build a solid financial future.
- Use different types of reference materials.
- Use correct mathematical operations to solve a problem.

Vocabulary

- Overdraft
- Variable Rate Mortgage
- Individual Retirement Account (IRA)

Scenario 4.8: Elijah and Layla, Ayden and Aaliyah

Elijah and Layla are best friends with Aaliyah and Ayden. They enjoy spending time together, and their children have become close friends. Both couples have good jobs with salaries that have allowed them to buy their own homes, meet the needs of growing their families, and even take several vacations each year. However, Elijah and Layla have a very different approach to managing their finances than do Aaliyah and Ayden.

Elijah and Layla are very careful with their money. They balance their checkbook each month and they keep a personal log of every dollar that they spend. They have two credit cards and pay off the balance each month. They always pay their bills on time. They have an excellent credit rating in the high-700s. For the past two years, Elijah and Layla have taken any money left over at the end of the month and divided it between their savings account and as a payment against their mortgage principal. They both contribute to 401(k) plans through their employers. They have also set aside $3000 each year into an Individual Retirement Account (IRA). Elijah and Layla would like to save more and to put money aside for their children's education, but they will need to wait for a while to do that.

Ayden and Aaliyah take a more carefree approach to money. They rarely balance their checkbook and have paid overdraft fees three times in the last year. Each month, they each take about $200 from their checks just to use for miscellaneous purposes. Ayden and Aaliyah don't keep track of their miscellaneous expenditures. They have four credit cards, two of which are at their limits. They pay only the minimum on two credit cards, but always try to pay a little more on the other two cards. Their credit scores have been slowly dropping for the past few years and now are in the low-500s. Ayden and Aaliyah also have a variable rate mortgage which is due to increase in a few months. They are very worried about being able to pay the higher amount, but are not sure what they can do about it. Aaliyah's employer offers a matching retirement plan, but she would need to contribute at least $200 per month in order to participate.

Think About It!

1. Which couple would you prefer to be? Why?
2. What is the difference in attitude between the two couples?
3. Which couple best reflects the attitude that you have toward money?
4. What would you recommend that Ayden and Aaliyah do to better manage their finances?
5. Given the information in the scenario, what could Aaliyah do immediately so that she could start participating in the matching retirement plan offered by her employer?
6. Is there anything that Elijah and Layla should do in order to improve their financial situation?

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UNIT 5

Understanding Your Taxes

- Understanding Your Role as a Taxpayer
- Income Tax Planning
- Filing Taxes and Maintaining Records

5.1

Unit 5, Lesson 1: Your Role as a Taxpayer — Jaycee, Johnny, Rita

Advancing Your GED Skills

In this lesson, you will:

- Learn about taxes and why they are necessary.
- Understand Constitutional issues related to taxes.
- Describe the legal and ethical rights and responsibilities of a citizen.

Vocabulary

- Income taxes
- Property taxes
- Transaction taxes

Scenario 5.1: Jaycee, Johnny, Rita

Jaycee looked at his paycheck and shook his head. After all the tax deductions, he felt like there was nothing left. Well, actually there was, but as he looked at the check, he thought, "I sure could use that money."

Jaycee turned to Johnny and said, "I am sick and tired of paying taxes. The government takes every penny I make, and they always want more. Last year, when I filed my income taxes, I had to pay another $800. If that isn't bad enough, my property taxes went up again this year. Where is all this money going?" Johnny replied, "I don't know, but I could sure use it in my pocket."

Rita who had overheard the conversation turned around and said, "Get real, guys. Take a look around you, what do you see?"

Rita pointed across the street at the fire station and the police substation and asked, "Guys, where do you think the money comes from to provide police and fire protection?" She turned and pointed down the road and asked, "How about County Medical Center and Bryson Elementary school? Your taxes paid for those as well."

Jaycee and Johnny said, "Yeah, but all that came from property and state taxes. We're talking about the federal taxes."

Rita asked, "Did either one of you drive to work this morning? If you did, then you probably drove on the Interstate and crossed that new bridge. Both of those were built using federal taxes. Oh, and remember last year when the National Guard was called out to help after that tornado ripped through town, that was federal money as well."

5.1

As Jaycee and Johnny listened to Rita, they nodded and agreed that there were some things that put their money to good use, but they still felt like they were paying way too much money on taxes with little left for themselves and their families.

Think About It!

1. How do you feel about the taxes that you pay?
2. What do you feel is your responsibility as a citizen or resident of the USA?
3. Do you feel that you pay too much money for the services that you receive?
4. If you were given the responsibility for reducing taxes by cutting services, what would you cut?
5. Which of the following do you think provides the greatest return on your payments: federal taxes, social security taxes, property taxes, or sales taxes?

Unit 5, Lesson 2: Income Tax Planning (Part I) — Lorenzo

5.2

Advancing Your GED Skills

In this lesson, you will:

- Learn about the importance of income tax planning.
- Understand the importance of being aware of basic requirements related to income taxes.
- Understand and evaluate practical documents (e.g., taxes and governmental information).
- Locate, organize, and interpret different types of written information appropriate for completing a specific task.

Vocabulary

- Internal Revenue Service (IRS)
- Deduction refund
- Dependent

Scenario 5.2: Lorenzo

It is April 16. Yesterday, Lorenzo wrote a big check to the IRS, and he doesn't want to do that ever again. Lorenzo didn't expect to have to write that check. In fact, he had spent a good part of last year thinking about the refund that he knew he would get from the IRS. Instead, he ended up owing more taxes. He just didn't know how that could have happened.

Lorenzo sat down with all of his records to see if he could figure out what he could do differently so he could avoid this problem in the future. Lorenzo had a copy of his W-9 and copies of all of his W-2 forms. Lorenzo had a full-time job, but throughout the year he also worked part-time at different restaurants. Lorenzo liked his full-time job, but with the child support that he was required to pay each month, his full-time salary just didn't cover all his expenses. However, it did provide health benefits for him and his children so he wasn't willing to give that up for another position.

Lorenzo's friend, Mark, had told him last year that he should continue to file his taxes as married filing jointly since his divorce was not final until September. When his divorce became final, he didn't think about going in to change his W-4 form and reduce the number of dependents that he claimed. Mark had also told Lorenzo that he would qualify for a $2,000 credit for child care expenses because he paid child support for part of the year. As Lorenzo looked back, he realized that Mark was certainly no tax expert.

Think About It!

1. Do you know of anyone who has been in a similar situation where they were expecting a tax refund and ended up with a tax bill instead?
2. Based on the information in the scenario, what was one of Lorenzo's biggest mistakes?
3. What advice would you give Lorenzo?
4. What should Lorenzo do at this point to avoid this problem in the future?
5. What would you do if you were in a similar situation?

5.3

Unit 5, Lesson 3: Income Tax Planning (Part II) — Holly and James

Advancing Your GED Skills

In this lesson, you will:

- Learn about the importance of tax deductions.
- Learn about the most commonly overlooked tax deductions.
- Understand and evaluate practical documents (e.g., taxes and governmental information).
- Locate, organize, and interpret different types of written information appropriate for completing a specific task.

Vocabulary

- Itemized deductions
- Standard deduction

Scenario 5.3: Holly and James

Holly and James have decided to take a proactive approach to their taxes this year. Last year, they were desperately running around trying to find all of their records so they could file their taxes on time. They missed out on several deductions that could have saved them money on their taxes, because they were just too disorganized.

Last year, their receipts were scattered all around the house. They didn't keep any of the receipts for the food they purchased and donated to a local food bank. They didn't take advantage of the child care credit that was available to them, because they just forgot about keeping those records. Last year, they also bought a new car and could have deducted the sales tax they paid, but like everything else the records weren't available. Holly and James could have called the car dealership to provide a duplicate receipt, but they waited until the last minute to prepare their taxes and there was just no time. Because they filed their taxes at the last minute, they chose to take the standard deduction rather than to itemize their deductions.

This year, Holly and James have decided to set up a systematic approach to recordkeeping. Holly talked with a co-worker, Tanisha, about setting up a system so they don't run into the same problems again. Tanisha works part-time during tax season for a local tax preparation firm and knows all about being organized. Tanisha recommended that Holly and James do the following:

- Go to the local office supply store and purchase a large expanding folder that has 20 or more sections.
- Label each section based on the different categories of information that they may need, for example: household expenses, child care, etc.

- Put everything in its place every time they pay bills. Don't let important financial information end up in a kitchen drawer or get tossed in the trash.

Think About It!

1. Have you or anyone that you know been in a situation similar to Holly and James?
2. Based on the information that is included in the scenario what was their biggest mistake?
3. How do you maintain your personal tax information?
4. What would you do if you were in a similar situation and had left out several important deductions when you filed your taxes?

5.4

Unit 5, Lesson 4: Filing Taxes and Maintaining Records — Jason

Advancing Your GED Skills

In this lesson, you will:

- Learn about the importance of filing your taxes on time.
- Identify different methods for filing taxes.
- Learn how to properly maintain your tax records.

Vocabulary

- Audit
- E-filing
- Fraudulent
- Penalty
- Period of limitations

Scenario 5.4: Jason

Jason looked at the letter from the Internal Revenue Service and thought, "This can't be real." He closed his eyes, hoping the letter would just disappear. When he opened his eyes, it was still there — the notice that his federal income taxes were being audited.

Jason had heard horror stories from people who had been audited in the past. He immediately thought about his friend, Marcus. Marcus was audited by the IRS last year and now he was making monthly payments to cover under-reported income, plus penalties and interest.

Jason wouldn't worry so much about the audit if it was for last year, but it was for the year before that. Things were so chaotic that year; he had actually filed his taxes a few days late. He hadn't really thought that it would make much of a difference if he filed on April 15 or April 22, so he had just stuck a stamp on the return and mailed it. He had done those taxes himself at the last minute, so he hoped he didn't have any big mistakes in the return.

Six months ago, Jason bought a house. Now, he had no idea where to even start looking for his old tax records. They could be anywhere in the house. Jason had been so happy to buy a home that he had literally thrown stuff in boxes and moved on the day he closed on the house. Now, Jason had boxes scattered throughout the living area, in the attic, and even in the basement. It was going to take forever to find everything he would need for the audit.

5.4

Think About It!

1. Have you or anyone you know been through a tax audit? What was it like?
2. Why do you think that most people dread an audit of their taxes?
3. Based on the information that is included in the scenario, what is one problem that Jason will most likely have to address at the audit?
4. What advice would you give to Jason about preparing for the audit?
5. What would you do if you were in a similar situation?

UNIT 6

Consumer Protection

- Alternative Financial Services
- Identity Theft
- Telemarketing Scams
- Credit Repair Scams
- Consumer Protection Tools

6.1

Unit 6, Lesson 1: Alternative Financial Services (Part I)—Kirby

Advancing Your GED Skills

In this lesson, you will:

- Learn about alternative financial services.
- Identify precautions you should take when using alternative financial service providers.
- Understand cause and effect relationships.
- Construct complex sentences.

Vocabulary

- Alternatative Financial Services (AFS)
- Cash flow
- Roll-over

Scenario 6.1: Kirby

Kirby was at his wit's end; he didn't know what to do and where to turn. Between work and his family, the week had been an endless stream of problems.

First, his boss had announced that the company had a "minor" cash flow problem so paychecks were going to be delayed by two or three days. Kirby had been very careful in managing his money. He didn't make a lot of money, but he always paid his bills on time and put a few dollars in a savings account. Now there were bills due and his check was delayed.

To make matters worse, Kirby's daughter just called from Wisconsin after her job interview. She had been mugged in the parking lot and her purse had been stolen. All she wanted to do was come home, but now she had no money, a car low on gas, and a 500 mile drive. Her prospective employer offered to cover her hotel costs for one more night and a per diem to cover her meals.

Kirby needed to wire his daughter money immediately. Now came the tough part. His credit card was maxed out so he couldn't take a cash advance. He had a small savings account of $280 that he had been working hard to build over the past few months, but he hated to touch that. With a "cash-flow" problem, he couldn't go to his boss and ask for an advance.

As he walked to his car, Kirby saw the Money in an Instant sign flashing in the check cashing store across the street. Maybe that was the answer. He could get a quick loan, just $200-$300, and send his daughter money, pay a couple of his bills, and avoid late charges.

He wouldn't need the money for very long, just a couple of days until he got his paycheck. The manager explained that the fee would be $15 per

$100 loaned. In Kirby's case, he needs $300 so the fee would be $45. He has two weeks in which to repay the loan or he will owe an additional $10 per $100 each time the loan is rolled-over. Loan periods are two weeks. The store manager promised to wire a portion of the money to his daughter at no additional charge. He stated that she would have the money in two hours.

With that final promise, Kirby signed the papers, gave the manager information about wiring $120 to his daughter, and took the remaining money. Later that night, Kirby's daughter called and said, "The money never arrived. What should I do?"

Think About It!

1. What would you have done if you were in Kirby's situation?
2. What would Kirby owe if he can't pay off the loan until 3 weeks later? 6 weeks?
3. What happens if Kirby's employer delays his paycheck again?
4. What happens if Kirby's daughter doesn't receive the funds as promised?
5. What are some other alternatives that Kirby could have considered in this situation?

6.2

Unit 6, Lesson 2: Alternative Financial Services (Part II) — Dolores

Advancing Your GED Skills

In this lesson, you will:

- Learn more about alternative financial services.
- Identify pros and cons of using alternative financial services.
- Evaluate the accuracy of information and distinguish fact from opinion.
- Use estimation skills.

Vocabulary

- Interest rate
- Repossess

Scenario 6.2: Dolores

Dolores walked in the door and knew something was wrong. There was a strange grinding sound coming from the kitchen. After three service calls in less than six weeks, Dolores hoped that it wasn't her refrigerator. However, she knew better. She had spent all of her emergency fund, over $220, on repairs and to replace the food that spoiled the first time the old clunker stopped working.

Dolores knew she had to buy a new refrigerator, but she didn't have the available cash. Resigned to the idea, she pulled ads from the paper and set them aside to review. On Friday evening, she began her search through the print ads and then on to the Internet for some online browsing. As she browsed through the materials, she found a couple of possibilities.

Jack's RTO (Rent-to-Own) had a great deal, $750 for a 20 cubic-foot refrigerator with an ice maker. The payments were only $25 per week. There was also a special introductory offer for new customers. Most RTOs required 90 payments, Jack's special only required 75. Dolores could save $375 and there was no delivery charge. However, if she missed a payment, they could repossess the refrigerator in 7 business days.

Jack's RTO deal sounded great, but Dolores wanted to check one more place before making her final decision. Searching the web, Dolores saw that Homewares SuperExpress had a special sale this weekend.

Homewares SuperExpress had the same refrigerator, but at a higher cost, $850. They had an in-store financing plan with an interest rate of 22%. That seemed high, but the loan terms were about the same as Jack's RTO (18 months). The interest would remain the same as long as she made the minimum monthly payment of $56. If she missed a payment, the interest rate would increase to 32%. There was a $60 delivery fee.

6.2

Now, if Dolores could just make a decision, she would have a new refrigerator before the weekend was over.

Think About It!

1. What would you do if you were Dolores?
2. What should Dolores do before she signs an agreement with either Jack's RTO or Homewares SuperExpress?
3. What are some other alternatives that Dolores could have considered in this situation?
4. Based on the information in the scenario, which is the better deal for Dolores?
5. What do you like most about each deal? What do you like least?

6.3

Unit 6, Lesson 3: Identity Theft — Margie

Advancing Your GED Skills

In this lesson, you will:

- Learn about identity theft.
- Identify steps to prevent identity theft from happening to you.
- Determine the main idea and relevant details in a document.

Vocabulary

- Collateral
- Credit report
- Fraud
- Identity theft
- Revolving charge account

Scenario 6.3: Margie

"I'm sorry, but your auto loan cannot be approved at this time, Ms. Matthews. Your credit report shows that you have five open revolving charge accounts, all of which are past due. There are also two loans with your home listed as collateral. That doesn't include three cell phone accounts with outstanding balances and cancellation charges. Your credit score is less than 500. I'm sorry, but there is no way that we can provide you with an auto loan at this time. Get your finances in order, and then we will talk."

Margie couldn't believe what she was hearing. As she listened, her only thought was, "How did this happen to me?" Margie asked the loan agent when the accounts were opened. He handed her the credit report and told her to look at the negative accounts.

Margie had never asked for a credit report. In fact, she didn't think she needed one. To her dismay, she discovered the accounts were opened right after her mother broke her hip. As she sat there and read in disbelief, Margie remembered that she had to provide a lot of information at the rehabilitation facility. The intake specialist had asked for Margie's own personal contact information, social security number, and a credit card. The specialist said it was to take care of any expenses that her mother's insurance didn't cover.

At the time, she didn't think about all the information they required, she was more concerned about her mother's health. Now she couldn't believe what happened. Someone had accessed all of her information and stolen her identity.

6.3

Think About It!

1. How could Margie have prevented this from happening?
2. What should Margie do next?
3. How should Margie deal with the rehabilitation center?
4. What questions could Margie ask in the future when someone requests her personal information?
5. What should Margie consider before she discloses personal information again?
6. What are some other ways that someone could obtain Margie's personal information?

Unit 6, Lesson 4: Scams (Part I) — Tau

6.4

Advancing Your GED Skills

In this lesson, you will:

- Learn about telephone and Internet scams.
- Identify ways to protect yourself from being caught in a scam.
- Analyze and interpret graphs.
- Use math computation skills to determine percentages.

Vocabulary

- Fraud
- Scam
- Telemarketing

Scenario 6.4: Tau

Tau was tired of the snow and the bitterly cold weather. Winter had come early and with a vengeance to the upper peninsula of Michigan and it seemed that the snow would never end. Normally Tau loved winter. He enjoyed getting out the snow mobile and traveling the back roads of the U.P. However, two employees had been laid off, and now Tau had to take on more work. He was ready for a break — a vacation.

Just as he came in the door, the phone rang. Tau noticed on caller id that the incoming call was from an 800 number, but he took the call anyway.

The caller, a very pleasant sounding woman said, "Good evening, Mr. Cheng, I won't take much of your time, so please don't hang up. I wanted to let you know that you have won a fabulous 5-night vacation to the Caribbean. Your name was picked in a random drawing from all those who attended the Winter Festival. I need some personal information from you so we can get you ready for a fabulous vacation. Are you ready for an all expenses paid vacation to the Grand Island Casino and Resort?"

Tau was thrilled, the timing couldn't be better. For 3 months, he had worked 60 hours a week and was ready for a break. All he had been thinking about was a vacation, somewhere with sunshine and warm breezes.

The customer service representative asked questions regarding his airline tickets (window or aisle seat) and hotel room (beachfront) and whether or not he would need a rental car. She told him she would need his credit card information to handle the $250 processing fee. She also asked for a verbal agreement to keep his credit card number on file for any incidentals, such as taxis, tips, room service charges, etc.

6.4

The representative explained that his travel documents would arrive in the mail within 5 working days. She told Tau to call the reservation number and confirm his flight and hotel reservation when he got the paperwork.

Tau was so thrilled to have a "free" vacation that he gladly provided all the information requested. He didn't think to ask for contact information if he had any questions or problems. Two days later, Tau received a call from his credit card company. Someone had charged more than $10,000 to his account in less than 48 hours. Tau couldn't understand what was happening until he thought back to that "free" vacation he had won.

Think About It!

1. How would you have handled the phone call?
2. What additional information would you want from the caller before giving her personal financial information?
3. Have you ever been faced with a similar situation? How did you handle it?
4. Do you know of someone who has won a prize through a telemarketer? What happened?
5. Have you ever entered a contest at a community event? Did you win? What did you win?

6.5

Unit 6, Lesson 5: Scams (Part II) — Tomas

Advancing Your GED Skills

In this lesson, you will:

- Learn about credit repair scams.
- Learn about the Credit Repair Organizations Act and your rights under the law.
- Identify an author's purpose and point of view.
- Select and use appropriate formats for writing.

Vocabulary

- Credit risk
- Dispute
- FICO Score

Scenario 6.5: Tomas

Tomas stared at his credit report. It couldn't be right; there was no way that his FICO score had dropped to 540. Sure, times had been tough when he lost his job. But, he had found a new one, it paid less, but at least he had a job and he was paying his bills. Taking a $10,000 pay cut hadn't been easy to do, but he had a job and benefits. There were a lot of people in much worse shape than he.

He had been late paying his credit card bills, but he was back on track making the minimum payments each month. Tomas had to admit that he had quite a bit of credit card debt, $25,000. He hadn't bought anything fancy; he had needed the cash advances to buy groceries and pay some of his other bills while he was out of work.

He paid the rest of his bills on time, well most of the time, and rarely ended up with late fees anymore. There was a lien on his house, but that was only because he hadn't made payments to the Homeowner's Association for the past eight months. He planned to work on that problem when he got the raise that his boss had promised him.

Tomas need to increase his credit score, or he would not be able to get a loan and buy a new car. It was just a matter of time before his car died in the middle of the road, and he needed a car or he would lose his job. Tomas wasn't sure what to do, but he needed to do something now!

Tomas asked Frankie, his next door neighbor and good friend, what he should do. Frankie recommended that he contact a credit repair company. Frankie said that he saw one advertised on television, and it sounded like a good deal.

Tomas checked the Internet and found an 800 number for the company that Frankie had mentioned. Tomas called the next morning and spent a long time talking with the agent. The company promised they would remove judgments and liens from his credit report. They also said they could erase his negative accounts from his credit report and increase his score to at least 750. The representative told him that they could start the process as soon as he paid the $550 credit repair initiation fee. Additional fees would be billed as services were completed.

Tomas told the agent that he would need to think about it and get back with them later. Tomas thought the deal didn't sound too bad, and he needed that credit score repaired as soon as possible. However, the upfront fee was a little high, and he really didn't have the money to spend at this point.

Think About It!

1. What do you think Tomas should do?
2. Why should it have come as no surprise to Tomas that his credit score was low?
3. Do you think that the credit repair company could do everything that it promised? If not, why?
4. What additional questions should Tomas ask the credit repair company?
5. What could Tomas do on his own to increase his FICO score?

Unit 6, Lesson 6: Consumer Protection Tools — Sara Jane

6.6

Advancing Your GED Skills

In this lesson, you will:

- Learn about basic consumer protection tools.
- Learn how to find and access consumer information.
- Ask questions and make observations that reflect understanding of what you read.

Vocabulary

- Alzheimer's
- Home health care
- Legal guardian
- Supplemental health care plan

Scenario 6.6: Sara Jane

Sara Jane has just been appointed as the legal guardian for her mother who has been diagnosed with Alzheimer's. Watching her mother's health steadily decline and recognizing the tremendous responsibility which now rests on her alone, Sara Jane is overwhelmed.

Because of her mother's fragile health and the increasing effects of Alzheimer's, Sara Jane needs to find suitable home health care as soon as possible. She really wants her mother to be able to remain in her own home as long as possible. She has a week to deal with home health care before her mother comes home from the hospital.

Sara Jane needs to go through all of her mother's bills, records, and other papers to see what is going on financially. Sara Jane knows that her mother has a supplemental health care plan in addition to Medicare so that should help with the costs on in-home care. Her mother receives a social security check each month as well as a small check from her pension plan. Those checks should take care of her basic living costs. Luckily, her mother's home is free and clear, so no mortgage or rent payments.

Thankfully, Sara Jane's employer allows her employees to take up to two weeks paid leave to care for family members. Sara Jane is also eligible for another six weeks of unpaid leave. Between the two, Sara Jane is sure that she will have the time she needs to get things in order.

Sara Jane starts the process by contacting a few agencies to find out about home health care services. She has appointments set up later in the week to talk with each agency, get cost estimates, and begin interviewing home health care aides. She has left a message with the insurance company to see how much coverage her mother has. She has also placed a call to the local Social Security office to determine what benefits might be available through Medicare.

As Sara Jane sorts through all of the bills, she becomes more and more alarmed. There are bills for products, services, and even "free" vacations that her mother would never need or use. There are unpaid bills from doctors, clinics, and the hospital. Buried in all the paperwork are letters from the insurance company that state her mother has exceeded the annual benefits for the plan that she has.

The more Sara Jane looks, the more concerned she becomes. How is it possible that her mother's medical coverage has already been maxed out? When were all of these purchases made; her mother hasn't be able to go out and shop in months? Sara Jane needs help, but where can she turn?

Think About It!

1. Do you know of anyone who has been in a similar situation? What did they do?
2. Based on the information that is included in the scenario what do you think has been going on at Sara Jane's mother's house?
3. What advice would you give Sara Jane?
4. What should Sara Jane do next?
5. What would you do if you were in a similar situation?

Glossary

401K: *noun* — a type of savings account in the United States, which takes its name from subsection 401(k) of the Internal Revenue Code (Title 26 of the United States Code). Employers can help their employee save for retirement while reducing taxable income under this provision, and workers can choose to deposit part of their earnings into a 401(k) account and not pay income tax on it until the money is later withdrawn in retirement. Interest earned on money in a 401(k) account is never taxed before funds are withdrawn. Employers may choose to, and often do, match contributions that workers make.

Alternative Financial Services (AFS): *noun* — financial services provided outside traditional banking institutions. The services are often similar to those provided by banks, and include payday loans, rent-to-own agreements, pawnshops, refund anticipation loans, some subprime m ortgage loans and car title loans, and non-bank check cashing, money orders, and money transfers.

Alzheimer's: *noun* — a disease of the brain that causes people to slowly lose their memory and mental abilities as they grow old.

Annual Percentage Rate (APR): *noun* — the rate at which interest on a loan is calculated over the period of a year.

Asking price: *noun* — the price that is asked for by a person who is selling something.

ATM: *noun* — a machine that people use to get money from their bank accounts by using a special card.

Audit: *noun* — a complete and careful examination of the financial records of a business or person.

Average Daily Balance: *noun* — sum of the daily outstanding balances divided by the number of days covered in the cycle to give an average balance for that period. Used by credit card companies to calculate interest charges.

Baby Boomer: *noun* — a person born during the dramatic post–World War II baby boom (1946 – 1964). There are an estimated 78.3 million Americans who were born during this time.

Balance: *verb* — to check and make adjustments to financial records so that they are accurate.

Bankruptcy: *noun* — a condition of financial failure caused by not having the money that you need to pay your debts.

Bankruptcy, Chapter 7: *noun* — known as liquidation or straight bankruptcy, Chapter 7 is the most common form of bankruptcy in the United States. In a Chapter 7 bankruptcy, the individual is allowed to keep certain exempt property. Most liens (debts), however (such as real estate mortgages and security interests for car loans), survive. The value of property that can be claimed as exempt varies from state to state. Other assets, if any, are sold (liquidated) by the interim trustee to repay creditors.

Bankruptcy, Chapter 13: *noun* — known as reorganization bankruptcy. Under Chapter 13, the debtor proposes a plan to pay his creditors over a 3 to 5-year period. This written plan details all of the transactions (and their durations) that will occur, and repayment according to the plan must begin within thirty to forty-five days after the case has started. During this period, his creditors cannot attempt to collect on the individual's previously incurred debt except through the bankruptcy court.

Glossary

Benchmark: *noun* — something that can be used as a way to judge the quality or level of other, similar things.

Blue book price: *noun* — the market value price for new and used automobiles of all types, as well as RVs, motorcycles, snowmobiles, and personal watercrafts. "Found in the *Kelley Blue Book*."

Bonus: *noun* — an extra amount of money that is given to an employee.

Budget: *noun* — an amount of money available for spending that is based on a plan for how it will be spent.

Cash flow: *noun* — the movement of money in and out of a business, measured during a specified, finite period of time. May also apply to personal finances.

Certificates of Deposit: *noun* — official documents in which a bank promises to pay a specified amount of interest when you deposit money in the bank for a specified period of time — also called a CD.

Closing costs: *noun* — a variety of costs associated with the purchase of property (above and beyond the price of the property itself) to be incurred by either the buyer or the seller. These costs are typically paid at the closing (the time during at which the contract is actually executed and the title to the property is conveyed to the buyer).

Collateral: *noun* — something that you promise to give someone if you cannot pay back a loan.

Commercial: *adjective* — related to or used in the buying and selling of goods and services.

Commission: *noun* — an amount of money paid to an employee for selling something.

Communication: *noun* — the act or process of using words, sounds, signs, or behaviors to express or exchange information or to express your ideas, thoughts, feelings, etc., to someone else.

Compound Interest: *noun* — interest paid both on the original amount of money and on the interest it has already earned.

Credit: *noun* — money that a bank or business will allow a person to use and then pay back in the future.

Credit Limit: *noun* — an amount of money that a person is allowed to borrow.

Credit Report: *noun* — record of an individual's or company's past borrowing and repaying, including information about late payments and bankruptcy.

Credit Reporting Agencies: *noun* — companies that collect information from various sources and provide consumer credit information on individual consumers for a variety of uses; organizations providing information on individuals' borrowing and bill paying habits.

Credit Risk: *noun* — an investor's risk of loss arising from a borrower who does not make payments as promised. Such an event is called a default. Another term for credit risk is default risk.

Glossary

Debit Card: *noun* — small plastic card that is used to buy things by having the money to pay for them taken directly from your bank account.

Debt Consolidation: *noun* — the act of taking out one loan to pay off many others.

Deductions: *noun* — amounts of money taken away from a total.

Deductions, Itemized: *noun* — eligible expenses that individual taxpayers in the United States can report on their federal income tax returns in order to decrease their taxable income.

Deduction, Standard: *noun* — a dollar amount that non-itemizers (see Deductions, Itemized) may subtract from their income. It is available to US citizens and resident aliens who are individuals, married persons, and heads of household and increases every year. Additional amounts are available for persons who are blind and/or are at least 65 years of age. A person may not take both itemized deductions and a standard deduction.

Deduction refund: *noun* — tax refund or tax rebate on taxes when the tax liability is less than the taxes paid. Taxpayers can often get a tax refund on their income tax if the tax they owe is less than the sum of the total amount of the withholding taxes and estimated taxes that they paid, plus the refundable tax credits that they claim. (Tax refunds are money given back at the end of the financial year.)

Dependent: *noun* — a person (such as a child) whose food, clothing, etc., you are responsible for providing; a person who depends on another as a primary source of income.

Deposit: *noun* — an amount of money that is put in a bank account.

Dispute: *verb* — to say or show that (something) may not be true, correct, or legal.

Down payment: *noun* — a first payment that you make when you buy something with an agreement to pay the rest later.

E-filing: *verb* — submitting tax documents to the Internal Revenue Service through the Internet or direct connection, usually without the need to submit any paper documents. Tax preparation software with e-filing capabilities are available as standalone programs or through websites or tax professionals from major software vendors for commercial use.

Economy: *noun* — the process or system by which goods and services are produced, sold, and bought in a country or region.

Emergency fund: *noun* — a reserved amount of money to be used in times when regular income is disrupted or decreased in order for typical operations to continue.

Equity: *noun* — the value of a piece of property (such as a house) after any debts that remain to be paid for it (such as the amount of a mortgage) have been subtracted.

Ethical: *adjective* — involving questions of right and wrong behavior: relating to ethics; following accepted rules of behavior: morally right and good.

Glossary

Excessive: *adjective* — going beyond what is usual, normal, or proper.

Expenses: *noun* — money that must be spent regularly to pay for things such as rent, utilities, food, transportation.

Federal Deposit Insurance Corporation (FDIC): *noun* — a United States government corporation created by the Glass-Steagall Act of 1933. It provides deposit insurance, which guarantees the safety of deposits in member banks, currently up to $250,000 per depositor per bank. The FDIC examines and supervises certain financial institutions for safety and soundness, performs certain consumer-protection functions, and manages banks in receiverships (failed banks). Insured institutions are required to place signs at their place of business stating that "deposits are backed by the full faith and credit of the United States Government.

Federal income tax: *noun* — an amount of money that the federal (central) government requires people to pay according to their income, the value of their property, etc., and that is used to pay for the things done by the government

FICA: *noun* — the Federal Insurance Contributions Act is a United States payroll (or employment) tax imposed by the federal government on both employees and employers to fund Social Security and Medicare.

FICO score: *noun* — provides a snapshot of risk that banks and other institutions use to help make lending decisions. Applicants with higher FICO scores may be offered better interest rates on mortgages or automobile loans. Fair Isaac Corporation is a public company that provides analytic information and decision making services —including credit scoring — intended to help financial service companies make complex, high-volume decisions.

Finance Charge: *noun* — the dollar amount paid to borrow money.

Financial objectives: *noun* — money-related goals.

Financial planning: *noun* — the act or process of making a money-related plan to achieve or do something.

Financial security: *noun* — the state of being free from money-related anxiety or worry.

Financially literate: *adverb* — having or showing knowledge relating to money.

Fixed expense: *noun* — money that must be spent regularly to pay for things such as rent, utilities, food, transportation, etc., that does not change.

Flexible expense: *noun* — amount of money that is needed to pay for or buy something that can be changed or eliminated.

Flexible spending: *noun* — able to change or to do different things to use (money) to pay for something.

Fraud: *noun* — the crime of using dishonest methods to take something valuable from another person.

Glossary

Fraudulent: *adjective* — done to trick someone for the purpose of getting something valuable.

Gen Xer: *noun* — a person born in the 1960s and 70s, ending in the late 1970s to early 80s, usually not later than 1982.

Grace Period: *noun* — an amount of extra time that someone is given to pay a bill, finish a project, etc.

Gross: *adjective* — including everything ; used especially to describe a total amount of money that exists before anything (such as taxes or expenses) is taken away.

Home Health Care: *noun* — health care or supportive care provided in the patient's home by healthcare professionals (often referred to as home health care or formal care; in the United States, it is also known as skilled care) or by family and friends (also known as caregivers).

Identity theft: *noun* — the illegal use of someone else's personal identifying information (such as a Social Security number) in order to get money or credit.

Impulse buying: *noun* — an unplanned decision to buy a product or service, made just before a purchase.

Impulse shopping: *noun* — an unplanned decision to shop for a product or service, made just before shopping.

Income: *noun* — money that is earned from work, investments, business, etc.

Income taxes: *noun* — taxes paid on the money that a person or business receives as income.

Individual Retirement Account (IRA): *noun* — a form of retirement plan that provides tax advantages for retirement savings in the United States.

Installment Plan: *noun* — a way of paying for something by making a series of small payments over a long period of time.

Interest Rate: *noun* — the money paid by a borrower for the use of borrowed money that is set according to a scale, standard or percentage.

Intermediate goal: *noun* — something that you are trying to do or achieve that occurs in the middle of a process or series. Not the final goal.

Internal Revenue Service (IRS): *noun* — the revenue service of the United States federal government. The agency is a bureau of the Department of the Treasury, and is under the immediate direction of the Commissioner of Internal Revenue. The IRS is responsible for collecting taxes and the interpretation and enforcement of the IRC (Internal Revenue Code).

Invest: *verb* — to use money to earn more money: to use your money to purchase stock in a company, to buy property, etc., in order to make future profit.

Glossary

Layaway: *noun* — a way of buying something in which you do not receive the thing you are buying until you have paid the full price by making small payments over a period of time.

Lease: *noun* — a legal agreement that lets someone use a car, house, etc., for a period of time in return for payment.

Legal Guardian: *noun* — a person who has the legal authority (and the corresponding duty) to care for the personal and property interests of another person, called a ward. Usually, a person has the status of guardian because the ward is incapable of caring for his or her own interests due to infancy, incapacity, or disability.

Liability: *noun* — something (such as the payment of money) for which a person or business is legally responsible.

Liquidation: *noun* — the process by which a company (or part of a company) is brought to an end, and the assets and property of the company redistributed.

Long-term goal: *noun* — something that you are trying to do or achieve that over a long period of time.

Mandatory: *adjective* — required by a law or rule.

Means Test: *noun* — a determination of whether an individual or family is eligible for help from the government. Is used to determine if an individual qualifies to file bankruptcy.

Medicare: *noun* — a government program that provides medical care especially for old people.

Millennial: *noun* — a person born on a date ranging somewhere from the mid-1970s to the early 2000s. Sometimes referred to as being a member of Generation Y.

Minimum Balance: *noun* — least or lowest possible the amount of money in a bank account.

Money Market: *noun* — consists of financial institutions and dealers in money or credit who wish to either borrow or lend. Participants borrow and lend for short periods of time, typically up to thirteen months.

Money market account: *noun* — a deposit account offered by a bank, which invests in government and corporate securities and pays the depositor interest based on current interest rates in the money markets.

Mortgage: *noun* — a legal agreement in which a person borrows money to buy property (such as a house) and pays back the money over a period of years.

Negotiate: *verb* — to discuss something formally in order to make an agreement.

Net: *adjective* — used to describe the amount or value of something after all costs and expenses have been taken away.

Notarize: *verb* — to sign a document as a notary public.

Glossary

Optional: *adjective* — available as a choice but not required.

Overdraft: *noun* — an amount of money that is spent by someone using a bank account that is more than the amount available in the account : an amount that is overdrawn from an account.

Penalty: *noun* — punishment for breaking a rule or law.

Period of limitations: *noun* — the maximum time after an event that legal proceedings based on that event may be initiated.

PIN (Personal Identification Number): *noun* — a password/number used to access an automated teller machine or other secured system.

Points: *noun* — charges based on a percentage; a form of pre-paid interest used to reduce interest rates in a mortgage loan.

Prequalify: *verb* — to meet a set of standardized borrower and property (or other collateral) risk-based pricing factors.

Principal: *noun* — an amount of money that is put in a bank or lent to someone and that can earn interest.

Property taxes: *noun* — taxes imposed by municipalities upon owners of real estate within their jurisdiction based on the value of such property.

Reorganization: *noun* — see Bankruptcy, Chapter 13.

Repossess: *verb* — to take (something) back from a buyer because payments are not being made.

Resources: *noun* — supply of something (such as money) that someone has and can use when it is needed.

Revolving charge account: *noun* — a type of credit that does not have a fixed number of payments. The borrower makes payments based only on the amount they've actually used or withdrawn, plus interest. The amount of available credit decreases and increases as funds are borrowed and then repaid. Examples of revolving charge accounts used by consumers include credit cards.

Roll-over: *verb* — what happens when a borrower does not have enough money to pay back the loan when it is due. The borrower then borrows more money and the same rules apply (i.e., interest).

Salary: *noun* — an amount of money that an employee is paid each year. A salary is divided into equal amounts that are paid to a person usually once every two weeks or once every month

Savings Account: *noun* — a bank account in which people keep money that they want to save.

Scam: *noun* — a dishonest way to make money by deceiving people.

Security deposit: *noun* — an amount of money that you pay when you begin to rent property (such as an apartment) and that can be used to pay for any damage that you cause to the property.

Glossary

Short-term goal: *noun* — something that you are trying to do or achieve over a short period of time.

Silent Generation: *noun*— the generation born from (1925—1945) notably during the Great Depression (1929—1939) and World War II (1939—1945), including the bulk of those who fought during the Korean War or early in the Vietnam War, in the United States of America and the United Kingdom.

Simple Interest: *noun* — interest paid only on the original amount of money and not on the interest it has already earned.

SMART goals: *noun* — things that you are trying to do or achieve that are Specific, Measurable, Attainable, Realistic, and have a Timeframe.

Social Security: *noun* — a program in the U.S. that requires workers to make regular payments to a government fund which is used to make payments to people who are unable to work because they are old, disabled, or retired.

Supplemental Health Care Plan: *noun* — insurance plan purchased from a private company (normally requiring a monthly insurance premium), to cover costs not paid by Medicare.

Telemarketing: *noun* — the activity or job of selling goods or services by calling people on the telephone.

Tenant: *noun* — someone who rents or leases a house, apartment, etc., from a landlord.

Transaction taxes: *noun* — taxes on the passing of the title to a property from one person (or entity) to another.

Trigger Words: *noun* — words that cause something else to happen.

Variable expenses: *noun* — expenses that are able or likely to change or be changed; not always the same.

Variable Rate Mortgage: *noun* — a mortgage with an interest rate that will normally vary with changes to the base rate of the central bank and reflects changing costs on the credit markets.

Wage: *noun* — an amount of money that a worker is paid based on the number of hours, days, etc., worked.

Withdrawal: *noun* — the act of taking money out of a bank account.