YOUR FINANCIAL LIFE – MONEY MANAGEMENT FOR YOUNG ADULTS

This program will help you understand the financial concepts you will need in order to effectively manage your money. We will cover the following topics:

• Financial Planning
• Banking on Your Future
• Understanding Credit and Credit Reports
• Learning about Earning
• Saving and Investing and
• Protecting Yourself from Financial Disaster

Each one of these topics will explore an area of personal finance that is important for everyone to understand.

Surprisingly, many people, including many college graduates, lack the information necessary to manage their finances successfully.

Developing good financial habits at a young age will help you to maintain those habits throughout your life—avoiding costly mistakes—and saving you thousands of dollars along the way.

Each chapter will conclude with questions, so that you can test yourself on the most important concepts. There is also a final quiz at the end of the workbook.
FINANCIAL PLANNING

The Credit Problem

As we saw in the last months of 2008, financial calamity can be just a paycheck away. The mortgage crisis, precipitated by too many consumers being in mortgages they could not afford, caused a ripple across the United States. Credit card companies tightened the approval criteria for new cards and took steps to close existing accounts or reduce their credit limits. Home loans and loans for new construction also became difficult to obtain. As a result of the loss in buying power, entire industries collapsed and many people lost their jobs. This further depressed the financial situation in the United States.

While there were many things that contributed to this financial situation, two themes arose.

- First, lenders expanded lending programs to include people who had negative credit issues. These programs often had high interest rates, high fees or were predatory in nature.
- Second, consumers either did not have the information necessary to make an informed decision about their ability to repay a debt, or they entered into a loan hoping that their financial situation would improve in the future.

Ultimately, it is up to us, the consumer, to understand the terms and conditions of the financial products we use. It is also our responsibility to ensure that we do not take on more debt that we can comfortably afford to repay.
Peer pressure persuades many of us to try to fit into a group, such as wearing designer clothes, or having the latest smart phone. People are affected by what they see their neighbors doing, and often strive to compete to see who can acquire the biggest HD TV set, the fastest computer, and other material items.

Problems happen when a person does not prioritize their wants and needs, or spends more than they can afford. Most financial experts suggest that a good starting point for managing finances is to make a prioritized list of goals. Then when money is available, it can be consciously used for items that really matter.

It is very easy to confuse Wants with Needs. A WANT is something we would like to have, but don’t need to survive. A NEED is something we have to have in order to survive. By planning your income and expenditures carefully, you can live within your means, and at the same time, accomplish your financial goals.

A planned approach to managing your finances will improve your credit rating, provide you with extra cash, and give you the power to build wealth for yourself.
YOUR FINANCIAL GOALS

One of the best ways to accomplish goals is to make them early in life. Think about them, write them down, prioritize them, and revisit them often. You might categorize your goals into those that are short term (1-3 years) and those that are long term (4-6 years). You can also make a list of very short term goals that will only take a few months to accomplish.

For most young adults, an important goal is education and training. This could be a college education, a trade school, or specialized training program. Most people find that it is easier to get an education before other obligations take over such as a career, marriage, or children.

Many young people reach a point where they are ready to assume responsibility for living on their own. This is a big step, considering that household expenses such as rent, food, heating, and other costs are so high.

In the longer term, most of us want to find meaningful work, accumulate wealth, and purchase a few assets, such as a car and a home. These are reasonable “dreams”—but it takes careful planning and patience to make them a reality.

Remember, goals are the things that YOU want to achieve. When you establish a goal, think about why it is important to you. Keep that in mind as you work toward your target.

Here are some examples of goals you may want to achieve:

Short Term (1-3 Years)
- Education
- Living on your own
- Work

Long Term (4+ years)
- Career
- Accumulate wealth
- Buy a car, home, etc.
- Travel, marriage, etc.
ORGANIZE YOUR FINANCIAL RECORDS

Tools to Use:
• File folders
• File box
• Calculator
• Calendar
• Computer (if you have one)

One of the first and most important steps to take for your financial wellbeing is to organize your financial records. By putting your papers in order, you will start to feel a sense of control over them. A neat and orderly approach will reduce the possibility of missing payments, and incurring unnecessary fees or charges.

The materials you need are inexpensive and readily available. Get some file folders and find space in a drawer, or pick up a plastic file box. Make up a file folder for each company to whom you pay bills, as well as a file for your employment documents and pay stubs.

Create a file folder for each bill and one for your paystubs. Also create folders for installment loans (car payment, computer payment) and tax records, etc.

If you have an installment loan, such as a car loan, create a file for your payment cards and loan paperwork.

Get a calculator to use when you are managing your money and a calendar to make note of due dates for payments.

Organizing your financial records is a business-like action that will assist you in managing your money carefully.

If you use the Internet to manage your bills, create a spreadsheet that shows when bills are due and shows that you have paid them.

You may consider making folders in your email for each of the bills you pay electronically. That way you can quickly find receipts for payments or electronic statements.
## SPENDING & SAVING MONEY

<table>
<thead>
<tr>
<th>Your Earnings</th>
<th>Your Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Take-Home Pay</td>
<td>• Savings</td>
</tr>
<tr>
<td>• Allowance</td>
<td>• Housing Expenses, Food, and Utilities</td>
</tr>
<tr>
<td>• Other Income Sources</td>
<td>• Transportation, Gas, Bus</td>
</tr>
<tr>
<td></td>
<td>• Optional Spending</td>
</tr>
</tbody>
</table>

### EARNINGS – EXPENSES = SURPLUS

Here you will see a basic—but powerful approach to managing money. In fact, from these basic ideas, you can create a personal budget that will be useful in planning your finances.

Start with your earnings—the amount you bring home from your job each month, which is your net pay. If you have an allowance or any other income, include that amount as well. Compute your total earnings per month. Conceivably, this is the amount you could spend.

Next, write down all of your expenses—housing, food, utilities, and other living expenses and add them up. This expense total is the amount you must pay each month in order to stay out of debt.

Subtract your expense total from the earnings total. If the amount you ended up with is positive, you have a surplus—and could consider a savings plan to accrue money for financial goals.

If the amount is negative, you have a shortage, and you must make a plan to reduce your spending or increase your income—otherwise, you will be going into debt.
A budget is a spending plan. If you have a surplus, accumulate it in a savings account or invest it. If you have a shortage, you must either find a way to make more money each month or reduce unnecessary expenditures.

Start by keeping track of your expenses. Many people spend without thinking, and then later, wonder where their money went. A person who faithfully records each expense will shortly realize that some of those purchases are needs but others are wants. This is such a useful starting point, that we have included an exercise in recording expenses at the end of this workbook.

The need for monitoring your expenses is particularly important if you routinely spend more than you earn during the month. Find ways to eliminate those extra lattes, fast food, and other unnecessary purchases. A $4 latte per day for one year adds up to $1,040! Reduce that to 3 days a week and save $416.

You will find that you can live just as exciting a life by living within your means.

And when you get to the point where you have a little surplus each month, you can think creatively about what you could do with this new-found wealth.

You’ll find a budget worksheet near the back of this workbook. Use this worksheet to figure out your own budget. You may modify it to make it fit your specific financial situation.

You can complete it now, or at a later time, when you have gathered all your bills and expenses together.

You can also use our interactive budget tool available at www.myfinancialgoals.org under Education.
YOUR FINANCIAL GOALS

Here is a short exercise that will help you to focus on the future. Think of three short term goals that you would like to accomplish, let’s say, in the next 3 years. Most financial analysts suggest that your first goal should be to accumulate a cash reserve of about three months net income—to assist you in case of injury, illness or job loss.

Think of two other short term goals on your own. Make an estimate of how much money you will need to accomplish each goal. You should also estimate how long it will take to save up the money to accomplish them.

Next, come up with 2 or 3 long term goals (4-6 years away or longer). How much money will you need for each long term goal, and how long will it take to accumulate that amount?

Setting goals is a very powerful motivator. It helps you to focus on what is really important to you, and may help you avoid impulse buying.

<table>
<thead>
<tr>
<th>Short Term Goals</th>
<th>Amount</th>
<th>By... Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Establish a Cash Reserve</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Long Term Goals</th>
<th>Amount</th>
<th>By... Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
As we discussed earlier, this exercise will help you become aware of your spending habits. Get a calendar or day planner (or use the One Week Cost Recording exercise we have included in back of the workbook.) You can also find helpful Smartphone applications that allow you to track spending quickly and easily from your phone.

Each day write down everything you pay for in the diary or worksheet. Record the amount of the expense and what it was for. Be sure to include all expenditures, including those for which you used a credit card or checkbook. Continue the exercise for one week.

At the end of the week, total up your expenditures and consider the following questions:

Which of your expenditures would you consider to be WANTS? Which ones are NEEDS?

If you only spent money for NEEDS, how much would you have saved during the week?

Estimate how much money you could save in one year spending only for your NEEDS.

What conclusions did you reach as a result of this exercise?

MAKE YOUR OWN BUDGET

Use the One Week Cost Recording exercise to help you when you are preparing your monthly budget.

Review your budget every few months to see if you are sticking to it; this will help you to achieve your financial goals.
QUESTIONS ON FINANCIAL PLANNING

1. Who do you believe is responsible for the credit decisions of Americans? Why? 

2. Name two items that you think are “wants” and two that you think are “needs.” 

3. What are two financial goals that you would like to accomplish? 

4. What must you do to prioritize your wants? How would that benefit you? 

5. How is your cash surplus or shortage calculated? 

6. What did you learn as a result of the one-week spending exercise? 

Answers: See the “Answers Section” in the back of this workbook.
BANKING ON YOUR FUTURE

In this workbook we will look at banking and the security of your money.

An important tool for achieving your financial goals is to make use of the services of a bank or credit union. A bank is a financial institution that provides financial services including savings and checking accounts, investments, and safety deposit boxes. Additionally, banks loan money to individuals for the purchase of expensive items such as automobiles and houses.

One major reason for establishing a banking relationship is the security that a bank provides in holding your deposits and keeping them safe. Additionally, banks provide access to your deposits when you need the money for an emergency, or to make a purchase.

There are two very basic types of bank accounts that many people have; a savings account and a checking account. Let’s take a look at each of these types of accounts.

A Savings Account

- Used for depositing cash for future use
- Earns interest over time
- Used to accumulate cash for financial goals, or to use in an emergency
- Think of a savings account as your first investment! A savings account allows you to deposit money that you don’t need to spend now.

One excellent use of a savings account is to create a cash reserve. This reserve, of three to six months of your income, can be used for living expenses in case you become injured or lose your job.

A second characteristic of a savings account is that your deposits earn interest. For example, if you were to deposit $1,000 in a savings account earning 2%, that account would generate interest of $20 in one year’s time.

Although this might seem like a very low return or profit from your deposit, remember that the main goal of a savings account is to have money immediately available for your use when something unexpected occurs—for example, you get into an accident, or have an opportunity to travel.

Financial experts agree that your first investment should be in a savings account—and the process of thinking like a saver (not a spender!) takes some time for most of us.
A Checking Account

• Start with a deposit of cash to the account
• Bank provides you with checks to fill out and use like money
• You write the check to pay for an item
• The check releases money from your account to the payee
• You can verify the account activity online

A checking account is used to automate your bill paying and investment activities. The process works like this: you make a deposit at your bank and the money is held in an account for you.

The bank provides you with checks or a debit card that you can use to pay for things. When you go to the store, or pay your rent, you fill out the check or use your debit card to pay the amount required. If you pay by check, when the payee cashes the check, the money will be transferred to their account. An ATM card or debit card works in the same way as a check but is paperless.

At the end of each month, your bank will provide you with a bank statement that summarizes the activity in your account. By using checks or using your debit card, you avoid having to carry cash which increases your safety and security. When the check is cashed by your payee or the money is transferred to their account, you can prove that they actually were paid, because the bank will provide evidence of that payment.

A wonderful feature of most checking accounts is the ability to see your account online. You can verify that deposits are made on a timely basis, and that your checks and purchases are being processed for the correct amounts.
WRITING A CHECK

If you’ve never had a checking account, you need to know how a check is written. Here’s an example of Anna James, who has made a deposit of cash to the ABC Bank. Here we see a check that she is writing to purchase groceries at Safeway.

Each check is given a sequential number. In this case, we are viewing check number 203. Notice how the check is filled out:

<table>
<thead>
<tr>
<th>Anna James</th>
<th>203</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Maple Street</td>
<td></td>
</tr>
<tr>
<td>Seattle, WA 9811</td>
<td></td>
</tr>
<tr>
<td><strong>Date</strong>: June 5, 2013</td>
<td></td>
</tr>
<tr>
<td>Pay to the Order of: Safeway</td>
<td>$35.50</td>
</tr>
<tr>
<td>thirty-five dollars and 50/100 Dollars</td>
<td></td>
</tr>
<tr>
<td>ABC Bank</td>
<td></td>
</tr>
<tr>
<td>Seattle, WA</td>
<td></td>
</tr>
<tr>
<td>For: Groceries</td>
<td>Anna James</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>9999922222</td>
</tr>
<tr>
<td></td>
<td>0123456781012345678</td>
</tr>
</tbody>
</table>

After the phrase “Pay to the Order of…” Anna writes “Safeway.”

The date is entered in the space provided. Be sure to include the month, the day and the year. The amount of the check is written in the box provided.

In addition to the amount written in numbers, the entire amount is written out in letters. Anna also writes “thirty-five and 50/100” to indicate $35.50. Note that the entire line is taken up with Anna’s writing so that extra figures or words cannot be inserted.

On the bottom left, where it says “FOR” Anna writes “Groceries.”

On the bottom right is a space where Anna signs her name exactly as it appears at the top of the check. It is very important that Anna also records the payee and amount on her check register for check 203.

Always keep checks in a safe place and if you lose them or they are stolen, report it to the bank right away.
USING YOUR DEBIT OR ATM CARD

If you receive a debit or ATM card through your bank or credit union, you will be asked to create a personal identification number (PIN) that only you will know. The PIN will be used when you access your account through an automated teller machine, when you make a purchase using the card and, in some cases, when you want to access your account over the telephone.

It is very important to keep this number safe. Avoid sharing it with other people and try to use a number that other people will not be able to guess. Birthdays and anniversaries are some examples of numbers that are not recommended for PINs. Finally, never store your PIN with the debit card.

If your debit card is lost or stolen, notify your bank right away to limit your liability for any unauthorized charges.

In summary, a bank is an indispensable tool for managing your money. Your money is accessible, but is kept secure in your account. Additionally, the bank insures each account against loss, up to the maximum amount allowed under law.

Banks charge for their services, so shop around to get the best deal—and be sure to consider the availability of bank branches in your neighborhood.

Most banks offer the following helpful services:

On-line banking via the Internet: each deposit or withdrawal from your account can be viewed on a secure Internet page. This makes it possible to see the checks you have written, so that you can verify that the checks were cashed properly, and for the correct amount.

Direct deposit of your paycheck by your employer: this eliminates the need to stop by the bank to deposit your check. The amount on your paycheck is automatically deposited into your account on payday.

Banks: Security & Convenience

• Your money is safe, but accessible

• Your accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) for up to the current amount allowed by law

• The bank may charge you fees for its services

• Multiple branches increase the convenience of using the bank

• Electronic services (online banking and direct deposit) are convenient and safe
MANAGE YOUR BANK ACCOUNTS

• Keep bank statements organized. File them in order or use online statements

• Balance your account regularly. Don’t ever write a check for more than you have in your account!

• Protect all unused checks

• Keep ATM card pin numbers confidential

• Keep your information safe when using the Internet

You should, without fail, balance your checkbook regularly by either examining the checks on the Internet, or by matching your checking records with the monthly bank statement. We cover this process in detail in our workbook, Your Banking Relationship.

You should always know how much money you have in the bank to avoid overrawing your account. If you should overdraft your account, you will be charged high fees by your bank and the merchant to whom you wrote the bad check. This can be reported to the credit bureaus and will hurt your credit and your reputation with your bank.

In addition, your check may be reported to a check monitoring company such as ChexSystems or Telecheck. These companies maintain a record of consumers who have written a bad check or owe money to a bank due to overdrafting their bank account.

Consumers who have these items in their history may not be able to write checks to other businesses or open new checking accounts.

If your checking or savings account comes with an ATM or debit card, be sure to keep all receipts from your ATM transactions, and record them in your check register immediately. Memorize your PIN number and keep it in a safe place at home with your unused checks.

Never keep your PIN number in your wallet with your ATM card and don’t share this number with anyone. Practice good Internet habits—use a strong password (not your middle name or your dog’s name), and if you are using a public computer, be sure to clear the browser of any private information before leaving the computer.

By practicing these safe habits, you will protect yourself and your money from possible theft.
THE CREDIT UNION

• May be affiliated with a company or a profession
• May offer excellent rates to members for loans, checking, or other services
• Like banks, Credit Unions have safeguards and guarantees on deposits through the National Credit Union Association (NCUA)

In addition to a bank, you may receive excellent financial services from a credit union. Credit unions are often set up for employees in a certain profession or for people in a specific geographic location. For example, a teacher’s credit union, or a state employees’ credit union would offer checking, savings, and consumer loan services to its members, as well as direct deposit of paychecks.

Credit unions are financial institutions that are run for members by the members. Because of this relationship, the rates offered by credit unions are often very competitive with those offered by banks.

Also, because they are a membership organization, they may offer special loans or other services not available at a bank.

Like banks, your accounts are guaranteed against loss.
Now, let’s talk about borrowing money. Why do people borrow money? Because some things that we need or want require more money than we have in the bank right now. For example, by borrowing money for a home or a car, we can purchase those items now and pay the loan off over time.

In order to be a good candidate for a loan, you must have a good credit record—which means that you must pay your bills on time. You will have to fill out a loan application, providing evidence of your employment history, previous credit, amounts you owe right now, current income and other items. The bank will loan you money only if you prove to them that you will be able to pay it back.

A good example is a car loan. A car is a major purchase that generally requires borrowing money. If you were to purchase a $15,000 car, you might make a $3,000 cash down payment and finance the remaining $12,000 by borrowing it from the bank.

- The amount you are borrowing ($12,000) is called the principal of the loan.
- The interest rate is the bank’s fee for loaning you the money.
- The term is the length of time you have to pay off the loan.

**Example: a car loan**

- Loan terms: $12,000 for 48 months at 6% annual interest
- Loan payment: $281.82 per month
- Loan payment includes the interest on the unpaid balance, plus reduction of the Principal
- To borrow $12,000 for 4 years at 6%, you will pay $1,527.36 in interest
Consider the previous example for buying a car. The car loan is for $12,000 for 48 months at 6% interest. Most installment loans require monthly payments. In this case, the payment will work out to $281.82 per month.

If you have a calculator nearby, multiply 48 times $281.82; the result will be $13,527.36.

So your loan for $12,000 actually will cost you $13,527.36.

The additional $1,527.36 is the interest amount you will pay, and represents the bank’s revenue on the loan. This is how a bank makes money.

In this type of installment loan, the interest is based on the unpaid balance of the loan. Each month, interest is being charged on the amount you currently owe.

Should you decide to pay off the loan early, the interest charged will be less.

**Example of Loan Payments**

The table on the next page shows the first six payments on a $12,000 loan. Note that the payment you make stays the same at $281.82 per month. Each of the 48 payments will be for that same amount. Each payment consists of an interest amount and a loan reduction amount.

For example, for the first payment, $60.00 is the interest expense and $221.82 is for the reduction of the principal of the loan. Together, these two amounts add up to the total payment.

The calculation of the interest is at 6% per year. On a per-month basis, we divide 6% by 1, which is .005. In period 1, the interest expense is .005 times 12,000, or $60. Each month, the interest expense is calculated as .005 times the remaining loan balance.

Because the loan balance declines, the interest portion of each payment declines as well.

If you carry this pattern out for the full 48 months, the loan balance will reach zero.

To obtain the lowest possible interest rate, you should endeavor to have a PERFECT credit rating. We will address your credit rating later. It also helps to make a higher down payment. Other things that help include shortening the loan term and shopping carefully among lenders.
EXAMPLE OF LOAN PAYMENTS

<table>
<thead>
<tr>
<th>Period Start</th>
<th>Payment</th>
<th>Interest at 6%</th>
<th>Principal reduction</th>
<th>Loan balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Start</td>
<td>$281.82</td>
<td>$60.00</td>
<td>$221.82</td>
<td>$12,000.00</td>
</tr>
<tr>
<td>1</td>
<td>$281.82</td>
<td>$58.89</td>
<td>$222.93</td>
<td>$11,778.18</td>
</tr>
<tr>
<td>2</td>
<td>$281.82</td>
<td>$57.77</td>
<td>$224.93</td>
<td>$11,331.20</td>
</tr>
<tr>
<td>3</td>
<td>$281.82</td>
<td>$56.66</td>
<td>$225.16</td>
<td>$11,066.04</td>
</tr>
<tr>
<td>4</td>
<td>$281.82</td>
<td>$55.53</td>
<td>$226.29</td>
<td>$10,879.75</td>
</tr>
<tr>
<td>5</td>
<td>$281.82</td>
<td>$54.40</td>
<td>$227.42</td>
<td>$10,652.33</td>
</tr>
<tr>
<td>6</td>
<td>$281.82</td>
<td>$53.25</td>
<td>$228.57</td>
<td>$10,423.76</td>
</tr>
</tbody>
</table>

Payment stays constant
Interest amount decreases each period
Principal reduction increases
Total financing cost for the 6 month period is $343.25
Manage Credit Cards Carefully!

If you routinely use a credit card, you may be familiar with the way they work. The bank that issues the credit card earns interest when you delay paying your bill, or when you go over your credit limit. This is interest that YOU pay, for the convenience of using the card. If you make only the minimum payment due, the card incurs interest charges on the amount still unpaid—and the interest rate may be very high.

Believe it or not, there are no legal limits on the rates that banks can charge for credit card interest and fees. However there are rules regarding when they can increase your interest rate.

For most of us, the credit card is an easy way to buy consumer goods, but the price of using a credit card can be high if you’re not careful. A credit card account will allow you to make purchases up to a maximum amount set by the card issuer, called the credit limit. Some credit card issuers charge you an annual fee to use the card.

Each month, the credit card company will send you a bill with a stated “minimum payment” due. If you only make the minimum payment, the credit card company will add interest charges to what you owe. The interest rate is based on the APR or Annual Percentage Rate, which you agreed to when you signed up for the card.

In our earlier example of a bank loan, we used a 6% interest rate—which most people would consider a reasonable rate of interest. Compare that to some credit card companies that charge interest rates as high as 30%! If you pay your card balance off within the grace period every month, you will not have to pay interest—regardless of the rate.
Credit card companies will charge you extra if you miss your payment due-date by even one day. They will also charge you if you exceed the credit limit. Exceeding the credit limit will have a negative impact on your credit history and if your account goes 30 days past due, that will also hurt your credit. The best way to manage your credit card is to make your payments on time, and pay the bill in full each month.

You should compare fees, rates and terms in order to get a credit card you can live with. Near the back of this workbook is a sample cardholder (credit card) agreement and an explanation of the agreement is available on the next page. You can also visit a website like www.bankrate.com to compare rates on different credit cards.

Avoid These Credit Card Pitfalls!

- Teaser rates
- Late fees
- Over-limit fees
- Annual fees
- High APR
- A credit card is NOT free money!
- Only charge what you can afford to pay off – in full – each month

The benefit of using credit is that it helps to build your good credit history if used wisely, however you must handle credit carefully and beware of these pitfalls:

A “teaser” APR rate is often offered by companies to get you to sign up for the card, but the low interest rate is only good for a short period of time— 3 months to 1 year. Be sure to check what it will adjust to after that time is over. This should be clearly stated in the agreement.

Late and over the limit fees are high, usually $30- $35 for each, and can also cause your APR to rise.

Try to avoid cards that include an annual fee, participant fees, or activation fees. These credit cards typically have higher interest rates and low credit limits which make it easy to get behind.
Shop carefully for a card; consider your own bank and read the fine print on all credit card agreements very carefully. See our sample cardholder agreement near the back of this workbook.

Be aware that interest rates may change while you have the card. This is especially true if you miss payments or have a payment to the credit card company rejected by your bank.

A credit card is not free money – every penny you charge has to be paid back.

Always avoid charging more than you can afford! Abuse of credit will hurt your credit history and can lead to financial ruin.
QUESTIONS ON BANKING ON YOUR FUTURE

1. Name three services that banks and credit unions provide to their customers.

2. What are the differences between a checking account and a savings account?

3. Why do you need both a savings account and a checking account?

4. Why should you save about 3 months of wages in a “cash reserve?”

5. Does a Credit Union offer similar types of services as a Bank? Please Explain.

6. What information do you need to fill out a check?

7. Why is it necessary to verify that all of the checks you have written were cashed for the appropriate amount?

8. What do the following loan terms represent: Principal, Interest Rate, and Loan Term?

9. How can you reduce the amount of interest you have to pay on a loan?

10. Your friend just got their first VISA card. What good tips can you tell them about how to manage their credit card?

Answers: See the “Answers Section” in the back of this workbook.
Now let’s move on to a huge part of your financial life… credit and credit reports.

For many kinds of economic transactions, your ability to get credit is essential to accomplishing your goal or solving a problem. For instance, let’s say you need a new suit for a job interview and you don’t have the cash to pay for it now so you buy it on credit. The department store needs to trust that you are good for the money, and that you’ll pay them back. But how does the department store determine that?

You may not be aware of it, but your financial past is an open book. If you’ve rented an apartment, acquired a credit card, or received a bank loan in the past, that information exists and can be used to make a decision about you in the future.

The bottom line is that only you can manage your credit history. If you do a good job of it, by paying your bills on time and spending within your means, you will be rewarded with good credit throughout your life.

Why You Need Good Credit

- To accomplish your short and long-term goals
- To take advantage of good buying opportunities or a low interest rate (car loan, home loan, etc.)
- For employment purposes
- To rent a home or apartment
- To pay reduced deposits when turning on utilities such as electricity or gas
- For savings on auto and home insurance
- For reduction of stress and peace of mind

If your financial goals include owning some valuable things in life, a good credit history is essential. It will be difficult, or even impossible to finance a car or the house of your dreams if you have bad credit. Because car and home loans are usually long term, most lenders want to examine your credit record over a span of years before they consider you a good candidate for a loan.
There are other reasons why a good credit rating is important. Many property managers check credit reports to determine if the person has a history of paying bills on time. If you do not, you may be denied housing or have to pay a larger deposit to move into the property.

Utility, cell phone and insurance companies look at credit for the same reason as property managers. They are determining how likely you are to pay your bills on time – and the risk that you will not. Negative items in your credit report can result in paying higher deposits and rates.

In today's competitive job market, some employers check the credit histories of job applicants and will only hire those with good credit.

Here’s another situation: Imagine that you have an emergency and need to borrow money in a hurry for an auto or home repair, illness, injury or accident. The energy and time you take in setting up your good credit will cut down stress and give you long term peace of mind.

**Building Credit**

Sometimes getting started with credit can feel like a major obstacle. However, there are responsible ways to establish credit and build a positive payment history.

First and foremost, always pay your bills on time. Even though our rent, utilities, medical bills and cell phone accounts do not report to the credit bureaus when we make our payments on time, if you fall behind, you may find that the bill has been sent to a third party collection agency. Those collection agencies can report to the credit bureaus that you have not paid your bill.

Collection accounts on your credit report reflect poorly and make it difficult to obtain credit in the future.

For people under 21 years old, there are special laws governing how they can open a credit card account.

1. They need to have a co-signer or be able to prove that they have the income to pay their debts.

2. If they have a co-signer, the co-signer must agree, in writing, to any credit line increases.

3. They can sign up for a secured card without using a co-signer.

A co-signer is someone who agrees to repay a debt should the primary borrower be unable to make payments. Using a co-signer is a way to build credit, however it is important that both parties clearly understand the consequences if the account becomes past due. If the main borrower fails to pay, not only does the co-signer have to make payments, but any missed payments or collection activity will reflect on their credit report as well.
A secured credit card is very similar to a traditional credit card, however you provide the lender a cash deposit to open the account. The deposit becomes the credit line for the account or the lender will make the credit line a percentage of the deposit. Your money ($300—$500) remains in the account as back up, just in case you do not make your payments.

You can find secured credit cards at many banks and credit unions. However, not everyone will offer them.

It is important to read about the fees and terms of the secured card. Some have a fee just to apply for the card; others have annual fees. Be sure to examine offers and applications thoroughly to find the best deal for your situation. Avoid offers with multiple fees such as annual fees, participation fees, application fees, member fees, etc. By the time you receive the card, the credit line is almost completely used up by the charges.

Use the secured card just as you would a credit card. You charge a small amount and pay it off by the due date. This will help keep balances low and allow you to avoid paying interest.

Here are some important things to know about secured cards:

- Your deposit stays in the bank account and earns interest (typically a small amount) - ask the bank or credit union what you will earn.
- Use the card monthly and keep your balances at 30% or less of the available credit limit.
- Only charge what you can afford to pay off in full.
- After 12-18 months of good credit behavior, the lender may increase your credit limit over the amount of your deposit, or return your deposit.
- Ask how long they require you to keep your money deposited.

It is also important to ask the financial institution if they report to the three major credit bureaus. The reporting is how you begin to establish credit.

What is a credit report?

- A record of your credit history
- Three credit bureaus:
  - Equifax
  - TransUnion
  - Experian
- Potential lenders, merchants, landlords are allowed to review your credit report
- The FACT Act allows you to review your credit reports (all three) once per year for free.
Your credit report is the key between obtaining credit and showing a lender that you know how to manage credit and debt.

You may wonder how banks, department stores and credit card companies decide who to lend money to. In addition to the application form you fill out when you apply for credit, lenders have an important resource that allows them to access your credit history—your credit report. A credit report is like a school report card—evaluating your ability to manage your credit and debts.

There are three major credit bureaus that compile information on individuals regarding their credit. These are: Equifax, TransUnion, and Experian.

Each credit bureau works independently, and each structures their report in a slightly different way. It is very important that you become familiar with the contents of all three of your credit reports and it is your right under the law.

The Fair and Accurate Credit Transactions Act (referred to as the FACT Act) allows you to obtain one free credit report from each major credit bureau once per year. You are permitted to receive more than one report per year, but the credit bureaus will charge a nominal fee for each report beyond the free one. In addition, there is also a fee to see your credit score.

<table>
<thead>
<tr>
<th>Credit Bureau</th>
<th>Phone</th>
<th>Website</th>
</tr>
</thead>
<tbody>
<tr>
<td>For Free Annual Report</td>
<td>1-877-322-8228</td>
<td><a href="http://www.annualcreditreport.com">www.annualcreditreport.com</a></td>
</tr>
<tr>
<td>Experian</td>
<td>1-888-397-3742</td>
<td><a href="http://www.experian.com">www.experian.com</a></td>
</tr>
<tr>
<td>TransUnion</td>
<td>1-800-888-4213</td>
<td><a href="http://www.transunion.com">www.transunion.com</a></td>
</tr>
<tr>
<td>Equifax</td>
<td>1-800-685-1111</td>
<td><a href="http://www.equifax.com">www.equifax.com</a></td>
</tr>
</tbody>
</table>
WHY YOU SHOULD REVIEW YOUR CREDIT REPORTS

- One or more of your reports may contain inaccurate data
- Your credit report is of particular interest when you are planning to borrow money
- The credit report may reveal attempts to steal your identity
- You should know who is looking at your credit report and why

We’d like to encourage you to get all three of your credit reports—from Experian, TransUnion and Equifax. Here are a few reasons why you should review these reports at least once per year.

With all of the data that is received by the credit bureaus, mistakes are bound to happen. These may be minor ones, such as misspellings or more major ones that can affect your ability to maintain your credit. You are in the best position to determine the accuracy of the report, and you have the most to gain by correcting errors.

Your credit report is of most importance when you are planning to borrow money. The status of your credit may be a factor in determining the interest rate that a bank or mortgage company charges for your loan and in determining whether your loan application will be approved at all.

The credit report may also indicate that attempts have been made to steal your identity—an incorrect address, for example, or an unknown credit card with your name on it.

Finally, the credit report will indicate who is looking at your credit. Companies can make inquiries to either review your credit status, or to evaluate you as a candidate for promoting their product to you.

To receive your free report visit www.annualcreditreport.com or call the number listed in the table on the previous page. This is an Internet site that allows you to access your free annual credit report once per year, from each of the three credit bureaus. Be wary of any other websites that offer free credit reports – this is the only official site.
Credit reports can also be acquired by contacting each of the major credit bureaus—Equifax, TransUnion and Experian. The phone numbers and web sites for these three credit bureaus are shown on the previous page. However these reports are not free.

You can choose to receive your reports by telephone or by mail, but the most efficient method is by Internet access. Using a computer connected to the Internet, you can have your credit report in your hands within about five minutes.

A typical Internet session is described on the next page. Whether you acquire your credit report by phone, by mail, or via the Internet, you will need to provide certain types of information that the credit bureau needs in order to identify you, so that the correct report can be generated.
GETTING YOUR CREDIT REPORT FROM THE INTERNET

You must provide the following information:

• Your name;
• Your date of birth;
• Your Social Security number;
• Your current address;

...and possibly other items to confirm your identity:

• The street name, town or zip code of a previous residence;
• The name of a company or bank that issued you a credit card or loan in the past.

Acquiring your report is a 3-step process:

1. You must enter certain required data about yourself
2. You must confirm your identity
3. You may then view your report

Before you log in, it is important to gather some required information, because you will be asked to prove your identity conclusively. In addition to the questions above, here are some other questions you might be asked:

• The name of your mortgage company or the monthly payment
• The name of your car loan company or the monthly payment
Logging In

• Go to the website www.annualcreditreport.com. This is the ONLY free, legitimate site to receive your credit report.

• Fill in the required boxes for your name, birth date, social security number, and address.

• Request “masking” on your SSN, so only the last four numbers are visible.

• Select the credit bureaus from which you would like to receive your credit reports. You may select all three or choose to receive one now and others later.

• Complete the other questions to confirm your identity.

• Avoid offers on the credit bureau web site to purchase additional services at extra cost.

• View your reports.
What is in the report?

Here is an outline of the contents of a credit report.

**Personal Information**—name, social security number, records on file of previous addresses, etc.

**Account History** - You can view this information in summarized fashion or in detail. For example, you can find out if your payments to your VISA card have been on time or look at the details of individual payments you have made to your VISA provider.

You may also have a section showing accounts that are in negative standing. These would include accounts that have been sent to a third party collection agency or accounts that were included in a bankruptcy. Negative items in the account history section may remain on a credit report for 7 years.

The **Inquiries Section** is where inquiries by credit providers, landlords, insurance companies and other parties may be listed. An account review inquiry is usually from a company that you owe money to—an inquiry is verification that your credit is still good. A promotional inquiry is one in which a company is evaluating your suitability for future credit—and they may be planning to send you an offer for a credit card or other service. Inquiries remain on your credit report for 2 years.

**Public Records** information may also be found on your credit report. If you have an existing lien against your property, have filed for bankruptcy, or have missed child support payments, these items are of interest to your creditors. Public record information may remain on your credit report for 10 years.

**Contact Information** - Finally, the credit report will provide information on how you can contact the credit bureau in case of errors in the report.
The three credit bureaus use a rating system called a credit score, which, like a report card, evaluates your creditworthiness.

The credit score is a three digit number typically ranging from 300-850. Each credit bureau provides its own score, so you really have three credit scores. In addition, there are many other credit score models used by a variety of lenders and insurance agencies.

Credit scores do vary depending on what business or agency is providing them. When a consumer requests their credit score, it will come with a designation such as, Excellent, Good, Average, Fair or Poor. This is to help you understand where you rate compared to the rest of the public.

Generally, the higher the score, the lower the interest rate you qualify for. You can see why it’s a good idea to start working on getting that higher credit score.

Unfortunately your credit SCORES are not given to you by Experian, Equifax, or TransUnion for free, they will cost you a small fee. You may want to obtain your credit score if you are planning a major purchase, like a house or car.

The credit score is important because the interest rate quoted to you from a bank or mortgage lender usually depends on how high your credit score is.
COMPONENTS OF A CREDIT SCORE

- 35%: Payment history – are payments made on time?
- 30%: Debt-to-credit limit ratio – how much revolving debt do you have in relation to the credit card limits. It is best to keep balances at 30% or less of the available credit limit?
- 15%: Length of credit history
- 10%: Number of inquiries on the report – recent requests to open new credit accounts
- 10%: Types of credit accounts on the report – these may be credit cards, student loans, auto loans, or mortgages

For more information about how your credit score is calculated and to receive all 3 FICO (Fair Isaac and Company) credit scores at once, visit: www.myfico.com

This is the website of Fair Isaacs who developed the FICO score which is widely recognized as the industry standard for lenders.
HOW TO IMPROVE CREDIT SCORES

Here are some tips for improving your credit report and your credit score.

1. Manage your bills carefully.

2. Make all payments on time and don’t skip payments; if you are having trouble making a payment, contact your creditors and see if something can be arranged.

3. Monitor your checking account carefully to avoid bouncing checks.

4. View all three of your credit reports once per year; challenge any errors that you find.

5. Don’t move your debts around from one credit card to another unless you have a very good reason.

Most negative items are reported on your credit report for seven years (10 for bankruptcy). Positive account information may remain up to 10 years, or as long as the creditor continues to report it, which may be greater than 10 years.

If you need help, contact a credit counseling agency, such as American Financial Solutions.

Above all, LIVE WITHIN YOUR MEANS and focus on your GOALS!
QUESTIONS ON UNDERSTANDING CREDIT

1. This lesson focused on establishing and maintaining good credit. What does the term “good credit” mean and why is it important?

2. Name the three credit bureaus. What is the function of a credit bureau?

3. Why should you review your credit report from each of the three credit bureaus at least once per year?

4. What is the name of the website that allows you to get one FREE credit report from each credit bureau each year?

5. Name three items that you must provide to the credit bureau to get your credit report.

6. What is a credit score, and why is it important to a person seeking a loan?

6. What kinds of financial mistakes do you think would lower your credit score?

7. Is the following statement True or False? “ Skipping or missing payments on bills will result in extra costs when you borrow money.”

Answers: See the “Answers Section” in the back of this workbook.
LEARNING ABOUT EARNING

In this section, we will talk about your first job and making career choices. If you have some work experience, you may know some of this information already.

We will also review some aspects of earning money like how your pay is calculated and payroll deductions.

Let’s start with the question: “How much money do people make?’

The US Department of Labor Bureau of Statistics keeps track of employment data by various types of occupational categories.

The following statistics are from the latest figures for 2010. They show the current number of people employed and the predicted number for 2020. Also shown are the average wages for 2010.

WHAT PEOPLE DO FOR A LIVING

As you will see on the next page, the number of people involved in Office and Administrative Support is higher than any other category, followed by Sales and Related Occupations, and Food Preparation & Serving. Education, Training and Library, Transportation and Material Moving, and Management occupations make up the middle employment sector.

Rounding out the top ten occupational areas is: Production, Healthcare Practitioners and Technical, Business and Financial Operations, and Construction and Extraction Occupations.

While it is difficult to weigh your chances of success only by picking the areas that have the most employees, you could predict the areas that have the best chance of growing in the future.

Experts have said that “the aging baby-boomer population will give rise to growth in the healthcare field”. Also, with the heightened importance on national security, protective services will be an area of employment growth.
Based on this table, it wouldn’t hurt for all job seekers to have some good office skills!

<table>
<thead>
<tr>
<th>Occupation*</th>
<th># Employed**</th>
<th>Median annual wage, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2010</td>
<td>2020</td>
</tr>
<tr>
<td>Office &amp; Administrative Support Occupations</td>
<td>22602.5</td>
<td>24938.2</td>
</tr>
<tr>
<td>Sales &amp; Related Occupations</td>
<td>14915.6</td>
<td>16784.7</td>
</tr>
<tr>
<td>Food Preparation &amp; Serving Related Occupations</td>
<td>11150.3</td>
<td>12242.8</td>
</tr>
<tr>
<td>Education, Training, &amp; Library Occupations</td>
<td>9193.6</td>
<td>10597.3</td>
</tr>
<tr>
<td>Transportation &amp; Material Moving Occupations</td>
<td>9004.80</td>
<td>10333.4</td>
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<tr>
<td>Management Occupations</td>
<td>8776.1</td>
<td>9391.9</td>
</tr>
<tr>
<td>Production Occupations</td>
<td>8594.4</td>
<td>8951.2</td>
</tr>
<tr>
<td>Healthcare Practitioners &amp; Technical Occupations</td>
<td>7799.3</td>
<td>9819.0</td>
</tr>
<tr>
<td>Business and Financial Operations Occupations</td>
<td>6789.2</td>
<td>7961.7</td>
</tr>
<tr>
<td>Construction &amp; Extraction Occupations</td>
<td>6328.0</td>
<td>7735.2</td>
</tr>
</tbody>
</table>


**Numbers are in the millions
WHAT DO PEOPLE EARN?

This chart shows how the various occupational categories are compensated. At the top of the list are Management and Legal occupations, followed by Computer and Mathematical, and Architecture and Engineering. Healthcare Practitioners and Support is in the fifth position, followed by Business and Financial Operations Occupations and then Life, Physical and Social Sciences. The rest of the top ten can be summarized as Arts, Education and Construction.

Take a minute and compare this list with the previous one. It is interesting that even though Office and Administrative Support has millions of employees, the pay rate is very low when compared with other categories.

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Employment</th>
<th>Median hourly wage</th>
<th>Mean hourly wage</th>
<th>Annual mean wage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management Occupations</td>
<td>6,390,430</td>
<td>$45.15</td>
<td>$52.20</td>
<td>$108,570</td>
</tr>
<tr>
<td>Legal Occupations</td>
<td>1,023,020</td>
<td>$36.19</td>
<td>$47.39</td>
<td>$98,570</td>
</tr>
<tr>
<td>Computer and Mathematical Occupinations</td>
<td>3,578,220</td>
<td>$36.67</td>
<td>$38.55</td>
<td>$80,180</td>
</tr>
<tr>
<td>Architecture and Engineering Occupinations</td>
<td>2,356,530</td>
<td>$35.35</td>
<td>$37.98</td>
<td>$79,000</td>
</tr>
<tr>
<td>Healthcare Practitioners and Technical Occupinations</td>
<td>7,649,930</td>
<td>$28.94</td>
<td>$35.35</td>
<td>$73,540</td>
</tr>
<tr>
<td>Business and Financial Operations Occupations</td>
<td>6,419,370</td>
<td>$30.05</td>
<td>$33.44</td>
<td>$69,550</td>
</tr>
<tr>
<td>Life, Physical, and Social Science Occupations</td>
<td>1,104,100</td>
<td>$28.99</td>
<td>$32.87</td>
<td>$68,360</td>
</tr>
<tr>
<td>Arts, Design, Entertainment, Sports, and Media Occupations</td>
<td>1,750,130</td>
<td>$21.12</td>
<td>$26.20</td>
<td>$54,490</td>
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<table>
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<tr>
<th>Occupation</th>
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<th>Median Hourly Wage</th>
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<th>Annual Mean Wage</th>
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<td>Management Occupations</td>
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<td>$68,360</td>
</tr>
<tr>
<td>Arts, Design, Entertainment, Sports, and Media</td>
<td>1,750,130</td>
<td>$21.12</td>
<td>$26.20</td>
<td>$54,490</td>
</tr>
<tr>
<td>Education, Training, and Library Occupations</td>
<td>8,374,910</td>
<td>$22.13</td>
<td>$24.62</td>
<td>$51,210</td>
</tr>
<tr>
<td>Construction and Extraction Occupi-ions</td>
<td>4,978,290</td>
<td>$19.29</td>
<td>$21.61</td>
<td>$44,960</td>
</tr>
<tr>
<td>Community and Social Service Occupations</td>
<td>1,882,080</td>
<td>$19.42</td>
<td>$21.27</td>
<td>$44,240</td>
</tr>
<tr>
<td>Installation, Maintenance, and Repair Occupi-</td>
<td>5,069,590</td>
<td>$19.72</td>
<td>$21.09</td>
<td>$43,870</td>
</tr>
<tr>
<td>Protective Service Occupations</td>
<td>3,207,790</td>
<td>$17.60</td>
<td>$20.70</td>
<td>$43,050</td>
</tr>
<tr>
<td>Sales and Related Occupations</td>
<td>13,835,090</td>
<td>$12.80</td>
<td>$18.26</td>
<td>$37,990</td>
</tr>
<tr>
<td>Production Occupations</td>
<td>8,594,170</td>
<td>$14.87</td>
<td>$16.59</td>
<td>$34,500</td>
</tr>
<tr>
<td>Office and Administrative Support Occupations</td>
<td>21,355,350</td>
<td>$15.15</td>
<td>$16.54</td>
<td>$34,410</td>
</tr>
<tr>
<td>Transportation and Material Moving Occupations</td>
<td>8,771,690</td>
<td>$13.92</td>
<td>$16.15</td>
<td>$33,590</td>
</tr>
<tr>
<td>Healthcare Support Occupations</td>
<td>3,915,460</td>
<td>$12.28</td>
<td>$13.36</td>
<td>$27,780</td>
</tr>
<tr>
<td>Building and Grounds Cleaning and Maintenance</td>
<td>4,246,260</td>
<td>$10.91</td>
<td>$12.34</td>
<td>$24,550</td>
</tr>
<tr>
<td>Personal Care and Service Occupi-ions</td>
<td>3,810,750</td>
<td>$10.02</td>
<td>$11.80</td>
<td>$24,230</td>
</tr>
<tr>
<td>Farming, Fishing, and Forestry Occupations</td>
<td>427,670</td>
<td>$9.31</td>
<td>$11.65</td>
<td>$24,230</td>
</tr>
<tr>
<td>Food Preparation and Serving Related Occupi-</td>
<td>11,546,880</td>
<td>$9.10</td>
<td>$10.28</td>
<td>$21,380</td>
</tr>
</tbody>
</table>

EDUCATION CHOICES

- High School Diploma
- Two-Year College (Vocational Degree)
- Two-Year College (Transfer Degree or AA)
- Bachelor’s Degree
- Master’s Degree
- Other Degrees and Certificates

Evaluating Educational Programs

I’m sure you’ve thought about the educational opportunities available to you. The high school diploma is a basic requirement for just about any job. However for careers with higher pay and higher satisfaction, some type of continuing education is usually required.

Community colleges offer two basic types of two-year degrees: the nontransferable (“vocational”) degree that would train you for a specific job, and the two year Associate of Arts degree that you could use to transfer to a four year university.

In choosing between the two routes, think about your short term and long term goals. A vocational degree prepares you to enter the job market immediately; a transfer degree is comprised of general education requirements to enter a university.

A Bachelor’s Degree is a 4 year program based on general degree requirements and your choice of a major. There are hundreds of majors to choose from that will lead to either a Bachelor of Arts Degree or a Bachelor of Science Degree.

A Masters degree involves one-to-two additional years of college in a more specialized field. Generally more education leads to more earning power.

Whatever your educational goal is, evaluate your chosen school and program carefully. Talk to graduates of the program, especially those who have found employment in your chosen field. Look closely at the accreditation status of the school, and check out the quality of its faculty. And of course, make sure you visit the school before enrolling.
IS EDUCATION WORTH IT?

Is education worth the money? There have been many studies done on this very question. The data in the charts on the next page is from the Bureau of Labor and Statistics, Current Population Survey. The first table shows the U.S. unemployment rate for people over age 25, as it relates to the highest level of education completed.

The second table shows the median income for people over age 25, related to the highest level of education achieved.

The data suggests that on average, more education equals more money earned. Generally, you will have a higher potential for making money by obtaining more education. The data are based on averages, and don’t take into consideration the motivation, intelligence, and will that some individuals possess, that will move them to success, regardless of their education.

One other point: it is to your advantage to acquire your education early in life, before other obligations, like marriage, family, and career occupy all of your spare time.
IMPACT OF EDUCATION

Unemployment rate (%)

<table>
<thead>
<tr>
<th>Education Level</th>
<th>Unemployment Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Workers</td>
<td>7.6</td>
</tr>
<tr>
<td>Less than a high school diploma</td>
<td>14.1</td>
</tr>
<tr>
<td>High-school diploma</td>
<td>9.4</td>
</tr>
<tr>
<td>Some college, no degree</td>
<td>8.7</td>
</tr>
<tr>
<td>Associate degree</td>
<td>6.8</td>
</tr>
<tr>
<td>Bachelor's degree</td>
<td>4.9</td>
</tr>
<tr>
<td>Master's degree</td>
<td>3.6</td>
</tr>
<tr>
<td>Professional degree</td>
<td>2.4</td>
</tr>
<tr>
<td>Doctoral degree</td>
<td>2.5</td>
</tr>
</tbody>
</table>


Median weekly earnings ($)

<table>
<thead>
<tr>
<th>Education Level</th>
<th>Median Weekly Earnings ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Workers</td>
<td>797</td>
</tr>
<tr>
<td>Less than a high school diploma</td>
<td>451</td>
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<tr>
<td>High-school diploma</td>
<td>638</td>
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<tr>
<td>Some college, no degree</td>
<td>719</td>
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<tr>
<td>Associate degree</td>
<td>768</td>
</tr>
<tr>
<td>Bachelor's degree</td>
<td>1,053</td>
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<tr>
<td>Master's degree</td>
<td>1,263</td>
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<tr>
<td>Professional degree</td>
<td>1,665</td>
</tr>
<tr>
<td>Doctoral degree</td>
<td>1,551</td>
</tr>
</tbody>
</table>

WHAT SUPERVISORS LOOK FOR IN AN EMPLOYEE

- Dependability and reliability
- Positive attitude and motivation
- Being a team player
- Follow all rules and laws
- Take initiative
- Dress and act professionally

Whatever your level of education is, your longevity and success in a job will depend on some basic behavioral traits. Here are some things that a supervisor will look for you to:

- Demonstrate your dependability by being on-time, everyday, without fail.
- Dress and behave in a professional manner.
- Find what needs to be done and take the initiative to do it. Supervisors respect an employee who doesn’t need to be asked to take care of every single thing.
- Follow all rules and laws to prove you have integrity and can be trusted.
- Have a positive attitude and manner, and always come to work motivated to get the job done.
- Think of each job you have as a learning experience that will prepare you for a better job in the future.
- Strive to get along with other employees and customers too. Be a team player.
THE JOB SEARCH

• Take a Self-Assessment Test of your skills, interests, abilities
• Look for jobs online, in the newspaper, or by networking
• Write your resume and cover letter, fill out application form
• The interview – prepare yourself to answer a lot of questions about yourself

Searching for employment is one of the toughest jobs. It can be frustrating, de-motivating, and time-consuming. But we all have to do it.

Start with an honest self-assessment of your skills and abilities. A good way to do this is by taking some vocational interest tests at a local college or state employment office, to get an objective view of careers that might match your personality and motivation.

Good places to look for a job are the newspaper classified ads, online employment services, and the career center at your college. You can also call companies directly, or network with friends and acquaintances to find good leads.

Develop a profile online with a network connection program such as LinkedIn. Ask former employers to provide references for you on your profile and in writing.

To apply for a job, you will need to fill out a standard application form, provide a resume, and possibly write a short letter, indicating how your skills would be useful in filling the job vacancy.

If you get an interview, you must prepare yourself to answer a set of questions about how you would fit into the position. Is this a job that will motivate you to do your best?

This is a critical moment in the process, and you should think about your own impressions of the company. It is wise to research a company carefully before going for an interview.

Come up with a few questions about the business to ask the employer. Also, practicing the interview with a friend can be very helpful.
Look at this example: Suppose you were to accept a full-time job that pays $10 per hour, and requires you to be on the job for 40 hours per week. How much money would you take home?

There is a difference between what you EARN and what you TAKE HOME. The reason for this is that the employer is required to deduct some items from your paycheck.

First, you as the employee are required to contribute to your own Social Security and Medicare costs. Social Security is the US Government’s retirement plan that you can begin to collect when you turn 62, with full benefits available at 67.

On a gross pay of $400, the Social Security and Medicare deduction would amount to $30.60. The good news is that your employer will match this amount by also contributing $30.60 to your account.

Second, your employer must take money from your paycheck to cover your income taxes for this year. Because the United States is on a pay-as-you-go tax plan, employers must withdraw a portion of your paycheck during the year, in preparation for the April 15th tax deadline.
FEDERAL INCOME TAX

• Tax Withholding – IRS Form W-4
• Fill out at time of employment
• Update as circumstances change

Your employer will look at a table provided by the U.S. Treasury, to determine the amount you must contribute from your paycheck.

When you are hired, you must file a W-4 Form, on which you indicate the number of withholding allowances you want to claim. For example, if you’re a single person with no dependents, you can claim one withholding allowance (for yourself). If you have a child, you might choose two withholding allowances (for yourself and your child).

In the case of an employee earning $400 per week and claiming one exemption, the income tax withholding by the employer would be $35.00. Assuming a 52 week year, this could amount to $1,820.00 for the year which is, approximately, the amount that the employee would owe in income taxes.

This amount will be reported to the employee on a statement called a W-2. The W-2 is sent to the employee by January 31st, so that it is available for the employee’s tax form to be filed on April 15th.

As an employee, you need to be sure to update your W-4 when certain changes happen in your life. These may be getting married, having a baby, purchasing a home, retiring or starting a business. All these events can change your tax status, and you should re-file an amended W-4 with your employer. Otherwise, when tax time comes around, you may find that you owe more in taxes than has been collected from your paychecks during the year.

Some states also require you to pay state income tax and will provide you with the appropriate guidelines on calculating deductions.
QUESTIONS ON LEARNING ABOUT EARNING

1. Why do you think there are so many employees engaged in office and administrative support? ________________________________

2. Examine the *What do People Earn Chart*. Given your current education and background, name 2 or 3 occupational categories in which you could be employed. How much does each of these categories earn annually? ________________________________________________

3. What is your current educational plan? ________________________________

4. Based on your educational plan, what can you look forward to as an approximate annual wage? ________________________________

5. Think about a job you have had in the past, and comment on the personal traits that you have displayed, and whether each trait made you successful or unsuccessful in that job. ________________________________________________

6. What sequence does a job seeker go through in trying to get a job? ________________________________________________

7. Name two or three deductions that an employer must make from the employee’s paycheck. What is the purpose of each? ________________________________

8. The United States uses a Pay-As-You-Go income tax plan. How does it operate? ________________________________

9. Suppose that an employee makes a mistake when filing the W-4. What do you think is the consequence of having too much money deducted by the employer? Too little? ________________________________

Answers: See the “Answers Section” in the back of this workbook .
INVESTING – PAY YOURSELF FIRST!

A very important aspect of your financial life is SAVING MONEY!

A good financial plan must include saving and the only way to successfully accomplish your savings goals is to PAY YOURSELF FIRST! That means taking 10% of your income or whatever you can afford as soon as you receive your pay check and placing it in a savings or investment account. By setting up an automatic allotment, you won’t miss this money, because it becomes a regular part of your payroll deductions. The sooner you get started, the more you’ll earn!

Why do you need to save? You must save to achieve your financial goals AND to prepare for retirement.

Although retirement is not something on most young people’s minds right now, it’s good to start planning for it and the younger you start the better.

*The national personal savings rate stands at 2.4%, as of the end of January, 2013. While this is an improvement over a time when American’s had a negative savings rate, it is still an indicator that many people are living paycheck to paycheck. We cannot rely on Social Security being available in years to come, so the obligation is on each person to save for their retirement.

If you start early, you will be able to save less and end up with more through the magic of compound interest. Here’s how it works…

If you invested $1,000 at 6% interest per year, how much will it grow to in 1 year? 2 years? 5 years? 10 years?

$1,000 for 1 year at 6% = $1,060.00
$1,000 for 2 years at 6% = $1,123.60
$1,000 for 5 years at 6% = $1,388.23
$1,000 for 10 years at 6% = $1,790.85

Most successful investors use a strategy of investing regularly and letting the money grow. Even at a modest interest rate, your investment can achieve dramatic results if you wait long enough.

Look at the example above—suppose you invest $1,000 at 6% interest and leave it alone for one year. Your investment will earn 6% for the year. Six percent of $1,000 is $60. Your investment will grow to $1,060.

What if you leave the investment in the account for two years? Your investment will earn 6% of $1,000 in the first year, and will then earn 6% of $1,060 in the second year. Notice that in the second year, you earn interest on the principal ($1,000) and also you earn interest on the $60 interest you earned in the first year. This idea of earning “interest on the interest”, or compounding, is an important key to accumulating wealth.

Note that the longer you leave this 6% investment alone, the more it grows. In fact if you leave the money in for 10 years, it will approximately double. If you continued to add an amount to your initial investment every month, imagine how much more your investment would grow.
How compound Interest Works

Look at the chart to see the magic of compound interest. The earlier you start investing and the more you are able to invest, the more compound interest will work for you.

<table>
<thead>
<tr>
<th>SAVING $5.00 A DAY</th>
<th>NO INTEREST</th>
<th>COMPOUNDING DAILY AT 5%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year 1</td>
<td>$1,825.00</td>
<td>$1,871.00</td>
</tr>
<tr>
<td>Year 5</td>
<td>$9,125.00</td>
<td>$10,366.00</td>
</tr>
<tr>
<td>Year 10</td>
<td>$18,250.00</td>
<td>$23,677.00</td>
</tr>
<tr>
<td>Year 30</td>
<td>$54,750.00</td>
<td>$127,077.00</td>
</tr>
</tbody>
</table>

As you can see, investing $5.00 a day for 30 years you would save $54,750. If you invested that amount in an account that compounded daily at 5%, you would more than double your money in 30 years. You would earn $72,327 in interest.

The Rule of 72

A quick way to determine how long it will take your money to double is the rule of 72. Below is how it works.

Divide 72 by the interest rate of your investment:

<table>
<thead>
<tr>
<th>Interest rate to be earned is 6%:</th>
</tr>
</thead>
<tbody>
<tr>
<td>72 divided by 6 = 12</td>
</tr>
<tr>
<td>It will take 12 years for your money to double.</td>
</tr>
</tbody>
</table>

You can also use the Rule of 72 to estimate what interest rate you will need to earn to double your money in a given time period.

<table>
<thead>
<tr>
<th>You want to double your money in 10 years:</th>
</tr>
</thead>
<tbody>
<tr>
<td>72 divided by 10 years = 7.2%</td>
</tr>
<tr>
<td>You will need to earn an interest rate of 7.2% to double your money in 10 years.</td>
</tr>
</tbody>
</table>
Now let’s look at some basic types of investments. These investments are safe and secure.

Your first investment should be in a savings account at a bank or credit union. Such accounts provide a cash reserve that can be used to tide you over between jobs, or if you get sick or injured. A savings account is safe, and is guaranteed against failure of the financial institution.

Savings Bonds are instruments of the Federal Government that earn interest over time. They can be purchased over the Internet from the US Treasury at http://www.treasurydirect.gov.

Money Market Accounts are offered by banks, credit unions and mutual funds. These work like checking accounts and pay you a higher rate of interest than a savings account but you may be limited to the number of checks you can write each month and will need to make a higher deposit to open the account.

Certificates of Deposit offer a higher rate of interest but you must leave the money in the account for the time period set by the bank. If you withdraw your money early, you will have to pay a penalty. CD’s can be purchased in various denominations—$500, $1,000, $10,000 and $15,000 CD’s are common. Normally, CD’s are covered by FDIC insurance, similar to a savings account.

All of these investments are safe, and generate a modest return on your money.

**SECURE INVESTMENTS**

- Every portfolio should begin with a combination of these investments:
  - Bank Savings Accounts
  - Savings Bonds
  - Money Market Accounts
  - A Certificate of Deposit (CD)

These are safe investments with modest return.
STOCK MARKET

- Higher Risk with the possibility of greater return
- Educate Yourself in Investing in the Stock Market
- Two ways to make money on stocks:
  1. Earn a dividend on the company’s profits
  2. Sell the stock for a profit

After you’ve saved enough money in conservative accounts, you may be ready to add some investments that promise a higher return. A truth in the investment world is that, in order to earn a higher return on an investment, you have to take more risk. This is generally true for stock market investments.

When a corporation is formed, it is given permission to issue shares of stock to the public. A share of stock gives you ownership of the corporation. You can make money in two ways by owning stock.

First, the corporation may pay a dividend to the stockholders, based on the net income or profit that the corporation earns. For example, if you purchase 10 shares of stock in the Boeing Company, the company might pay a dividend from its earnings. If the dividend is $10.00 per share, you will receive $100 for the year as your return on the investment.

However, there is no guarantee that the corporation will make a profit and that means no guarantee that you will receive a dividend. So, you, as the investor, take more risk with this type of investment than you would with an interest-based account.

The second way to make money on stock is to sell the stock for more than you bought it. If you buy your 10 shares of stock for $80 each and then sell them later for $100 each, you’ll make a profit of 10 times $20, or $200. It’s wise to educate yourself if you plan to invest in the stock market by reading investment magazines, books, and talking to an investment advisor.
Picking good stocks in the stock market requires that you know what you are doing. A good alternative to investing in individual companies is to invest in a mutual fund. A mutual fund is an arrangement in which you pay money to the fund, and an expert does the investing for you.

The cost of investing in a mutual fund is usually low, and you can somewhat control risk because each mutual fund invests according to a certain philosophy. For example, some of the mutual funds available include growth funds that look for stocks that have upward potential in the long term, income stocks that generate dividends, and international funds that invest funds around the world.

Like stocks, mutual funds pay dividends, and the market price of the mutual fund shares may increase over time, providing you with a capital gain.

Unlike purchasing one stock, a mutual fund spreads out or “diversifies” your investment among many stocks—softening the possibility of loss.

It is essential that you consider your risk with any investment in the stock market. Earning a positive return may take time—possibly years—so you must invest only “extra” money that you won’t need for paying bills.
IRA—LONG-TERM INVESTMENT

- Can supplement social security
- Save money on taxes
- Investment returns are not taxable, and add to the account balance
- Withdraw the funds at retirement
- IRA investments in “riskier” stocks can be profitable over a long period of time

While you are young, you should consider investing in an IRA—an Individual Retirement Account. An IRA is an investment that you must make on or before the end of the tax year - April 15. The IRA allows individuals to create their own retirement plan, to supplement the Social Security program.

There are two different types of IRA’s – the regular IRA and the Roth IRA. With a regular IRA you put money into the plan, tax free and the investment returns (dividends and capital gains) are not taxed until you withdraw the funds at retirement when you are generally in a lower tax bracket.

With a Roth IRA, you pay taxes on the money before you invest, but your interest accumulates tax free and you do not pay any tax when you withdraw your money. In this example from MSN Money, if a 25 year old contributes $4,000 each year to a Roth IRA and makes an average annual rate of return of 8% on her investment, she’ll have more than $1.1 million saved by the time she turns 65 and she won’t have to give any of it to the IRS!

You can set up an IRA account with a bank or mutual fund and continue to contribute to it each tax year. Even somewhat risky investments in stocks or mutual funds will have many years to become profitable, making the IRA a very desirable type of investment. At this time you can contribute up to $5,500 annually ($6,500 for those over age 50) in an IRA account.
QUESTIONS ON LEARNING ABOUT INVESTMENTS

1. Explain how the compounding of interest builds wealth.

2. Name three types of interest-bearing investments.

3. John has no money in savings, but invests $3,000 in a stock that his friend says is a good investment. Comment on John’s strategy.

4. Are savings accounts and CD’s usually guaranteed against bank failure?

5. What is the basic difference between interest and a dividend?

6. Are stocks guaranteed not to lose money?

7. Name two ways to make money with stocks.

8. What is a mutual fund? What are the major advantages of investing in a mutual fund rather than in one stock?

9. What are the advantages of investing in an Individual Retirement Account (IRA)?

Answers: See the “Answers Section” in the back of this workbook.
Another important aspect of your financial life is how to protect yourself from financial disaster.

Identity theft is the fastest growing white collar crime in America today and you must learn how to protect yourself against it.

Every time you mail a letter, log on to the Internet, or make an online purchase, your personal data is going out over a network that is NOT 100% secure.

Headlines like the following are everyday occurrences in the news:

“Stolen computer reveals social security numbers and dates of birth of millions of veterans and their families!”

Or...

“Thieves steal account numbers and pin numbers in ATM scam!”

Even though the government and law enforcement are paying more attention to identity theft now, it’s still up to each individual to take the steps needed to protect themselves against this crime.

Identity Theft—What is It?

According to the Federal Trade Commission, “identity theft occurs when someone uses your personal information without your permission to commit fraud or other crimes.”

Here are some all-too-common examples of what can happen:

- Someone steals your purse or wallet and begins using your debit card. They money comes right out of your checking account.
- You slide your credit or debit card at the gas pump and later discover that someone had skimming software on the machine and has been using your account information to make purchases around town.
- You write check number 301 for your phone bill for $50.00, and when the check clears, your bank statement shows that check number 301 was cashed not for $50.00, but for $500.00!
- All of these are scary examples of how your hard earned money can be stolen from you and all a thief needs is a few pieces of data about who you are.
TIPS TO PREVENT IDENTITY THEFT

Here are five tips for reducing the possibility of identity theft from happening to you.

1. Keep your mail secure to prevent theft. A thief who gets hold of one of your checks can duplicate it and cash it. Deposit outgoing mail at the post office not in your curb-side mail box.

2. Shred all credit card offers and other mail that contains your identifying information before discarding it. Better yet have your name removed from marketing lists by calling 1-888-567-8688 and stop the junk mail!

3. Review your credit cards statements carefully and be sure that every charge listed was made by you. Question any charges that you do not recognize.

4. Reconcile your checking account regularly. Make sure that the checks you wrote were cashed for the amount you intended. If a check is cashed for the wrong amount, call your bank and report it.

5. Be smart with your computer. Use strong passwords. If you are using a computer at a public facility, clear the browser of all your personal data... and don’t share your password with anyone!

6. And finally, examine your credit report from each of the three credit bureaus at least once per year. Check that all information is accurate. If you find any errors, dispute them with the credit bureau.
Now let’s discuss insurance! Insurance is a low-cost way of protecting the items that you cannot afford to lose and would have trouble replacing.

A typical insurance policy works by covering your losses up to a certain amount. For example:

You have an collision policy on your automobile. The policy will pay up to $25,000 for repairs. Your deductible is $500. That means if your repairs will cost $1,500 you will need to pay $500 ($1,500 - $500 deductible = $1,000 the insurance will pay).

In most states, the law says you must have auto insurance to drive a car. Confer with your insurance agent and take their advice regarding the minimum levels of insurance you should carry.

Also, check your deductibles each year to make sure they are at a level you can afford to pay, should you have to use your insurance policy.

A home is one of your most important possessions! Make sure it is adequately insured. If you remodel or make changes to the home, be sure to update your homeowner’s policy. Don’t forget to insure your home against floods or other natural disasters.

If you rent, consider getting a renter’s policy. Renter’s insurance is not expensive and will protect your personal property in case of theft or other loss.

Finally, don’t forget about yourself! Your most important personal asset is your health. Health insurance and dental insurance not only cover serious illnesses but they also help to reduce the cost of yearly checkups and preventive procedures.
QUESTIONS ON PROTECTING YOUR FINANCES

1. What is identity theft?

2. Have you ever been a victim of check theft, credit card theft, or mail theft?

3. Name three steps you can take to reduce the possibility of identity theft.

4. How can insurance help to preserve the assets you own?

5. Make a list of the most important principles you have learned in this program.

Answers: See the “Answers Section” in the back of this workbook.
SUMMARY OF YOUR FINANCIAL LIFE

Let’s review the topics we’ve covered in this program:

• Budget your money

• Live within your means

• Develop a good relationship with your bank

• Review your credit reports annually

• Examine your paycheck data; plan for your income taxes

• Invest conservatively; consider an IRA account

• Protect your assets through insurance

• Start early and you will benefit financially for years

Remember the magic of compound interest - if you learn to manage your finances early in life, you will reap the benefits of good financial management for many years.

I hope that this program has opened your eyes to the possibilities that await you in the financial world. Become more financially savvy by reading books, taking courses at your nearby community college, or by participating in other educational classes such as our “Investing in Yourself” program available on our website.

Good luck as you continue to invest in yourself!
## ONE WEEK COST RECORDING DIARY

<table>
<thead>
<tr>
<th>DAY</th>
<th>ITEM PURCHASED</th>
<th>AMOUNT</th>
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<tbody>
<tr>
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### SATURDAY

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### SUNDAY

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### EVALUATION
MONTHLY BUDGET WORKSHEET

Use the Current budget column to determine current monthly expenses.

Use the Adjusted budget column to evaluate how changes in spending will impact your finances.

You may also use the adjusted column to view what would happen if your income increased or decreased by a certain amount. This can be a helpful tool if you are looking for work or if someone is facing a job loss or retirement.

BUDGET FOR THE MONTH OF ________________

<table>
<thead>
<tr>
<th>INCOME (SALARY/WAGES/ETC.)</th>
<th>CURRENT BUDGET</th>
<th>ADJUSTED BUDGET</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paycheck 1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paycheck 2</td>
<td></td>
<td></td>
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<td>Other</td>
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<tr>
<td>Total Income $</td>
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<tr>
<th>HOUSING COSTS</th>
<th>CURRENT BUDGET</th>
<th>ADJUSTED BUDGET</th>
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<tbody>
<tr>
<td>Rent or Mortgage payment</td>
<td></td>
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<tr>
<td>Property taxes</td>
<td></td>
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<tr>
<td>Home repairs</td>
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<tr>
<td>Other</td>
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<tr>
<th>ENTERTAINMENT EXPENSES</th>
<th>CURRENT BUDGET</th>
<th>ADJUSTED BUDGET</th>
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<tbody>
<tr>
<td>Cable TV/Internet</td>
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<tr>
<td>Movies</td>
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<tr>
<td>Hobbies/Activities</td>
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<td>Sporting events/Concerts</td>
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<td>Other</td>
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<thead>
<tr>
<th>FINANCIAL EXPENSES</th>
<th>CURRENT BUDGET</th>
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<tbody>
<tr>
<td>Credit card payments</td>
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<td></td>
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<tr>
<td>Taxes (state or federal)</td>
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<tr>
<td>Investments/savings deposit</td>
<td></td>
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<tr>
<td>UTILITY COSTS</td>
<td>CURRENT BUDGET</td>
<td>ADJUSTED BUDGET</td>
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<tr>
<td>Water/Sewer/Garbage</td>
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<tr>
<td>Gas</td>
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<tr>
<td>Home phone</td>
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<tr>
<td>Cell phone</td>
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<tr>
<td>Other</td>
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<tr>
<td>Education expenses</td>
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<tr>
<td>Dues/subscriptions</td>
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<tr>
<td>Gifts</td>
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<tr>
<td>Allowances</td>
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<tr>
<td>PET COSTS</td>
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<tr>
<td>Dry cleaning/clothing</td>
<td></td>
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<tr>
<td>Hair care</td>
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<td>Gambling expenses</td>
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<td>Other</td>
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<th>FOOD COSTS</th>
<th>CURRENT BUDGET</th>
<th>ADJUSTED BUDGET</th>
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<tbody>
<tr>
<td>Groceries</td>
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<tr>
<td>Restaurant meals</td>
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<td>Other</td>
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<tr>
<th>AUTOMOBILE EXPENSES</th>
<th>CURRENT BUDGET</th>
<th>ADJUSTED BUDGET</th>
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<tbody>
<tr>
<td>Car payment</td>
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<tr>
<td>Fuel costs</td>
<td></td>
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<tr>
<td>Maintenance/Repairs</td>
<td></td>
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<tr>
<td>Insurance</td>
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<thead>
<tr>
<th>PERSONAL EXPENSES</th>
<th>CURRENT BUDGET</th>
<th>ADJUSTED BUDGET</th>
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</thead>
<tbody>
<tr>
<td>Child support/child care</td>
<td></td>
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<tr>
<td>Education expenses</td>
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<tr>
<td>Dues/subscriptions</td>
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<td>Gifts</td>
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<td>Allowances</td>
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<td>Pet costs</td>
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<td>Dry cleaning/clothing</td>
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<td>Hair care</td>
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<td>Gambling expenses</td>
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<td>Other</td>
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<thead>
<tr>
<th>HEALTH-RELATED EXPENSES</th>
<th>CURRENT BUDGET</th>
<th>ADJUSTED BUDGET</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medical/dental/vision costs</td>
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<tr>
<td>Medications/Vitamins</td>
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<tr>
<td>Other</td>
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<table>
<thead>
<tr>
<th>TOTALS</th>
<th>CURRENT BUDGET</th>
<th>ADJUSTED BUDGET</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total income</td>
<td></td>
<td></td>
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<tr>
<td>Total expenses</td>
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<tr>
<td>Budget surplus or shortage</td>
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</table>
## SAMPLE CARDMEMBER AGREEMENT

### Rates and Fee Table

<table>
<thead>
<tr>
<th></th>
<th>INTEREST RATES AND INTEREST CHARGES</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Purchase Annual Percentage Rate (APR)</td>
</tr>
<tr>
<td>2</td>
<td>Balance transfer APR</td>
</tr>
<tr>
<td>3</td>
<td>Cash advance APR</td>
</tr>
</tbody>
</table>
| 4 | Penalty APR and when it applies | **29.99%**. This APR will vary with the market based on Prime Rate.\(^4\) The Penalty APR will be applicable to your account if you:  
  - Fail to make any Minimum Payment by the date and time due (late payment);  
  - Exceed your credit line;  
  - Make a payment to us that is returned unpaid; or  
  - Do any of the above on another account or loan you have with us or any of our related banks.  
**How long with the penalty APR apply:** If your APRs are increased for any of these reasons, the Penalty APR will apply indefinitely. |
| 5 | Paying interest | Your due date will be a minimum of 21 days after the close of each billing cycle. We will not charge you periodic interest on purchases if you pay your entire balance by the due date each month. We will begin charging interest on balance transfers, cash advances and overdraft advances on the transaction date. |
| 6 | Minimum interest charge | If you are charged interest, the charge will be no less that $1 to $1.50. |
| 7 | Credit card tips from the Federal Reserve Board | To learn more about factors to consider when applying for or using a credit card, visit the website of the Federal Reserve Board at [http://www.federalreserve.gov/creditcard](http://www.federalreserve.gov/creditcard). |
**SAMPLE CARDMEMBER AGREEMENT**

**INTEREST RATES AND INTEREST CHARGES**

1. **Purchase Annual Percentage Rate (APR)**
   - 6%
   - Intro APR 1, with varying durations (from 6 months to 12 months after Account opening). Not available on some accounts. After that, 12.99% to 23.24%. This APR will vary with the market based on the Prime Rate.

2. **Balance transfer APR**
   - 6%
   - Intro APR 1, with varying durations (from 6 months to 21 months after Account opening). Not available on some accounts. After that, 8.99% to 24.99%. This APR will vary with the market based on the Prime Rate.

3. **Cash advance APR**
   - 24.99% to 29.99%. This APR will vary with the market based on the Prime Rate.

4. **Penalty APR and when it applies**
   - 29.99%. This APR will vary with the market based on the Prime Rate. The Penalty APR will be applicable to your account if you:
     - Fail to make any Minimum Payment by the date and time due (late payment);
     - Exceed your credit line;
     - Make a payment to us that is returned unpaid; or
     - Do any of the above on another account or loan you have with us or any of our related banks.
   - How long with the penalty APR apply:
     - If your APRs are increased for any of these reasons, the Penalty APR will apply indefinitely.

5. **Paying interest**
   - Your due date will be a minimum of 21 days after the close of each billing cycle. We will not charge you periodic interest on purchases if you pay your entire balance by the due date each month. We will begin charging interest on balance transfers, cash advances and overdraft advances on the transaction date.

6. **Minimum interest charge**
   - If you are charged interest, the charge will be no less that $1 to $1.50.

7. **Credit card tips from the Federal Reserve Board**
   - To learn more about factors to consider when applying for or using a credit card, visit the website of the Federal Reserve Board at http://www.federalreserve.gov/creditcard.

---

**FEES**

<table>
<thead>
<tr>
<th>8</th>
<th>Annual membership fee</th>
<th>NONE TO $99</th>
</tr>
</thead>
<tbody>
<tr>
<td>9</td>
<td><strong>Transaction Fees</strong></td>
<td>2% to 5% of the amount of each transaction (minimum fee from $5 to $10). Some accounts offer no balance transfer fees for up to the first 30 days after account opening.</td>
</tr>
<tr>
<td></td>
<td>Balance Transfers:</td>
<td></td>
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<tr>
<td></td>
<td>Cash Advances</td>
<td></td>
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<tr>
<td></td>
<td>Foreign Transactions</td>
<td></td>
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<tr>
<td>10</td>
<td><strong>Penalty Fees</strong></td>
<td>Up to $35</td>
</tr>
<tr>
<td></td>
<td>Late payment</td>
<td>Up to $35</td>
</tr>
<tr>
<td></td>
<td>Over-the-credit-limit</td>
<td>Up to $35</td>
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<tr>
<td></td>
<td>Return Payment</td>
<td>Up to $35</td>
</tr>
<tr>
<td></td>
<td>Return Check</td>
<td>Up to $35</td>
</tr>
</tbody>
</table>

11. **Default interest rate**: If your account is five or more days past due twice within a six month period, all rates will change effective with the beginning of the second billing cycle period in which you were past due. The penalty APR rate will be applied.

12. **How we will calculate your balance**: We use the average daily balance method (including new purchases).

13. **Prime Rate**: Variable APRs are based on the 4.55% Prime Rate as of June 30, 2012.

   1. If applicable, the daily periodic rate for your purchases/balance transfer intro APR is 6%.
   2. We add 5.25% to 19.99% to the Prime Rate to determine the Purchase/Balance Transfer APR.
   3. We add 15.25% to 25.99% to the Prime Rate to determine the Cash Advance APR.
   4. We add 26.99% to the Prime Rate to determine the Penalty APR. Maximum APR 29.99%.
SAMPLE CARDMEMBER AGREEMENT
Rates and Fee Table Explanation

1. **Purchase Annual Percentage Rate (APR)** – Preferably this will be a fixed rate, however many credit card interest rates are tied to market rates and you may see something like is shown in the sample.

2. **Balance transfer APR** – In addition to balance transfer APR, you may also have a fee, such as 5% of the balance. It is important to determine whether or not the transfer is in your best interest by calculating how much the fee will be and how much you will pay in interest if you leave the balance on the current card.

3. **Cash advance APR** – Typically, it is very expensive to take a cash advance from a credit card.

4. **Penalty APR and when it applies** – Your interest rate may go up is any of the behaviors shown in the sample occur.

5. **Paying interest** – If you keep a balance on your credit card or fail to pay the new charges within the grace period you will be charged interest. In addition, if you use a cash advance or balance transfer, you will be charged interest from the date of the transaction. This means there is NO grace period on cash advances or balance transfers.

6. **Minimum interest charge** – This is the minimum amount of interest a credit card company will charge you even if you keep a low balance. Minimum charges are typically less than $2.00.

7. **Credit card tips from the Federal Reserve Board** – This is a required disclosure on all credit card terms.

8. **Annual membership fee** – These fees should be very minimal. Many cards have a small annual fee, but be sure to calculate annual fees into the cost of using that credit card provider. Try to find a card that does not have an annual fee.
9. **Transaction fees** – Fees assessed based on special transactions. These fees can significantly increase the cost of using credit.

10. **Penalty fees** – These fees increase the cost of using credit. Be sure to pay your bills on time, keep balances low and only charge what you can afford to repay.

11. **Default interest rate** – (Also the Penalty Interest rate) The interest rate the credit card company will charge if you fail to make your payments on time.

12. **How will we calculate your balance** -
   - **Average daily balance including new purchases** – Balance is the sum of the outstanding balances for every day in the billing cycle (including new purchases and deducting payments and account credits) divided by the number of days in the billing cycle. This is typically the least favorable way of calculating balances and interest.
   - **Average daily balance excluding new purchases** – Balance is the sum of the outstanding balances for every day in the billing cycle (excluding new purchases and deducting payments and account credits) divided by the number of days in the billing cycle.
   - **Adjusted balance method** – Balance is the outstanding balance at the beginning of the billing cycle, minus payments and account credits made during the billing cycle. This is typically the more favorable method of calculating balances and interest.

13. **Prime rate** – The interest rate that banks charge their most credit-worthy customers. Other consumers will be charged the prime rate plus another amount determined by the bank and the consumer’s credit history.
Questions on Financial Planning

1. Who do you believe is responsible for the credit decisions of Americans? Why? Answers will vary, but may include the responsibility of the borrower to understand the financial agreements they are making as well as the lender to make financial agreements clear and understandable.

2. Name two items that you think are “wants” and two that you think are “needs.” Examples of “needs”: Food, clothing, shelter, transportation Examples of “wants”: Television, fast food, entertainment, etc.

3. What are two financial goals that you would like to accomplish? Answers will vary, but should include saving 3 months of living expenses. Also may include: Saving for car, saving for college, saving for home, or saving for retirement.

4. What must you do to prioritize your wants? How would that benefit you? Set goals, establish a plan for achieving goals. This will help you achieve the goals you set.

5. How is your cash surplus or shortage calculated? By completing your budget. It is the difference between how much money (income) you have coming in and how much your expenses are. Income—expenses = surplus (shortage)

6. What did you learn as a result of the one-week spending exercise? Answers will vary.

Questions on Banking on Your Future

1. Name three services that banks and credit unions provide to their customers. Services include: safe place to hold money, savings accounts, checking accounts, investment accounts, check cashing, bill payment, ATM/Debit services, direct deposit capability, online account monitoring, online bill pay, auto or mortgage loan, credit cards, etc.

2. What are the differences between a checking account and a savings account? A checking account provides a safe place to store money while paying bills. A savings account is a place to deposit money for longer term goals and accrues interest (some checking accounts also accrue interest).
3. Why do you need both a savings account and a checking account? 
   Checking: To pay bills and make purchases without having to carry 
cash. Your check or debit purchases will provide evidence to prove 
bills were paid. Savings: To save money you do not need to use right 
away and to establish a cash reserve for use in emergencies.

4. Why should you save about 3 months of wages in a “cash reserve?” 
   This savings provides a cushion in case of job loss, illness, or other 
unexpected life events.

5. Does a Credit Union offer similar types of services as a Bank? 
   Please Explain. Yes, credit unions do offer similar services such as 
checking, savings, certificates of deposit and other investment services, 
loans and credit cards. Rates are competitive with banks and credit 
unions are run for members by members.

6. What information do you need to fill out a check? Date, Pay to the 
   order of, amount (in dollar and cents format as well as spelled out), 
signature and description of the expenditure.

7. Why is it necessary to verify that all of the checks you have written 
   were cashed for the appropriate amount? Because mistakes happen 
and it is important for you to protect your money.

8. What do the following loan terms represent: Principal, Interest 
   Rate, and Loan Term? 
   • Principal = the amount of money you borrow 
   • Interest rate = the amount you will be charged to borrow the money 
   • Loan term = how long you will have the loan or how many payments 
     are scheduled.

9. How can you reduce the amount of interest you have to pay on a loan? 
   Maintaining good credit, making larger payments, selecting a shorter 
loan term, shopping around for the best interest rate, or making a 
larger down payment.

10. Your friend just got their first VISA card. What good tips can you tell 
     them about how to manage their credit card? 
     • Only charge what you can afford to pay back in full each month 
     • Always make your payments on time 
     • Keep balances on cards at 30% or less of the available credit limit 
     • Do not go over the credit limit 
     • Monitor the account online if possible 
     • Always review statements and dispute any charges you do not understand.
Questions on Understanding Credit

1. **This lesson focused on establishing and maintaining good credit. What does the term “good credit” mean and why is it important?**
   Good credit refers to how well you have managed your credit in the past. A good credit history implies that you have taken responsibility for paying your debts on time and paying back loans in full. Good credit will allow you to borrow money for important purchases like a car or house and receive a low interest rate on those loans. You will also need good credit to rent an apartment and, in some cases, to get a good job.

2. **Name the three credit bureaus. What is the function of a credit bureau?**
   Equifax, Experian, TransUnion. The credit bureaus provide information to retailers, banks, landlords and credit card companies who may be considering extending credit to you. A credit report is like a report card about your credit history.

3. **Why should you review your credit report from each of the three credit bureaus at least once per year?**
   It is possible that erroneous information will find its way onto your credit report. Lenders will look at the credit report before quoting you an interest rate or approving you for a service, so it is important to review to protect yourself from becoming a victim of identity theft.

4. **What is the name of the website that allows you to get one FREE credit report from each credit bureau each year?**
   www.annualcreditreport.com

5. **Name three items that you must provide to the credit bureau to get your credit report.**
   These may include your name, SSN, date of birth, address, name of current or previous lender, amount of current or previous loan.

6. **What is a credit score, and why is it important to a person seeking a loan?**
   A credit score is a number that is calculated by the credit bureaus which shows how creditworthy a person is. It is a risk score. The higher your score, the lower your loan interest rate may be because you are MORE likely to repay your debts on time.

7. **What kinds of financial mistakes do you think would lower your credit score?**
   Mistakes include making late payments, going over the limit on a credit card, allowing bills to go to a third-party collection agency, applying for too much credit in a short period of time.

8. **Is the following statement True or False?: “Skipping or missing payments on bills will result in extra costs when you borrow money.”**
   True
Questions on Learning about Earning

1. Why do you think there are so many employees engaged in office and administrative support? Answers may vary. Business and governmental agencies are engaged in providing products and services to the economy. Most of these organizations are based on a hierarchy with decisions made at the top, and the “doers” below. Record-keeping, communications, and direct services to customers and clients are common to all organizations and require constant staffing.

2. Examine the chart What do People Earn Chart. Given your current education and background, name 2 or 3 occupational categories in which you could be employed. How much does each of these categories earn annually? Answers will vary.

3. What is your current educational plan? Answers will vary.

4. Based on your educational plan, what can you look forward to as an approximate annual wage? Answers will vary.

5. Think about a job you have had in the past, and comment on the personal traits that you have displayed, and whether each trait made you successful or unsuccessful in that job. Answers will vary.

6. What sequence does a job seeker go through in trying to get a job? Although there are some exceptions, a sequence might typically go like this: 1. Gather some job announcements; 2. Send out resumes and letters to the jobs you feel qualified for; 3. Follow up with the employer to see about an interview; 4. Be interviewed; 5. Follow up. Note that the process requires initiative by the job seeker at all points.

7. Name two or three deductions that an employer must make from an employees paycheck. What is the purpose of each?
   - Social security—to provide for retirement
   - Medicare deductions—to support public health
   - Federal income tax—to pay your annual tax liability to the federal government.

8. The United States uses a Pay-As-You-Go income tax plan. How does it operate? As you earn money, your employer takes out a certain amount from each paycheck. This amount is placed in an IRS account to cover your income tax. When April 15 approaches, you examine how much is in this account, compared to the amount of tax you actually owe. You may have to send additional funds to the IRS, or you may receive a refund.

9. Suppose that an employee makes a mistake when filing the W-4. What do you think is the consequence of having too much money deducted by the employer? Too little? Too much deducted and you should receive a refund. If too little is deducted, you will need to pay the US Treasury the additional amount you owe. If either of these situations occur, you may want to speak to your employer about adjusting the amount of federal withholding on your paycheck.
Questions on Learning about Investments

1. **Explain how the compounding of interest builds wealth.** If you put money in the bank, it earns interest. If you leave the money in the bank, it will continue to earn interest on the principal you invested, plus you will earn interest on the interest you already earned. The results of compounding are mathematical and therefore can be predicted.

2. **Name three types of interest-bearing investments.** These include savings accounts, certificates of deposits (CD’s), savings bonds, money market accounts.

3. **John has no money in savings, but invests $3,000 in a stock that his friend says is a good investment. Comment on John’s strategy.**
   John should consider putting money in a savings account in order to have a cash reserve, in case of job loss, illness, or injury. He is taking excessive risk by investing in the stock market without having ready assets available. If he lost his job and had to sell the stock, he might not immediately recoup his original investment, particularly if broker age fees are involved. Should the value of his stock fall dramatically, he could lose most or all of his money. A better strategy would be diversifying his investments among various types of accounts.

4. **Are savings accounts and CD’s usually guaranteed against bank failure?** Yes, they are guaranteed up to the amount set by the Federal Deposit Insurance Corporation (FDIC) or National Credit Union Association (NCUA).

5. **What is the basic difference between interest and a dividend?**
   - Interest is usually a contractual arrangement, which means you are guaranteed the quoted interest rate. Interest is earned on savings accounts, CD’s, and money market accounts. In essence, if you own a CD you are lending money to the bank and they pay you interest to use your money for a specified period of time.
   - Dividends represent a share of a corporation’s profits that are paid out to stockholders. There is no guarantee that you will receive a dividend, as the corporation may decide to keep its cash for other uses or may not make a profit.

6. **Are stocks guaranteed not to lose money?** No. All money that you put into the stock market is at risk. If you invest money in the stock of a company that fails, you might not get any of your money back. The point is, make sure you have adequate assets to cover your needs prior to investing in the stock market.
7. Name two ways to make money with stocks.
   • A stock may go up in value while you own it. For example, you might buy 10 shares of a stock for $10 each, and the stock increases in value to $15. You invest $100 (10 shares times $10) and you could sell it later for $150 (10 shares times $15). You would make $50.
   • In addition, you may receive a dividend on the stock. If the company pays out a $1 dividend per share, your 10 shares would result in a check to you for $10.

8. What is a mutual fund? What are the major advantages of investing in a mutual fund rather than in one stock? A mutual fund is managed by an expert investor and the investments are widely diversified.

9. What are the advantages of investing in an Individual Retirement Account (IRA)? The IRA is an investment for your retirement. Special laws to encourage retirement investing allow your IRA’s to grow tax free. IRA investments have more time to compound and grow.
Questions on Protecting Your Finances

1. **What is identity theft?** “Identity theft occurs when someone uses your personal information without your permission to commit fraud or other crimes.”

2. **Have you ever been a victim of check theft, credit card theft, or mail theft?** Answer will vary. In many cases, the theft may not have been detected by the victim. This may encourage the thief to try it again. Be sure to check all three of your credit reports at least one time per year.

3. **Name three steps you can take to reduce the possibility of identity theft.** There are many ways in which identity theft can be committed. A partial list of defenses includes:
   - Protect your personal documents by keeping them under lock and key.
   - Guard against mail theft by using a locking mailbox and taking outgoing mail to the post office.
   - Use a safe password for Internet access.
   - Use anti-virus software on your computer.
   - Monitor your credit reports from all three credit bureaus at least once per year.

4. **How can insurance help to preserve the assets you own?** Insurance is a time-honored strategy for protecting your assets. By spending a small amount each year on policies such as car insurance, renter’s insurance or health insurance, you protect yourself against a large loss that could ruin your financial future.

5. **Make a list of the most important principles you have learned in this program.** Answers will vary.
   - Live within your means by budgeting your money.
   - Make a financial plan and set financial goals.
   - Open a bank or credit union account to keep your money safe, earn interest and take advantage of other services such as loans or saving opportunities.
   - Maintain an excellent credit record and review your credit periodically.
   - Protect yourself from identity theft.
1. Which of the following is true regarding credit card interest rates?
   a. Credit card interest rates must not exceed 10%
   b. Credit card interest rates must not exceed 15%
   c. Credit card interest rates must not exceed 20%
   d. There is no limit on credit card interest rates

2. In order to manage credit cards effectively, you should
   a. Make only the minimum payment each month
   b. Apply for additional credit cards to keep the balances low
   c. Pay off each credit card in full each month
   d. Get cash advances at an ATM machine so that you have adequate cash

3. According to the information presented, an important “first goal” in financial management is to
   a. Call a stock broker to get some investment ideas
   b. Put a down payment on an automobile
   c. Purchase life insurance as an investment
   d. Establish a cash reserve of about three months’ wages

4. The basic formula for a budget is: monthly income minus expenses = surplus or shortage. What is the best way to achieve a surplus each month?
   a. Spend less money than you bring home each month
   b. Use credit cards to pay all expenses, in order to conserve cash
   c. Ask your supervisor for a raise, or an advance on next month’s wages
   d. Apply for additional credit cards

5. A close family member, Sally, is having difficulty making ends meet, even though she has a good job. What advice would you give Sally, to help alleviate this problem?
   a. Put off paying the VISA bill until next month, to conserve cash
   b. Skip a car payment
   c. Write checks to cover the bills, even though there is insufficient money in the checking account
   d. Prepare a budget that focuses only on meeting financial needs, rather than spending money on “wants.”
6. According to the information presented, a three month cash reserve should be established in a savings account in order to:
   a. Earn a high rate of interest
   b. Pay bills each month
   c. Have a ready source of cash in case of job loss, injury, or unexpected expenses
   d. Save money for a car

7. John invests $1,000 in a savings account that offers a 4% interest rate per year. In one year’s time, John will earn approximately how much interest in this account?
   a. $4,000
   b. $400
   c. $40
   d. $4

8. What is meant by the term “direct deposit”?
   a. Your employer writes you a check for your wages and puts it in the pay envelope
   b. Your employer pays you in cash
   c. Your employer deposits your pay directly into your checking or savings account, making it instantly available on payday
   d. None of these

9. Which of the following is NOT a valid reason for using checks rather than cash, to pay bills?
   a. A check provides a paper trail in case you need to prove that the bill was paid
   b. Paying by check is safer than carrying large amounts of cash
   c. A check can be written for a specific amount of money, in dollars and cents
   d. You can write a check for more money than you actually have in your account
10. Which of the following is the most strategic (and least expensive) way of managing a credit card?
   a. Make all expenditures by credit card; make only the minimum payment each month on the credit card
   b. Use credit cards to get cash advances; make only the minimum payment each month on the credit card
   c. Use credit sparingly and pay off the entire balance of the credit card each month
   d. Ignore credit limits and payment dates; tell the credit card company you will switch to another credit provider if they charge you interest and late fees

11. What is the correct site to get your free annual credit report from all 3 credit bureaus?

12. You can receive your credit report through Annual Credit Report.com:
   a. By paying a fee of $5 per report.
   b. By providing your name and address, but not your social security number.
   c. For free, but must pay to receive your credit score.
   d. Only by calling the toll-free number.

13. The most immediate and efficient way to get your credit report is:
   a. By telephone
   b. By mail
   c. Over the Internet
   d. Through your bank

14. Which of the following strategies will help you to improve your credit score?
   a. Avoid bouncing checks
   b. Live within your means
   c. Examine your credit reports once per year
   d. All of the above
15. What effect does your credit report have on the interest rate that a creditor might charge you for a loan?
   a. The credit report can and will be used to determine the loan interest rate you will qualify for
   b. The credit report has no effect on the interest rate you will be offered
   c. It is illegal for a bank or loan company to base your interest rate on the credit report
   d. None of these is correct

16. According to the statistical data presented, what is the relationship between level of education and median annual income?
   a. No relationship
   b. More education seems to result in more income per year
   c. More education results in smaller earnings per year

17. According to the information presented, when deciding on a career to follow, a good starting point is to:
   a. Call three potential employers and ask about job opportunities
   b. Prepare a resume
   c. Look at the help wanted section of the newspaper
   d. Do an honest self-assessment of your skills, interests, and abilities

18. Who contributes to the Social Security fund that will help to support you when you retire?
   a. Your employer(s) only
   b. You only
   c. Both you and your employer(s)
   d. No one contributes to the Social Security system; the money is just there

19. Every employee must pay income taxes. When are income taxes collected from the employee?
   a. As they are earned, on a pay-as-you-go basis
   b. Only on December 31
   c. Only on April 15, the date income taxes are due
   d. Only employers pay income taxes
20. On what form do you indicate to your employer the number of withholding allowances you wish to claim?
   a. The 1040 tax form
   b. The W-4 form
   c. There is no form; all employees get one withholding allowance
   d. The W-2 form showing wages and tax deductions for the year

21. The basic investment strategy recommended in this presentation is:
   a. Wait until the day you have enough money, and then invest it
   b. Invest money only on those occasions when you have some extra money
   c. Live within your means, which will allow you to invest regularly, and take advantage of compounding of earnings by paying yourself first
   d. Keep all extra money in a cookie jar in case you need it

22. Compounding of interest is the idea that:
   a. You earn interest at the highest rate possible
   b. You earn interest on the principal invested
   c. You earn interest both on principal, and the interest that you earned in previous periods
   d. You wait for the interest rates to go up before investing

23. John invests $1,000 at 6%. According to the “rule of 72”, about how long will it take for John’s money to double?
   a. 15 years
   b. 1 year
   c. 12 years
   d. 5 years

24. Which of the following investments is NOT guaranteed against loss by the Federal Deposit Insurance Corporation (FDIC)?
   a. A checking account
   b. A savings account
   c. A certificate of deposit
   d. An investment in shares of corporation stock
25. Which of the following types of investments would allow you to invest in the stock market, with guidance from an expert company, and with diversification to reduce risk?
   a. Investment in Boeing Company stock
   b. Investment in Microsoft Company stock
   c. Investment in a mutual fund
   d. Investment in a money market account

26. Which of the following is an unwise way to save money?
   a. Focus on needs rather than wants
   b. Pay bills on time to avoid fees and finance charges
   c. Pay credit card bills in full each month
   d. Cancel auto and health insurance policies

27. Which of the following strategies would help you to discover if fraudulent checks have been written against your checking account?
   a. Read your credit card statement carefully to make sure all charges are valid
   b. Reconcile your checking account regularly, verifying that all amounts are correct
   c. Review your credit report at least once per year
   d. Call your bank and ask them

28. What is a recommended strategy for reducing online theft?
   a. Don’t use the computers at the public library
   b. Share your passwords only with family members
   c. Use strong passwords and clear your browser after going online
   d. Use your middle name as your password

29. How can you manage U.S. mail to minimize the threat of mail fraud?
   a. Use a locking mailbox
   b. Mail outgoing checks from a secure mailbox at the post office
   c. Shred unwanted credit card offers when they arrive
   d. All of the above

30. What types of insurance should you consider in order to protect your financial position?
   a. Health insurance
   b. Homeowner’s or renter’s insurance
   c. Automobile insurance
   d. All of the above
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