

KĀLĀ CAPITAL

...

WORKSHEETS FOR WEALTH BUILDING



KĀLĀ CAPITAL PARTNERS

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SECTION 1

...

FINANCIAL PSYCHOLOGY



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Financial Sentiment Survey

This survey measures your feelings and attitudes toward money and your level of confidence when making financial decisions. You will also be asked how you feel about your financial situation. The purpose of the survey is to help you understand your relationship with money and the emotions involved with handling your personal finances.

Answer each question based on your first instinct when you read the question. At the end of each page, total the numbers for each of your answers. For example, on question number 1, if you answered “Disagree,” use the number “3” in your total.

1. Circle the number next to the response that best matches your feelings about this statement:

I am confident about my ability to manage my finances.

- (0) Strongly Agree
- (1) Agree
- (2) Neutral (I neither agree nor disagree)
- (3) Disagree
- (4) Strongly Disagree

2. How do you feel when you make small financial decisions (e.g. purchasing a bottle of water or bag of chips)? (Circle the number above the response that best matches your feelings.)

(0)	(1)	(2)	(3)	(4)
Confident	Mostly positive	Just okay	Uneasy	Stressed

3. How do you feel when you make large financial decisions (e.g. purchasing new furniture or a car)? (Circle the number above the response that best matches your feelings.)

(0)	(1)	(2)	(3)	(4)
Confident	Mostly positive	Just okay	Uneasy	Stressed

4. Circle the number next to the response that best matches your feelings about this statement:
(Note that for this question, responses start with Strongly Disagree.)

I am concerned about my financial future.

- (0) Strongly Disagree
- (1) Disagree
- (2) Neutral (I neither agree nor disagree)
- (3) Agree
- (4) Strongly Agree

Total of Your Answers
for this Page: _____

5. Please circle the number next to the response that best matches your feelings about this statement:

I will become financially secure at some point in my life.

- (0) Strongly Agree
- (1) Agree
- (2) Neutral (I neither agree nor disagree)
- (3) Disagree
- (4) Strongly Disagree

6. How do you feel when you think about your financial future 5 years from now?

(0)	(1)	(2)	(3)	(4)
Confident	Mostly positive	Just okay	Uneasy	Stressed

7. How do you feel when you think about your financial future 20 years from now?

(0)	(1)	(2)	(3)	(4)
Confident	Mostly positive	Just okay	Uneasy	Stressed

8. Future economic conditions will have a _____ impact on me (choose one). (An example of economic conditions is the Great Recession of 2008, which resulted in many foreclosures and high unemployment rates.)

- (0) Positive
- (2) Not meaningful
- (4) Negative

Total of Your Answers
for this Page: _____

For this question, select all the answers that apply to you; and then at the bottom of the page, write the total number of boxes you selected.

9. Select all that apply:

My personal finances have a negative impact on my:

Emotional well-being / Self-worth

Relationships – Spouse, Family, Friendships

Productivity / Performance at work

Day-to-day life / Enjoyment of life

Health / Sleep

Enter the number of boxes you checked above for Question 9: _____

Find your score: To calculate your total score, add up the totals you entered at the bottom of each page above. That is, for questions numbered 1-8, add up the numbers next to / above your answers. Then add in the number of boxes you checked in question number 9.

Grand Total Score _____

Based on your calculated total, here are some suggestions for actions you might explore:

Zero to 11 points – You feel confident and secure about your ability to make financial decisions and about your current and future financial situation. Financial matters cause you a minimal amount of stress.

It's great to be confident about your financial matters! Just make sure you have a true picture of your finances and maintain good financial habits. For example, do you know your total household income and expenses (even if your spouse handles the bills)? Do you have an emergency fund that would cover your living expenses for 3-6 months? If you carry a balance on your credit cards, do you have a plan to pay them off? These are some areas you might explore. If you are 100% comfortable in these areas, take it to the next level by learning how to save and invest for retirement.

12 to 24 points – You are not completely confident about your ability to make financial decisions, or about your current and future financial situation, but you are not overly anxious about your finances. Overall, financial matters may cause you a modest amount of stress; but they typically do not interfere with your ability to enjoy life.

You feel mostly okay about your overall financial situation, but sometimes you feel like things are not entirely under control. You can pay your bills most of the time, but a money-related emergency might throw you off balance for a while. You might feel like you're doing all the right things and your finances are going okay, but you're still not getting ahead the way you'd like. You would benefit from identifying exactly why you don't feel confident about managing your finances. Do you have a budget that includes "saving" as a must-have item? Do you live within your means so you do not have to carry a balance on your credit cards? Can you define what "financial stability" would look like for you?

25 to 37 points – You lack confidence in your ability to make financial decisions and you often feel anxious about your current and future financial situation. In general, financial matters create a lot of stress in your life.

You feel stressed and anxious about your finances much of the time and do not feel competent about making sound financial decisions. You may feel out of control because you don't have a budget. You probably don't really know where your paycheck goes each month, and you can't see a way to get out of debt and start saving. You would benefit tremendously from learning how to make a budget so that every dollar you bring in has a job to do, such as "pay rent," "pay cell phone bill," and so on. There are many people who were once in your situation (or worse) and turned things around. You can make your life better by committing to a plan for achieving financial health.



Transtheoretical Model of Change – Survey

In our quest to create positive financial behaviors, we have developed a survey to understand your perspective and perceptions about money . Keep in mind that there are no right or wrong answers to the questions, but the answers will help identify your current understanding of change as it pertains to financial education. You'll learn how to interpret the survey results and understand more about your stage of change.

Transtheoretical Model of Change – Survey

Instructions

Read each question carefully and answer with your first instinct. For each answer you provide, add up your “points” in the column and then enter them at the bottom of the page. Carry these “per page total points” over to each new page.

Example:

	PC	C	P	A	M	T
1. Can you explain how learning to manage money will benefit you?						
a. <u>Yes</u>			●	●	●	●
b. No	●					
c. Maybe		●	●			
2. On a day-to-day basis, which of the following represents your view of personal finances?						
a. It causes me a lot of anxiety to think about money, so I try not to think about it.	●					
b. It causes me a lot of anxiety to think about money, so I think it is time to do something to improve my financial status.		●				
c. I am ready to change my financial situation because of the anxiety I have felt in the past due to money.			●			
d. <u>I am actively working to improve my personal finances by managing my money wisely on a daily basis.</u>				●		
e. I feel less anxiety because I have developed a plan for spending and money management practices which I try to enforce on a daily basis.					●	
f. I no longer worry about my financial situation because I have developed sustainable habits regarding money management and spending habits.						●
Enter Point Totals from this Page	0	0	1	2	1	1

At the end of the survey, you will have a grand total for each column. You may have one “strong” column – that is, one with a far larger number than all the others – which will showcase a clear picture of your current Stage of Change. Alternatively, you may discover that you have a few “mixed results” which show that you are at different levels of change, depending on the context or financial topic at hand. Either way, take a moment to review the overviews and tips for your most prevalent stage(s).

Strategies have been provided to help you gain additional information and understanding in the category or categories where you scored highest.

Transtheoretical Model of Change – Survey

	PC	C	P	A	M	T
1. Do you understand how learning to manage money will benefit you?						
a. Yes			•	•	•	•
b. No	•					
c. Maybe		•	•			
2. On a day-to-day basis, which of the following represents your view of personal finances?						
a. It causes me a lot of anxiety to think about money, so I try not to think about it.	•					
b. It causes me a lot of anxiety to think about money, so I think it is time to do something to improve my financial status.		•				
c. I am ready to change my financial situation because of the anxiety I have felt in the past due to money.			•			
d. I am actively working to improve my personal finances by managing my money wisely on a daily basis.				•		
e. I feel less anxiety because I have developed a plan for spending and money management practices which I try to enforce on a daily basis.					•	
f. I no longer worry about my financial situation because I have developed sustainable habits regarding money management and spending habits.						•
	PC	C	P	A	M	T
Enter Point Totals from this Page						

Transtheoretical Model of Change – Survey

	PC	C	P	A	M	T
3. When you imagine your life in ten years, how does it compare financially to your life now?						
a. I'm not financially comfortable now, and I assume it will be the same in the future.	•					
b. I'm not financially comfortable now, but I have hope that things will be better someday.		•				
c. I'm not financially comfortable now, but I have decided to do something about it now so my future will be better.			•			
d. I am actively managing my money and spending wisely now; therefore, I have a positive outlook for the future.				•		
e. I have made well-informed decisions on how to manage my money now and will continue to work hard to maintain a feeling of financial security.					•	
f. I am not worried about the future. I've made good financial decisions and am confident that the future will be financially secure.						•
4. Imagine your friend called and invited you to take over the reservations on a two-week cruise around the Mediterranean. The cruise has been paid for, so it's like a free vacation! The only thing is that you'll have to buy a flight to the departure city in Europe and, of course, you'll have to cover any of your extra expenses (souvenirs, food or drinks not included in the cruise, local transport at ports of call, etc.). Which of the following best represents how you would respond?						
a. Even though I don't have the money right now to afford the expenses for this trip, I could withdraw money from my savings account and have a nice vacation. You only live once!	•					
b. I don't have the money right now and, after all, this is not really a "free" vacation. The flight and other expenses will quickly add up. I'll have to say no.		•	•	•		
c. Part of my money management plan has included setting aside a special account for fun and adventure. I'm doing well financially, I can afford the trip, and I deserve a reward. When do I leave?					•	•
	PC	C	P	A	M	T
Enter Point Totals from this Page						

Transtheoretical Model of Change – Survey

	PC	C	P	A	M	T
5. Think of your favorite hobby – one that can be quite expensive, such as photography, mountain climbing, or golfing. Imagine that you heard that a special piece of equipment you have wanted to purchase for a long time is on sale for 25% off. However, you don't have any extra money for such a purchase. How does this make you feel?						
a. It makes me feel anxious and hopeless. I hate being broke, but I don't know what to do about it.	•	•				
b. It makes me feel unhappy for a while, but makes me realize that I need to learn to spend money more wisely, so I should not buy the equipment.		•	•	•		
c. It makes me feel sad that I can't afford this purchase now, but I'm in a better financial situation and I know one day I'll be able to afford to treat myself – especially when there's a good sale.				•	•	•
6. Identify the statement that best describes your willingness to adopt positive financial behaviors:						
a. Others may think my finances are causing problems, but my finances aren't important enough for me to worry about now.	•					
b. I understand that the way I manage my finances is causing problems, but I'm not ready to make changes.		•				
c. I think I am ready to make changes to improve my finances.			•			
d. I am ready to take action that aligns with my long-term financial goals.				•		
e. I have been maintaining positive financial habits, in alignment with my longer-term goals, for the past several years.					•	•
	PC	C	P	A	M	T
Enter Point Totals from this Page						

Transtheoretical Model of Change – Survey

	PC	C	P	A	M	T
7. I will be able to support myself, and my loved ones, financially if I adopt positive financial habits and behaviors.						
a. Strongly Agree				•	•	•
b. Agree			•	•	•	•
c. Neutral	•	•				
d. Disagree	•	•				
e. Strongly Disagree	•					
8. Rate your level of interest in learning about personal finance topics:						
a. Highly Interested		•	•	•	•	•
b. Somewhat Interested		•	•	•	•	•
c. Neutral	•					
d. Somewhat Disinterested	•					
e. Highly Disinterested	•					
	PC	C	P	A	M	T
Enter Point Totals from this Page						

Transtheoretical Model of Change – Survey

	PC	C	P	A	M	T
9. Which of the follow best describes you?						
a. I don't believe money management lessons will benefit me.	●					
b. I probably would benefit from additional financial knowledge, but it all seems too complex for me to understand.		●				
c. I often think about learning more about personal finance.			●			
d. I am willing to dedicate a minimum of five hours a week to improve my financial knowledge.				●		
	PC	C	P	A	M	T
Enter Point Totals from this Page						

Add up the totals from each column from all previous pages to calculate your grand total scores for each column.

	PC	C	P	A	M	T
Grand Total Points						

Identifying Your Stage of Change

Remember, there are no right or wrong answers to any of the questions above. Your answers simply help you to determine the stage of change regarding your attitude toward finances.

Now that you've tallied your column scores, identify which column (stage of change) best describes you. Keep in mind that you may have more than one column with high scores. That's OK; it just means that you may fit within two stages of change. You're transitioning. That's very common when dealing with something as complex as financial planning.

Consider the strategies recommended for each stage your answers align with to help get the most out of your financial education.

PC: Pre-Contemplation – Individuals in the Pre-Contemplation Stage are at a very early stage of dealing with personal finance knowledge. Some people at this stage claim to have no concern about money, yet they often have anxiety about having enough money to pay bills. They often make unwise spending decisions that only add to the problem. If you fit this category and are taking this course, it's likely that you have realized that you could use advice about money management. This course will help. You'll learn tips and tricks for organizing your spending and improving your money management skills.

You may want to consider the following suggestions that are useful for people in the Pre-Contemplation Stage:

- Do not feel ashamed about lacking financial knowledge. No one is born with money management skills. We all can use guidance.
- Think beyond today and start planning for the future. Don't assume that the values and ideas you have today will be the same ones you'll have in 10 or 20 years.
- Pay attention to the advice given in this course for developing new spending habits.
- It's easy to feel overwhelmed when learning something new. Understand that each component of your financial education contributes to your holistic plan for your personal finance. New knowledge and skills will help to sculpt your "big picture" over time.

C: Contemplation – Individuals at the Contemplation Stage are thinking about their financial future, but have not yet taken direct action. They realize that if they keep doing what they've been doing – at least as far as money management goes – they'll be in deep financial trouble in the future. Their path to a solution is still generally undefined. This stage represents a recognition – and possibly acceptance – of a problem, which is an important step toward solving the problem. If you are at this stage, you are aware that it's up to you to do something, yet you are not sure what to do next.

You may want to consider the following suggestions that are useful for people in the Contemplation Stage:

- Do not feel ashamed about lacking financial knowledge. No one is born with money management skills. We all can use guidance.
- It's easy to feel overwhelmed when learning something new. Understand that each component of your financial education contributes to your holistic plan for your personal finance. New knowledge and skills will help to sculpt your "big picture" over time.
- Don't lose sight of the feelings that drove you to contemplate learning more about personal finance. Recognize your feelings and acknowledge them. Putting a name to your feelings will help you to move forward. Remember these feelings and harness them to stay motivated toward your pursuit of knowledge.
- Remain focused and don't be surprised if you slip into bad spending behaviors during this stage. Just re-group and put into practice the tips you'll learn from this course.

P: Preparation – Individuals at the Preparation Stage are already in a phase of planning their financial futures. Sometimes this stage can last a long time – even years. However, reaching this stage means you've come to the decision that it's up to you to make changes in your spending habits and money management. You know that you must plan now for a healthy financial future. The advice you learn in this course will prove to have immeasurable benefit for shaping your plans and guiding your actions. You may want to consider the following suggestions that are useful for people in the Preparation Stage:

- Don't let procrastination delay you. You've gone through a stage of contemplating the future and are ready to map out a plan. There's no time like the present for change and movement forward.
- Remain focused and don't be surprised if you slip into bad spending behaviors during this stage. Just re-group and put into practice the tips you'll learn from this course.
- It's easy to feel overwhelmed when learning something new. Understand that each component of your financial education contributes to your holistic plan for your personal finance. New knowledge and skills will help to sculpt your "big picture" over time.
- Make lists, assess goals, and develop strategies for saving money and spending wisely.

A: Action – Individuals at the Action Stage are already doing something to secure their financial futures. They have successfully passed through the Preparation Stage and are now actively carrying out smart and effective ways to manage money. If you are at this stage, you'll learn many tips and ideas from this course about shaping your spending habits and planning for the future. You may want to consider the following suggestions that are useful for people in the Action Stage:

- In your Preparation Stage, you made systematic lists and strategized your money management plan. Now, map out a grand plan of action and put the plan into practice.
- Remember to prioritize and map out your goals. This process will help you stay on track.
- It's easy to feel overwhelmed when learning something new. Understand that each component of your financial education contributes to your holistic plan for your personal finance. New knowledge and skills will help to sculpt your “big picture” over time.
- Remain focused and don't be surprised if you slip into bad spending behaviors during this stage. Just re-group and put into practice the tips you'll learn from this course.

M: Maintenance – Individuals at the Maintenance Stage have already seen positive results from their money management and spending strategies during the Action Stage. Celebrate the victories of small steps and achievements. You have taken consistent action to work toward clear financial goals. You may want to consider the following suggestions that are useful for people in the Maintenance Stage:

- Don't get overconfident. You can easily slip up and revert to an earlier stage of change.
- Remember to accept the fact that financial issues can happen at any point, and you will probably experience problems over time.
- Staying committed to working toward your goals will help you mentally get past any financial setbacks faster.
- Remain focused and don't be surprised if you slip into bad spending behaviors during this stage. Just re-group and put into practice the tips you'll learn from this course.

T: Termination – Individuals at the Termination Stage have successfully adopted positive money management habits that have now become a routine part of their lives. They may not have achieved total financial health, but they're on the path to becoming financially secure. At this stage, these individuals have security, confidence, and an internal knowledge that they're okay financially. If you are in this stage, congratulations! Even though you've achieved this stage, you will still learn many helpful tips in this course. You may want to consider the following suggestions that are useful for people in the Termination Stage:

- Don't get overconfident. You can easily slip up and revert to an earlier stage of change. Keep your eye on the future.
- Remember to accept the fact that financial issues can happen at any point, and you will likely experience unexpected financial problems at some point along the way. Plan accordingly.
- Just as you'll learn from this course, you can also learn from yourself! Take note of the strategies you put into place in the Action and Maintenance Stages and assess which ones worked and which ones did not. Make adjustments as needed.
- Remain focused and don't be surprised if you slip into bad spending behaviors during this stage. Just re-group and put into practice the tips you'll learn from this course.





Long-term Behavior & Outcome Survey

This survey asks questions related to the financial education program in which you recently participated. The questions are designed to gauge whether and how your financial behaviors have changed since you started taking the coursework.

There are no right or wrong answers to the questions, and the survey is not graded. We use your answers to guide changes to the program and to tailor ongoing education materials specific to your needs and situation.

Long-term Behavior & Outcome Survey

Please take a moment and carefully read over each question before responding. When responding, go with your first instinct and be as honest as possible. There is no wrong answer. Only choose one answer per question.

Overall

1. Since the start of the program, rate your progress.

(1)	(2)	(3)	(4)	(5)
I am less confident about my financial position			I am more confident about my financial position	

2. Since the start of the program, my feeling of financial security has...

(1)	(2)	(3)	(4)	(5)
Worsened			Improved	

3. Since the start of the program, my confidence level in recommending this program to a friend has...

(1)	(2)	(3)	(4)	(5)
Decreased			Increased	

4. Since the start of the program, recommending that a friend take this program would be...

(1)	(2)	(3)	(4)	(5)
Decreased			Increased	

Financial Psychology

1. Since the start of the program, rate the clarity of your financial goals:

(1)	(2)	(3)	(4)	(5)
I still do not have any financial goals.			I fully understand and can clearly explain my financial goals.	

2. Since the start of the program, my willingness to adopt financial behaviors that align with my goals has...

(1)	(2)	(3)	(4)	(5)
Decreased			Increased	

3. Since the start of the program, my financial behaviors have...

(1)	(2)	(3)	(4)	(5)
Worsened			Improved	

4. Since the start of the program, my sentiment towards money has...

(1)	(2)	(3)	(4)	(5)
Become more negative			Become more positive	

5. Since the start of the program, my knowledge on personal financial matters has...

(1)	(2)	(3)	(4)	(5)
Not improved at all			Greatly improved	

Savings, Expenses & Budgeting

1. Since the start of the program, the amount I save each month has...

(1)	(2)	(3)	(4)	(5)
Decreased		Stayed the same		Increased

2. Since the start of the program, the overall amount of money I have saved has...

(1)	(2)	(3)	(4)	(5)
Decreased		Stayed the same		Increased

3. Since the start of the program, the amount I spend each month has...

(1)	(2)	(3)	(4)	(5)
Decreased		Stayed the same		Increased

4. Since the start of the program, managing my money has...

(1)	(2)	(3)	(4)	(5)
Become difficult		Stayed the same		Become easier

5. Since the start of the program, rate your preparedness for future expenses.

(1)	(2)	(3)	(4)	(5)
Not prepared		Stayed the same		Fully prepared

Long-term Behavior & Outcome Survey

6. Since the start of the program, my budget is...

(1)	(2)	(3)	(4)	(5)
Disorganized and confusing		Stayed the same		Written, organized and itemized

7. Since the start of the program, my method for tracking my budget is...

(1)	(2)	(3)	(4)	(5)
Nonexistent, because I don't track my budget				A set of systems and reminders at set intervals

8. Since the start of the program, my emergency fund is...

(1)	(2)	(3)	(4)	(5)
Nonexistent, because I have not created one		The same as when I started		Funded with enough money to cover my monthly bills

Accounts Management & Team Members

1. Since the start of the program, the number of accounts I have has...

(1)	(2)	(3)	(4)	(5)
Decreased		Stayed the same		Increased

2. Since the start of the program, the systems I have in place to manage my accounts has

(1)	(2)	(3)	(4)	(5)
Worsened		Stayed the same		Increased

3. Since the start of the program, the terms I am getting on my account have...

(1)	(2)	(3)	(4)	(5)
Worsened		Stayed the same		Improved

4. Since the start of the program, the number of team members I have in place has...

(1)	(2)	(3)	(4)	(5)
Decreased		Stayed the same		Improved

5. Since the start of the program, the trust I have in my team members has...

(1)	(2)	(3)	(4)	(5)
Decreased		Stayed the same		Increased

Long-term Behavior & Outcome Survey

6. Since the start of the program, the process for opening a checking or savings account has become...

(1)	(2)	(3)	(4)	(5)
Confusing, and I still need to open these accounts			Easy, and I understand how they work	

7. Since the start of the program, my understanding of money mismanagement and penalties with late fees has...

(1)	(2)	(3)	(4)	(5)
Decreased		Stayed the same		Increased

8. Since the start of the program, the use of an automated bill payment system is...

(1)	(2)	(3)	(4)	(5)
A negative experience and has increased my stress			A positive experience and has decreased my stress	

9. Since the start of the program, using a calendar or reminder system for all my important financial dates is...

(1)	(2)	(3)	(4)	(5)
Difficult, and I am unsure about using one			Easy, and I use one	

Loans & Debt

1. Since the start of the program, my loan terms have...

(1)	(2)	(3)	(4)	(5)
Worsened		Stayed the same		Improved

2. Since the start of the program, I have created a debt reduction plan that...

(1)	(2)	(3)	(4)	(5)
I can't follow		I don't have a debt reduction plan		I can follow

3. Since the start of the program, my debt load has...

(1)	(2)	(3)	(4)	(5)
Increased		Stayed the same		Decreased

4. Since the start of the program, my position to qualify for a loan has...

(1)	(2)	(3)	(4)	(5)
Worsened		Stayed the same		Improved

5. Since the start of the program, my unsecured debt has...

(1)	(2)	(3)	(4)	(5)
Increased		Stayed the same		Decreased

Credit Profile

1. Since the start of the program, my credit score has...

(1)	(2)	(3)	(4)	(5)
Worsened		I don't know		Improved

2. Since the start of the program, the negative factors affecting my credit have...

(1)	(2)	(3)	(4)	(5)
Worsened		Not changed		Improved

3. Since the start of the program, understanding my credit score is...

(1)	(2)	(3)	(4)	(5)
Difficult		I still don't understand my credit score		Easy

4. Since the start of the program, sharing my credit score knowledge with others feels...

(1)	(2)	(3)	(4)	(5)
Scary				Exciting

5. Since the start of the program, the number of derogatory marks on my credit score has...

(1)	(2)	(3)	(4)	(5)
Decreased		Stayed the same		Increased

6. Since the start of the program, anticipating my future debt load on credit cards or revolving accounts is...

(1)	(2)	(3)	(4)	(5)
Scary and unpredictable		Neutral, because I don't plan to incur any future debt load		Easy to predict, and I feel ready to handle any situation

Income

1. Since the start of the program, the amount of money I earn has...

(1)	(2)	(3)	(4)	(5)
Decreased		Stayed the same		Increased

2. Since the start of the program, my income sources have...

(1)	(2)	(3)	(4)	(5)
Decreased		Stayed the same		Increased

3. Since the start of the program, my income security feels...

(1)	(2)	(3)	(4)	(5)
Less secure		The same as before		More secure

4. Since the start of the program, my ability to replace my current income if needed has...

(1)	(2)	(3)	(4)	(5)
Worsened		Stayed the same		Improved

5. Since the start of the program, my income source is...

(1)	(2)	(3)	(4)	(5)
Less fulfilling		The same as before		More fulfilling

Long-term Behavior & Outcome Survey

6. Since the start of the program, creating a budget that lists all my sources of income is...

(1)	(2)	(3)	(4)	(5)
Difficult and I am not sure where to begin			Easy and I currently have one	

7. Since the start of the program, my understanding of how my pay compares to the market rate has...

(1)	(2)	(3)	(4)	(5)
Decreased		Stayed the same		Increased

8. Since the start of the program, if I lost my job, my confidence to find new employment has...

(1)	(2)	(3)	(4)	(5)
Decreased		Stayed the same		Increased

Economic & Government Influences

1. Since the start of the program, the organization of my tax records has...

(1)	(2)	(3)	(4)	(5)
Declined		Stayed the same		Improved

2. Since the start of the program, have you modified your tax withholdings and gauged its impact on your finances?

Yes, helping other areas of my finances	Yes, but hurting other areas of my finances	Not sure	No
---	---	----------	----

3. Since the start of the program, my knowledge of back taxes has...

(1)	(2)	(3)	(4)	(5)
Decreased		Stayed the same		Improved

4. Since the start of the program, my ability and confidence to file my own tax returns has...

(1)	(2)	(3)	(4)	(5)
Decreased		Stayed the same		Improved

5. Since the start of the program, my preparedness and knowledge to hire a trusted and licensed financial professional has...

(1)	(2)	(3)	(4)	(5)
Decreased		Stayed the same		Increased

6. Since the start of the program, my knowledge when talking with a licensed tax advisor about opportunities to minimize my tax burden feels...

(1)	(2)	(3)	(4)	(5)
Difficult and confusing		Neutral		Easy and comfortable

Risk Management & Insurance

1. Since the start of the program, my attitude toward adding insurance or other risk protection measures has...

(1)	(2)	(3)	(4)	(5)
Become more negative		Stayed the same		Become more positive

2. Since the start of the program, my ability to review my insurance with confidence has...

(1)	(2)	(3)	(4)	(5)
Decreased		Stayed the same		Increased

3. Since the start of the program, my ability to negotiate better terms on my insurance policies has...

(1)	(2)	(3)	(4)	(5)
Decreased		Stayed the same		Increased

4. Since the start of the program, my estate plan has...

(1)	(2)	(3)	(4)	(5)
Worsened		Stayed the same		Improved

5. Since the start of the program, my preparedness for emergencies and natural disasters has...

(1)	(2)	(3)	(4)	(5)
Decreased		Stayed the same		Increased

Long-term Behavior & Outcome Survey

6. Since the start of the program, my confidence and knowledge in choosing an appropriate health insurance plan is...

(1)	(2)	(3)	(4)	(5)
Confusing, and I am not sure what to look for in a plan				Easy, and I understand what to look for in a plan

7. Since the start of the program, my confidence in choosing the right life insurance for my situation has...

(1)	(2)	(3)	(4)	(5)
Decreased		Stayed the same		Increased

8. Since the start of the program, my ability to decide on the right umbrella insurance policy has...

(1)	(2)	(3)	(4)	(5)
Decreased		Stayed the same		Increased

9. Since the start of the program, my knowledge and understanding of estate planning and wills for myself and my family, has...

(1)	(2)	(3)	(4)	(5)
Decreased		Stayed the same		Increased

Investing & Personal Financial Planning

1. Since the start of the program, my net worth has...

(1)	(2)	(3)	(4)	(5)
Decreased at a higher rate than previously		Stayed the same		Increased at a higher rate than previously

2. Since the start of the program, the amount I contribute to investments has...

(1)	(2)	(3)	(4)	(5)
Decelerated		Stayed the same		Accelerated

3. Since the start of the program, the investment choices I make are...

(1)	(2)	(3)	(4)	(5)
Less in alignment with my risk tolerance		Stayed the same		More in alignment with my risk tolerance

4. Since the start of the program, my investment strategy is...

(1)	(2)	(3)	(4)	(5)
Unclear		The same as before		Clearer

5. Since the start of my program, my confidence in discussing my future and expectation of earnings has...

(1)	(2)	(3)	(4)	(5)
Declined		Stayed the same		Improved

6. Since the start of the program, my investment strategy and goals are...

(1)	(2)	(3)	(4)	(5)
Unclear, confusing, and distant		The same as when I started		Clear, written down, and achievable

7. Since the start of the program, finding an investment professional whom I trust feels...

(1)	(2)	(3)	(4)	(5)
Not achievable and difficult		Achievable but not easy		Achievable and easy

Education & Skill Development

1. Since the start of the program, my educational goals have...

(1)	(2)	(3)	(4)	(5)
Remained unclear and unattainable		Stayed the same		Become clear and attainable

2. Since the start of the program, my preparedness to pay for my educational goals has...

(1)	(2)	(3)	(4)	(5)
Decreased		Stayed the same		Increased

3. Since the start of the program, my confidence to create a plan for achieving my educational goals has...

(1)	(2)	(3)	(4)	(5)
Decreased		Stayed the same		Increased

4. Since the start of the program, my ability to align my education and finance goals feels...

(1)	(2)	(3)	(4)	(5)
Difficult		The same as before		Easy

5. Since the start of the program, my understanding of how finances affect my ability to achieve my educational goals has...

(1)	(2)	(3)	(4)	(5)
Decreased		Stayed the same		Increased



Financial Psychology

Planning, Prioritization, & Setting Goals Worksheet

This worksheet can help you specify the steps that will help you work toward your unique financial goals. Complete the steps to develop clarity in your financial plan.

Prioritization of Steps

Select your priority and write the step you feel will help you most. If you are not certain of your first step, it is to educate yourself and discover what that first step should be.

Place 'X' Next to your #1 Priority

On the one you marketed '#1 Priority', write the specific action you take.

Additional Education on Financial Psychology

Understand My Financial Sentiment

Understand My Stage of Change

Clarify First Steps

Make Long-term Financial Behavior Change

Specific Action I Will Take for My Indicated #1 Priority:

Goal-setting

Goal-setting and developing reasons for accomplishing those goals lies at the heart of helping you work toward greater financial strength. This activity will guide you to begin writing solid goals that will form the basis of your long-term financial plan.

Below is a framework for how to write an effective goal, followed by an example.

Framework

I will [**Specific_Goal_You_Will_Work_Toward**].

I will track my goal's progress by [**Measurement_of_Goal_Progress**].

I am motivated to accomplish this goal because [**Reasons_It_Will_Benefit_You**].

I know I can do this, because [**How_Your_Goal_Is_Attainable**].

When I finally [**Your_Finish_Line**],

I will feel [**How_You_Will_Feel_When_Completed**].

I will start by [**Date_You_Will_Start**]

And complete by [**Date_You_Will_Complete**].

Example: I will move from the Preparation Stage to the Action Stage on the Stage of Change Model. I will track my progress by writing down the action steps I plan to take. I am motivated to get to the Action Stage because I want to start working to secure my financial future for myself and my family. I know I can do this, because I've been preparing myself for the past year in the Preparation Stage. When I finally reach the Action Stage, I will feel confident and ready to take action. I will start next week and complete in two months.

Write your own goal using the framework.

I will _____

I will track my goal's progress by _____

I am motivated to accomplish this goal because _____

I know I can do this, because _____

When I finally _____

I will feel _____

I will start by _____

And complete by _____



Financial Psychology

Lesson Warm-up: KWR & VIQQS



VIQQS

The VIQQS activity is designed to support various learning styles and gives you the freedom to activate your own existing knowledge in ways that work for you. The VIQQS acronym stands for Video, Image, Quote, Questions, Sounds. You are provided with each of these different cues and instructed to free-write, reflect, or participate in group activities to activate prior knowledge, laying the foundation to connect with the new information you're about to learn. The VIQQS method builds on the KWR strategy to continue the activation of prior knowledge; but has the added benefit of appealing to a variety of learning styles, including visual, auditory, reading, and kinesthetic.



Video



Image



Quote

“

The future belongs to those who believe in the beauty of their dreams.


- Eleanor Roosevelt, former First Lady of the United States

”

Question

?


What impact does achieving financial wellness have on the human psyche?

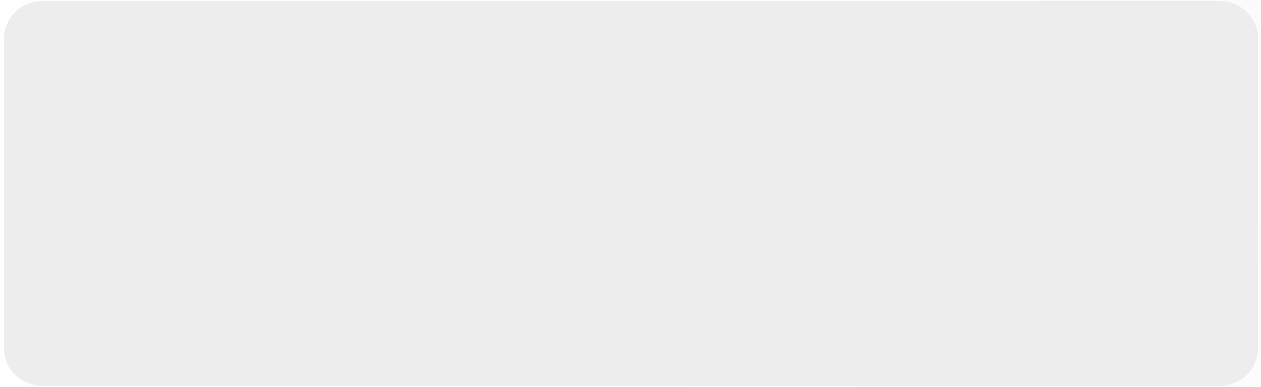


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KWR

The purpose of a KWR chart is to help you organize your thoughts about information. A KWR chart provides you with a method to organize and simplify your thoughts when reading complex information.

Education Reason – Research shows that, when you connect existing knowledge about a topic to a new topic you are learning, it is easier to pick up the new concept and increase your knowledge about the subject matter. By connecting previous experiences to new information as you learn it, it becomes easier to recall and retain the information you have learned.

How a KWR Works – Using a KWR chart will help you organize and clarify your thoughts. Let's dig deeper into how this type of chart works.

K stands for what you already know about a subject or topic. One way to approach using this column is to brainstorm any words, terms, or phrases you have heard or associate with that topic. For example, you might think about the term “finance” and associate words like money, wealth, happiness, rich, or vacation when you hear that term. This activity can be expanded by choosing a word that you wrote down, such as money, and asking yourself “What made me think of that word, and why do I associate it with wealth?” This activity can be extensive, and you should be open to writing down as much information as possible without worrying about whether it is right or wrong.

W stands for what you want to learn about a topic. Always be sure to remember that no question is stupid, so write down anything that comes to mind. Thinking about the term finance, you may have questions such as “What makes someone wealthy?” or “How do I start a savings account?” The list of questions could be endless, and that's ok. Each question will help strengthen your understanding of the topic and expand your knowledge.

Another great question to ask yourself is “What would I like to learn more about regarding this idea?” This way of thinking helps change your perspective and approach to the question.

Finally, **R** stands for how this information relates to your life. This column helps you sort your thoughts about how you can take information and immediately apply it to your life. For example, you may realize that you associate wealth with being bad or that being wealthy means others will suffer. These thoughts could then lead you to start thinking about how you approach money and why you are hesitant to make more money or appear wealthy to others. The R column allows you to expand on the first two columns, while making deeper connections to your current life status.

Instructions – Using the chart provided below, you will complete your KWR chart by listing what you currently know about this topic, what you want to know, and how this topic relates to your life. There are no right or wrong answers. Just reflect on the topic and write down whatever comes to mind for each question.

K

What I Know. Think about what you already know about this topic and make a list that includes all these ideas. Don't worry about whether it's right or wrong; give yourself the freedom to write whatever comes to your mind about the topic.

W

What I Want to Know. What questions do you have about this topic, and what do you want to know more about? List all your questions. Also, note any areas about which you may be unsure and that you would like to learn more about.

R

How It Relates to My Life. How does this topic relate to your life? List the ways in which you think this topic may affect your life and the personal reasons you have for picking up the information.

Share Additional Insight

Once you complete the lesson, answer the following questions.

1. What is one thing you learned about this topic that surprised you?
2. How could you share this knowledge to help others learn more about this topic?
3. What topic or idea do you feel you didn't learn enough about and would like to expand your knowledge on further?
4. What is one habit or change you would like to make in your life, given the information you just learned?

5. How did learning about this information make you feel?

6. How will this information change your life in a more positive way?

7. How can I expand your learning once this class is done?

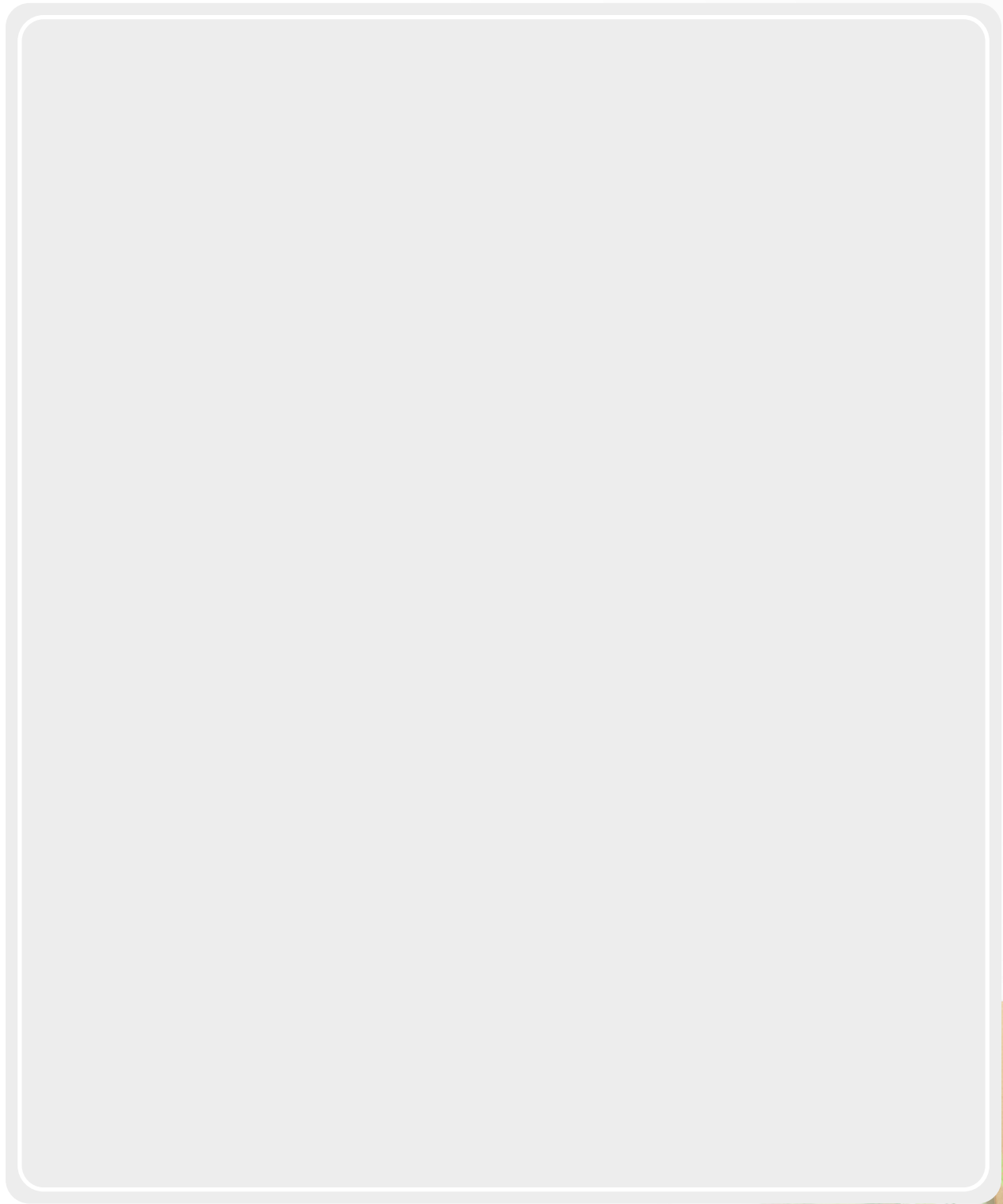
After completing this activity, rate your level of experience, on a scale of 1-10, about your understanding of this topic.

Rate:

1 – I understand little about this topic

10 – I feel confident in the content I have learned and would be able to share my knowledge with other

Next, make a list of all the topics or ideas about which you would be interested in learning more.





Reasons to Learn Financial Psychology: Benefits & Imagery

To start the topic, we're going to walk you through an activity designed to help you get into a productive state of mind for learning. The activity is a story about a person or people who are experiencing certain life events. As you go through the story, just let your mind go. The idea is to feel whatever emotions you feel when you hear the characters' story, and then those emotions can translate into motivation to learn and take positive action.

Hunter's Hours are Cut – And He's not Ready!

It's a big moment in Hunter's life.

His supervisor just called him into the office and told Hunter his hours were being cut starting next month, from full-time to three-quarter time. That means Hunter will be losing almost \$900 a month in income.

Hunter is shocked. He didn't see this coming! His mind races – he only has about \$300 in savings. That might help for the first week or two, but then what?

Hunter breaks into a cold sweat. He's always hated thinking about money – it makes him feel stupid and incompetent. What's he going to do? Why did he spend so much going out to lunch and buying cool clothes? Why didn't he have more saved? Maybe he can borrow money from his parents. But how would he pay it back?

Hunter is scared. He loses his appetite. He can't sleep. He wakes up at 3 a.m., crushed and overpowered with worry. Now he's only got a week left, and he hasn't done anything. He's paralyzed with fear.

Clear Your Mind Transition

OK, that probably didn't feel very good. But many people face scenarios like this at some point in their lives. Now just take a moment to clear your mind.

Shake out your body. Take a nice, deep breath. Roll your shoulders a couple of times.

Stand up, then sit back down. Take another deep breath.

Hunter's Hours are Cut – But He's Ready

It's a big moment in Hunter's life.

His supervisor just called him into the office and told Hunter his hours were being cut starting next month, from full-time to three-quarter time. That means Hunter will be losing almost \$900 a month in income.

Hunter goes back to his cubicle, sits down, and takes a deep breath. "OK," he thinks. "I'm ready for this. In fact, this might just be a blessing in disguise. I've been thinking about branching out – maybe even starting a business. I have a year's worth of expenses saved up, so I can draw on that for a little while. It's a good thing I took that financial education course. It really helped me



change my mindset. I don't have to feel scared or lost anymore. I feel empowered and confident when I think about money.”

Hunter's mind churns with ideas. There are so many things he wants to do, and now he has a new window of opportunity. He'll have extra time to put into researching and starting his new business. Or maybe he could take a few classes. Should he finally look into what it would take to land that ideal job he's been dreaming about?

Hunter feels powerful and enabled. He's been getting himself ready to take steps toward a new future, and now's his chance. He took the time to learn how to manage his money, and it made all the difference in helping him feel secure and enjoying his life. He feels strong. He feels ready.

Reflection

Learning about financial psychology helps people identify and manage their emotional responses to money. Like Hunter in the first scenario, lots of people hit roadblocks when they think about their finances, especially when they're faced with a big crisis. But like Hunter in the second scenario, understanding our financial psychology – the emotions we feel toward managing money, spending, and saving – can help us prepare for setbacks and be ready to address problems when they arise.



Reasons to Learn Financial Psychology: Benefits & Imagery

Your motivation for learning about money plays an important role in your financial success. Gaining money management skills supports both your motivation and your ability to achieve your financial goals. In this activity, you're going to use a sales strategy called the "Ben Franklin Close." It's a valuable technique that salespeople use to close a sale. The "Ben Franklin Close" helps you logically evaluate the pros and cons of any action you want to take.

On the left side of the "T" chart below, write your **reasons for** learning about financial psychology. Then on the right side of the "T" chart, write your **reasons against** learning about financial psychology.

Evaluate your answers. Do your "reasons for" outweigh your "reasons against" learning about financial psychology?

Reasons For	Reasons Against





Preview Activities: Crib Notes & T.H.I.E.V.E.S. for Financial Psychology

This student guide will support you as you complete the T.H.I.E.V.E.S. pre-reading exercise. Using this guide, you will employ a reading preview model to preview the section, activate your prior knowledge about the topic, and set a purpose for doing the reading. Crib notes also are provided; this student resource provides a summary review of the content of this lesson and also allows you to complete the T.H.I.E.V.E.S. pre-reading exercise: “Summary of What the T.H.I.E.V.E.S. activity is.”

Financial Psychology Crib Notes

Many psychological factors affect how we handle our personal finances. First, money is closely tied to human needs and feelings. It affects our emotions, well-being, mood, and physical health. Psychologist Abraham Maslow developed the Hierarchy of Needs theory defining five key human needs, all affected by money: physiological, security, love and belonging, esteem, and self-actualizing. Because finances are so interconnected with needs, we may make irrational decisions, often with negative results.

Dealing with money decisions requires identifying emotions and setting them aside to handle a problem objectively. To simplify, Robert Plutchik's Wheel of Emotions theory breaks emotions down into 4 primary pairs: Joy/Sadness, Trust/Disgust, Fear/Anger, Anticipation/Surprise.

Humans also are conditioned to move away from pain and toward pleasure. For example, we buy insurance to avoid the pain of an expensive loss, or save money for a trip to the beach that gives us enjoyment. Yet pleasure-seeking and pain avoidance can have negative consequences – say we buy lunch out every day, but have no retirement savings. We must consider our money decisions in the long term. Education, clear financial planning, and having a team of trusted advisors can help you make decisions based more on logic than on emotion.

Human development psychologist Lev Vygotsky formed the theory that behavior is strongly influenced by “More Knowledgeable Others,” who may be parents, teachers, friends, or peers. Outside influences like media, advertising, social media, society, and culture also shape your financial behaviors. The key to managing your own financial psychology is to set clear goals, develop a plan, and continue to learn about money.

Financial behaviors begin forming in childhood and solidify in adulthood. We tend to develop one of four “money scripts” that shape our financial behaviors: Money Avoidance, Money Worship, Money Status, or Money Vigilance. Negative financial behaviors include mental accounting (separating money into accounts subjectively); anchoring (tying money decisions to arbitrary anchors); and overconfidence. Accurate assessment of your problematic money beliefs can help you make positive change.

The Transtheoretical Model of Behavior Change posits six stages we move through to change behavior: precontemplation, contemplation, preparation, action, maintenance, and termination. Knowing the stage where you fall about money behaviors can help you choose a course of action.

Preview Activities: Crib Notes & T.H.I.E.V.E.S. for Financial Psychology

Goal-setting is vital to your financial well-being. Good goals have five qualities: they are specific and significant to you; measurable and motivational; attainable; results-oriented, i.e. you have reasons for accomplishing them; and time-driven. Setting and prioritizing clear goals that meet these criteria helps you stick with your game plan.



Reason / Purpose

Scanning what you are about to read can help you understand the big picture and recognize important areas you will be covering. We use the THIEVES model to maximize your ability to tap into prior knowledge, determine what you will learn from the lesson, and create a plan for your learning. The T.H.I.E.V.E.S. acronym stands for elements of the text:

- Title,
- Heading,
- Introduction,
- Every first sentence,
- Visual and vocabulary,
- End of chapter questions, and
- Summary.

The THIEVES model will help you learn the reading process. Before reading, you will use each element within the acronym (T.H.I.E.V.E.S.) to write or think about each question that is associated with the letters of the acronym of the model. Essentially, THIEVES is a three step process that first enables you to preview the text prior to reading it, then explain the different elements of the text through the evaluation of each letter of the acronym, and finally facilitate your learning by modeling how to use this strategy until you are comfortable with the steps in the process.

You may choose to complete the THIEVES activity in its entirety, responding in the space provided for each letter in the acronym. Or, if you have limited time, you may choose to review the crib notes version of the lesson and then skip directly to the “Summary” section (the “S” in “THIEVES”) and type in your answer based on the crib notes.



Instructions

Follow the THIEVES model guidelines and complete the chart. On the next two pages is a table of seven sections or columns (T.H.I.E.V.E.S.). Read the instructions for each section, respond to the instructions for each column, and then type the response in the space provided. Or, if time is limited, review the crib notes for this lesson, then skip directly to the “Summary” section (the “S” in “THIEVES”) and type in your response based on the crib notes.



THIEVES Model	Your Answers
T: Title – Look at the overall title of the lesson. What does the title tell you about what you can expect to learn in this lesson?	
H: Headings – Look at all of the headings and subheadings in this lesson. What do the subheadings tell you about what you can expect to learn in this lesson?	
I: Introduction – Read the introductory paragraph. What two or three topics does it tell you the lesson will talk about?	
E: Every first sentence in a paragraph – Read the first (topic) sentences of each paragraph. What are the topics of each paragraph?	

THIEVES Model	Your Answers
V: Visuals and Vocabulary – Look at all the images and vocabulary terms. What topics do they indicate are important?	
E: End-of-Chapter questions – Look at the review questions at the end of the section. What topics are they asking you to review?	
S: Summary – Read the summary of the lesson. What does it say are the key topics you should have learned?	





Financial Psychology

Pre-Education Case Study: Level – Financial Foundation & Growth

A case study is essentially a story – it provides an illustration of how financial lessons can be put into action by real people in real-world situations. Case studies are engaging and relatable, and offer solid evidence of the practical value financial education has to help people solve problems and make sound life decisions.

Financial Foundation & Growth

Pre-education Case Study

Kelly finds herself at a crossroads. At the age of 27, she feels worried that she is wasting her best years running around in circles.

When it comes to money, Kelly inherited parents' approach: to play it safe and slow. They advised her to get a stable job at a good company, rely on her retirement fund, and stay with that company as long as she can.

When she graduated from college, Kelly wanted to make her parents proud and decided to set a goal of being financially independent by the time she turned 35.

Fast-forward a few years later. Kelly now works as an architect for a real estate company in the big city. While driving one afternoon, she stops to help a woman whose car has stopped at the side of the road. To her surprise and delight, she finds it is her college friend, Miriam. After helping her getting her car towed, Miriam and Kelly take a few hours to sit and talk.

Miriam shares with Kelly that she now owns a business process outsourcing (BPO) business, thanks to a business loan. She then used her earnings to get another loan and purchased a one-bedroom condo, which she is now renting out. She isn't a millionaire quite yet, but she is getting there.

Kelly is shocked that Miriam is so candid about her finances. After their talk, Kelly ended up also reviewing her own life. To her regret, Kelly realizes she has not gotten any closer to her goal of financial independence, despite having a good job.

Kelly took stock of her situation. She had a bank account, a 401k, and not much else. While she had some savings, they were only enough to last her perhaps two months if she stopped earning. She saved irregularly, when she had excess money after her monthly expenses. She wondered if she was doing this right, but is terrified to ask for another opinion.



1. What beliefs around money prevented Kelly from achieving her goals?
2. What method would work better to help Kelly achieve her goals?
3. If she could do things over, what steps would you recommend that Kelly take first to help her achieve her goals?





Financial Psychology

Pre-Education Case Study: Level – Financial Challenges & Recovery

A case study is essentially a story – it provides an illustration of how financial lessons can be put into action by real people in real-world situations. Case studies are engaging and relatable, and offer solid evidence of the practical value financial education has to help people solve problems and make sound life decisions.

Financial Challenges & Recovery

Pre-education Case Study

Jeffrey's life change overnight the year he turned 41. Working as a clerk at a local supermarket, he would spend most of his days bagging groceries and helping customers find what they needed. Since he lived alone, his salary of \$500 a month allowed him to make ends meet.

A believer in the power of luck, Jeffrey was fond of lotteries. After many years of buying lottery tickets, he finally won the big one: a powerball prize worth \$30 million dollars.

Jeffrey was overwhelmed and overjoyed. His story catapulted him to the front page of the local news. All of a sudden, people on the street knew his name and wanted to shake his hand. He was interviewed on TV several times, and each time he was asked, "What will you do next?"

Jeffrey was quick to answer that question. In short order, he bought four houses, one of them in Long Beach, California. He also bought himself a Porsche, a tractor, a hi-tech drone, and was in the process of buying a yacht before he realized he needed to learn how to sail.

Soon he began to collect a variety of unusual items, like swords, suits of armor, and costumes from various nations, and more. Since he already had a taste for making bets, he tried his luck in casinos, where he was treated like royalty and given complimentary service.

Since he had a generous heart, Jeffrey also gave lavish gifts to friends and family. He found he couldn't say no to a friend in need, so helped build houses, support failing business, and loaned money to whomever needed it.

A cousin saw how quickly Jeffrey was spending cash, so he introduced Jeffrey to a financial adviser who quickly tried to get him to control his spending. Jeffrey listened for a while, even investing some of his cash in a bond fund to appease his cousin. But for the most part, he continued his lavish lifestyle.

A few years later, Jeffrey woke up to find that he was broke. All his wealth had either been turned into junk, donations, or gambling debt. The tax people started hounding him. Soon, Jeffrey began to sell his houses, cars, and collections at enormous discounts just to pay his debts. Before the year was done, he filed for bankruptcy.

Today, at the age of 44, Jeffrey is back to working as a supermarket clerk. He is currently \$30,000 in debt. As a small mercy, he has been hired in a town where no one has heard of him or how he lost his fantastic wealth.



1. What mindset about money did Jeffrey have when he won the lottery?
2. How can one's mindset affect the way they behave with their money?
3. What steps can one take to protect their wealth, particularly after receiving a large sum of money?





Activity:

Applying Maslow's Needs Hierarchy

This activity presents four scenarios representing personal finance challenges people sometimes face. The goal of the activity is to build your understanding of Maslow's Needs Hierarchy by applying its principles to clarify the needs and motivations of the characters in the scenarios.

Activity: Applying Maslow's Needs Hierarchy

Read each of the scenarios below and refer to Maslow's Needs Hierarchy theory to answer the questions that follow each short story.

Clarissa's hours were just cut at work. She has enough savings to make her rent payment this month, but the loss of pay will mean that she will have to choose whether to pay her electric bill or her phone bill. She is forced to cancel her plans to go to a concert with friends and takes a weekend job babysitting to earn extra money.

1. What level of need in Maslow's hierarchy is being met or maintained? Why?

Self-Actualizing Needs

Esteem Needs

Love and Belonging Needs

Security Needs

Physiological Needs

2. What do you think is motivating this character – seeking pleasure or avoiding pain? Why?

Seeking Pleasure

Avoiding Pain

Activity: Applying Maslow's Needs Hierarchy

Every year, Bill's neighborhood goes all-out on holiday celebrations. Every neighbor participates in a house-decorating contest, a cookie exchange, a gift exchange, and the neighborhood-wide block party. Only one neighbor has ever opted out, and everyone gossiped about that neighbor at the block party last year. Bill doesn't particularly enjoy the holidays, but he still plans to spend more than one half of this week's paycheck on the neighborhood event next week.

1. What level of need in Maslow's hierarchy is being met or maintained? Why?

Self-Actualizing Needs

Esteem Needs

Love and Belonging Needs

Security Needs

Physiological Needs

2. What do you think is motivating this character – seeking pleasure or avoiding pain? Why?

Seeking Pleasure

Avoiding Pain

Activity: Applying Maslow's Needs Hierarchy

When Damien was growing up, his parents lived paycheck-to-paycheck. He remembers not having enough money for new clothes or shoes, and even a few times when they didn't have enough to eat. Now that he is an adult, he has a good salary and a stable job. However, he always worries about what would happen if he lost his job. He still buys everything used and puts as much as he can into savings, just in case.

1. What level of need in Maslow's hierarchy is being met or maintained? Why?

Self-Actualizing Needs

Esteem Needs

Love and Belonging Needs

Security Needs

Physiological Needs

2. What do you think is motivating this character – seeking pleasure or avoiding pain? Why?

Seeking Pleasure

Avoiding Pain



Activity: Personal Finance Experience & Influencers

This activity asks you to create a timeline of major financial events that have occurred during your lifetime so far, and reflect on the individuals who may have influenced your decision-making process at the time of each important event.

Activity: Personal Finance Experience & Influencers

In the boxes below, list all the major financial events that have occurred for you at various times in your life. Some examples might include opening your first bank account, paying for college, buying a car, purchasing a home, getting married, or having a child. Complete the timeline in sequence.

Financial Decision

Influencers Directly or Indirectly Involved in the decision



Approximate
Year or Age

Financial Decision

Influencers Directly or Indirectly Involved in the decision



Approximate
Year or Age

Financial Decision

Influencers Directly or Indirectly Involved in the decision



Approximate
Year or Age

Activity: Personal Finance Experience & Influencers

Financial Decision

Influencers Directly or Indirectly Involved in the decision



Approximate
Year or Age

Financial Decision

Influencers Directly or Indirectly Involved in the decision



Approximate
Year or Age

Financial Decision

Influencers Directly or Indirectly Involved in the decision



Approximate
Year or Age



Activity:

Financial Behavior Survey

In this activity, you will answer a short survey that assesses your attitudes and beliefs about money. Don't think about your answers too much; just honestly choose the statement that most closely matches what you believe.

Activity: Financial Behavior Survey

1. Please select the one statement below that best describes your financial attitude/belief.
 - a. Money is bad and people who care a lot about money are bad.
 - b. It's important to work hard and longer hours to earn more money.
 - c. I have to keep paying for my gym membership because it keeps me connected with my friends.
 - d. How much money I have is no one else's business.
2. Please select the one statement below that best describes your financial attitude/belief.
 - a. I don't deserve to have a lot of money.
 - b. If I just had more money, my problems would be solved.
 - c. Having wealth makes life more meaningful.
 - d. Money is meant to be saved, not spent.
3. Please select the one statement below that best describes your financial attitude/belief.
 - a. Rich people get money by stepping on others.
 - b. Money makes people powerful.
 - c. How much money you earn is the measure of your success.
 - d. People who spend money on themselves are reckless.
4. Please select the one statement below that best describes your financial attitude/belief.
 - a. People who don't have much money are honorable.
 - b. A person can never have too much money.
 - c. Poor people are just slackers.
 - d. People who talk about how much money they have are rude.
5. Please select the one statement below that best describes your financial attitude/belief.
 - a. Getting by on less money makes you a better person.
 - b. Having more money gives you freedom.
 - c. Having lots of money buys the good life.
 - d. Money you work for is better than money you inherit.
6. Please select the one statement below that best describes your financial attitude/belief.
 - a. If I got rich, my friends would reject me.
 - b. If I were poor, I would be miserable.
 - c. It's OK to lie to one's significant other about spending money.
 - d. I prefer not to tell others how much money I make.

Activity: Financial Behavior Survey

7. Please select the one statement below that best describes your financial attitude/belief.
 - a. I don't like thinking about money.
 - b. I think about money all the time.
 - c. I think you have to choose either to have money, or to have love.
 - d. I couldn't stand to go without emergency savings.
8. Please select the one statement below that best describes your financial attitude/belief.
 - a. Having lots of money is disgusting.
 - b. Wealth brings happiness.
 - c. Money determines one's social class.
 - d. You never know what financial danger is lurking around the corner.
9. Please select the one statement below that best describes your financial attitude/belief.
 - a. I'm not really sure how much money I have.
 - b. A financial windfall would solve all my problems.
 - c. It's important for me to have more money than my neighbors.
 - d. I sometimes tell people I have less money than I do.
10. Please select the one statement below that best describes your financial attitude/belief.
 - a. I usually spend all my money as soon as I get it.
 - b. I'll never be able to afford everything I want.
 - c. I only buy the best quality of everything.
 - d. I save every penny that I possibly can.

Activity: Financial Behavior Survey

Next, determine the attitudes and beliefs about money you may have. This exercise will help you understand the root causes behind some of the financial behaviors you exhibit.

List the number of questions above that you answered with each letter.

a

b

c

d

If you answered mostly “a” to the questions above: You might want to consistently remind yourself that money doesn’t have any bad qualities in itself. Money only becomes immoral when it’s used for bad purposes. Thinking of money objectively as just a tool you can use to address your needs may help relieve your fear and anxieties about money issues.

If you answered mostly “b” to the questions above: You may want to consider that the really satisfying things in life have nothing to do with money. There’s no proven connection between money and happiness. In fact, wealthy people are just as likely – maybe even more likely – to become depressed or develop other disorders than people who have less money.

If you answered mostly “c” to the questions above: You may want to keep in mind that nobody is paying anywhere near as much attention to your money and stuff as you are. Think carefully about what is more important to you: buying a new BMW every year, or scaling back so you can spend more time with your friends and/or family?

If you answered mostly “d” to the questions above: Consider that, if you are overly frugal, you can harm yourself or your relationships. Listen to the people you’re closest to – they are likely to let you know if your financial choices have become so extreme that they’re causing damage



Activity:

Identify Your Stage

In this activity, you will be introduced to some characteristics that will help you identify the stage of change with which you are most closely aligned. Knowing where you currently stand in terms of willingness to change can help you maximize the benefits of your personal finance learning.

Activity: Identify Your Stage

Read the stages below to determine which resonates with how you feel most closely. It's also possible to agree with multiple stages listed below. Consider the strategies recommended for each stage you align with to help get the most out of your financial education.

1. Pre-Contemplation – Individuals in the Pre-Contemplation Stage are in a very early stage of dealing with personal finance knowledge. Some people in this stage claim to have no concern about money, yet they often have anxiety about having enough money to pay bills. They often make un-wise spending decisions that only add to the problem. If many of the following descriptions fit your current frame of mind, you may be in the Pre-Contemplation Stage:

You rarely worry about your financial future, but not because you are financially secure. It's more that you're a "live for today" kind of person.

You don't have enough savings to plan very far into the future.

You find that thinking about finances makes you anxious and hopeless.

You're prone to making poor decision about money, spending beyond your means and regretting it later.

You have the same attitude about money management and long-term financial security you had ten or twenty years ago.

2. Contemplation – Individuals in the Contemplation Stage are clearly at a stage of thinking about their financial future but have not yet taken direct action. They realize that if they keep doing what they've been doing – at least as far as money management goes – they'll be in deep financial pain in the future. But their path to a solution is still generally undefined. This is a recognition – and possibly acceptance – of a problem, which is an important step toward solving the problem. If many of the following descriptions fit your current frame of mind, you may be in the Contemplation Stage.

You think about your financial future but have not yet taken any sincere action to improve it.

You find that thinking about financial well-being makes you anxious or fearful.

You feel ashamed for lacking financial knowledge.

You know you should get serious about planning for your future, but you're not sure what to do.

You realize your bad spending habits are leading you down a path of misery and you think it is time to address this.

Activity: Identify Your Stage

- 3. Preparation** – Individuals in the Preparation Stage are already in a phase of planning their financial future. Sometimes this stage can last a long time – even years. That’s perfectly normal, because the topic of personal finance is complex and requires motivation and focus. It can take some time of contemplation before a person is ready to act. If many of the following descriptions fit your current frame of mind, you may be in the Preparation Stage.

You’ve come to a decision that it’s time to make changes in your spending habits and money management skills.

You know that you must plan now for a healthy financial future.

You make lists of your financial obligations, your income, and your goals.

You have some ideas about strategies to save money and make more wise spending decisions and are looking for ways to put these into action.

You now feel a sense of urgency and maturity when you think about personal financial planning.

- 4. Action** – Individuals in the Action Stage are already doing something about securing their financial future. They have successfully passed through the Preparation Stage and are now actively carrying out a smart and effective way to manage money. If many of the following descriptions fit your current frame of mind, you may be in the Action Stage:

You’ve made systematic lists and strategized your money management plan.

You have mapped out a grand plan of action and are putting this plan into practice.

You have prioritized your financial goals.

You feel optimistic when you think about your financial future.

You’re finding it easier to stay focused on the task at hand (personal finance) because you see the value and peace of mind your efforts are achieving.

Activity: Identify Your Stage

- 5. Maintenance** – Individuals in the Maintenance Stage have already seen positive results from their money management and spending strategies during the Action Stage. They have taken consistent action to work toward clear financial goals. If many of the following descriptions fit your current frame of mind, you may be in the Maintenance Stage:

You feel confident (but not overconfident) when you think about your financial future.

You find the topic of personal finance gives you a feeling of satisfaction and accomplishment.

You are able to live comfortably and know that you've saved enough money for emergencies – and even have enough to treat yourself to new toys or adventures.

You feel a strong commitment to staying on track to achieve and maintain financial security for you and your loved ones.

You understand that there may be setback or unforeseen emergencies causing a temporary financial crisis, but you are prepared.

- 6. Termination** – Individuals in the Termination Stage have successfully adopted positive money management habits that have now become just a routine part of their life. Maybe they haven't achieved total financial health, but they're on the path to doing so. If many of the following descriptions fit your current frame of mind, you may be in the Termination Stage:

You feel secure, confident, and knowledgeable about your finances.

You have a mature understanding about financial security, knowing unforeseen roadblocks can crop up at any time. But you feel prepared.

You stay aware of your past spending habits (the good and the bad) and strive to learn from these.

You stay focused on maintaining the good money management habits you've picked up along the way.

You find that the topic of personal finance no longer gives you anxiety, but an assured peace of mind. Your future seems bright.



Activity:

Goal-setting Worksheet

This activity guides you through the process of setting financial goals toward achieving your desired lifestyle. It may take more than one session to complete the worksheet, so make this a consistent work in progress.

Keep in mind that accomplishing goals sometimes requires sacrifices. Whether it's as small as cutting out sodas or as large as working weekends, identify the investment you're willing to make to achieve your goals.

Although this course focuses on personal finances, we also suggest that you write goals for other areas of your personal life. The guidelines work for all goals.

Activity: Goal-setting Worksheet

Setting goals may sound mundane or juvenile. But taking that simple action can make a tremendous impact on all areas of your life. People who set goals live more fulfilled lives and stand a better chance of attaining financial security.

The best way to get what you want is to make a plan to achieve it. Depending on the size of your goal, setting up an action plan can take time and effort. But you are investing that time now – in the planning stages – so you can refer back to your goal(s) over time, track your progress, and eventually reap the reward of seeing your dream become reality.

If you have a goal that ultimately will take years to achieve, life will sometimes get in the way. You may need to alter your plans to accommodate life changes; but with a thorough plan for reaching your goal, reviewing how these changes alter your path becomes easier. In turn, you will be poised to adapt more quickly while remaining on course toward the goal.

Goal-setting Framework

For your initial goal-setting exercise, start small. What's a goal you can accomplish in the next four weeks? Save \$500? Exercise three times a week? Hold a quality family night once a week?

Write down your goal to complete in four weeks:

Regardless of the size of the goal, follow the guidelines by double-checking that your goals are:

Specific

Example: I will save \$500 for a plane ticket to attend my grandmother's birthday celebration.

Activity: Goal-setting Worksheet

Measurable

Example: I will save \$125 out of each weekly paycheck.

Motivational

Example: I will be delighted to see grandma and grandpa. I haven't seen them in years.

Attainable

Example: I know I have the spare funds. I'm just wasting the money elsewhere.

Results-oriented

Example: When I walk in the door, it will feel so good to surprise the whole family.

Time-driven

Example: I will complete this goal in 4 weeks.

Activity: Goal-setting Worksheet

Now let's take your original goal and place it into this framework:

I will [Specific_Goal_You_Will_Work_Toward]. I will track my goal's progress by [Measurement_of_Goal_Progress]. I am motivated to accomplish this goal because [Reasons_It_Will_Benefit_You]. I know I can do this, because [How_Your_Goal_Is_Attainable]. When I finally [Your_Finish_Line], I will feel [How_You_Will_Feel_When_Completed]. I will start by [Date_You_Will_Start] and complete by [Date_You_Will_Complete].

Example: I will save \$500 for a plane ticket to attend my grandmother's birthday celebration. I will track my progress by moving \$125 a week into my savings account as my paycheck becomes available. I am motivated to accomplish this goal because I haven't seen my grandparents in years and I miss them. I know I can do this, because I feel like I spend a lot on frivolous purchases that I could divert to savings. When I finally walk in my grandparents' door, I will give my grandparents the biggest, happiest hug. I will start by the first of October and my goal will be completed within four weeks.

Breaking it Down into Action Steps

Now that you have a solid goal to work with, break it down further into action steps that follow a similar structure. What behaviors, decisions, or actions will contribute to (or distract from) achieving your goal?

Quantify these action steps as best you can. For example, buying your lunch every day at work is easily quantifiable. Not having enough energy to pick up an extra shift at work may be quantifiable in the sense that you are “giving up” extra pay, but the lack of energy is more difficult to quantify and may need further exploration to develop into its own goal (i.e. getting more sleep).

Examples:

- I buy a coffee every day before work. I will make my own coffee at home.
- I don't really wear a lot of the clothes that I receive from the clothing subscription service, yet I still keep them. I will cancel this service before I incur the next charge.
- I will pick up at least 1 extra shift every 2 weeks.
- I eat out a lot, while I throw out a lot of groceries that have gone bad at home. I will only eat out once this month and restrict my grocery bill to \$75 each week.

As you can see, a goal needs to be fully explored. We explore the goal thoroughly by assigning it specific, measurable, motivational, attainable, results-oriented, and time-driven attributes; and then further breaking the goal into small, manageable action steps – each of which contributes toward reaching the ultimate goal.

The Big One

But what if your goal is big, one that will take a span of years or decades to complete? You will probably need to set up several – if not many – smaller goals and define their actions; which may also have their own smaller goals and actions. But don't be intimidated; the same tools you just used to complete the four-week goal are applicable here too. The key point to understand is that even the largest aim can be broken down into smaller, more manageable goals. Some problems may seem monolithic, insurmountable, or bring up a general sense of dread about the future. These larger goals can be systematically broken down, and then they will seem much less imposing.

Let's take a mortgage as an example. Let's set it up into our framework:

Specific: Pay off my mortgage.

Measurable: I can track additional payments and the amortization schedule as I work toward early mortgage payoff.

Motivational: At that time in the future, I want to use a portion of the equity in my paid-off home as collateral to finance a second home to give to my son.

Attainable: This effort will require additional income and some sacrifices, but it is possible.

Results-oriented: Yes, there is an "end" to the mortgage, given enough effort and money.

Time-driven: I will pay off the mortgage by the time I reach age 50; around the same time my son finishes college.

Great! Now our example is within the framework that defines an effective goal. But this goal is still far too big to break down into actionable steps. Therefore, we need to create a second tier of supporting goals that collectively feed into the master goal:

Sub-goal 1: Figure out the financial specifics behind my mortgage to see if any savings is available.

Sub-goal 2: Increase my disposable income.

Sub-goal 3: Reduce expenses.

These are clearly components that could help us reach our ultimate goal, but they are still not actionable – that is, they're not ready to be put into action. Let's go one step further for just one of these example sub-goals:

Activity: Goal-setting Worksheet

Sub-goal 1:

Figure out the financial specifics behind my mortgage to see if any savings is available.

Considering actionable ideas for accomplishing Sub-goal 1, you might come up with the following goals as placed within our framework:

I will take a personal finance class on mortgages to increase my knowledge of mortgage terms and how financing works. I will track my progress by completion of the class. I am motivated to accomplish this goal because it will help me understand and negotiate options for my own mortgage, getting me closer to my big goal of mortgage payoff. I know I can do this, because I heard about a mortgage class offered through my credit union. When I finish the class, I will feel more knowledgeable and prepared to possibly renegotiate my mortgage terms. I will start no later than the first of October and complete the class within four weeks.

and

I will input my current mortgage details into an Excel spreadsheet and take stock of all my assets and debt. I will track my progress by calculating reductions in debt each month. I am motivated to accomplish this goal because it will illustrate how newly-negotiated mortgage terms may benefit me toward paying off the mortgage. I know I can do this, because I have the knowledge I gained from the class and all the information I need about the details. When I have all my financial details organized, I will feel great knowing I am on track toward my larger goal. I will start within one week of completing the class and will finish in two days.

and

I will meet with my current bank/credit union and two other banks to discuss refinancing my mortgage. I will track my goal's progress by scheduling the appointments and attending three meetings. I am motivated to accomplish this goal in order to learn the potential benefits of a refinance. I know I can do this, because I have time and motivation to call and make the appointments. When I have met with all three banks, I will feel excited about the possibilities of refinancing. I will start within 10 days after completing my Excel spreadsheet, and finish the meetings by the end of December.

You must continue to break down large goals until you feel that they paint an actionable path for you to follow. For some people, breaking the goal down into year-by-year objectives is sufficient. For others, it is best to condense it down into monthly, or even weekly goals. Your personality and the complexity of the goal determines how granular your goals must be for you to feel comfortable.

Organizational Tools

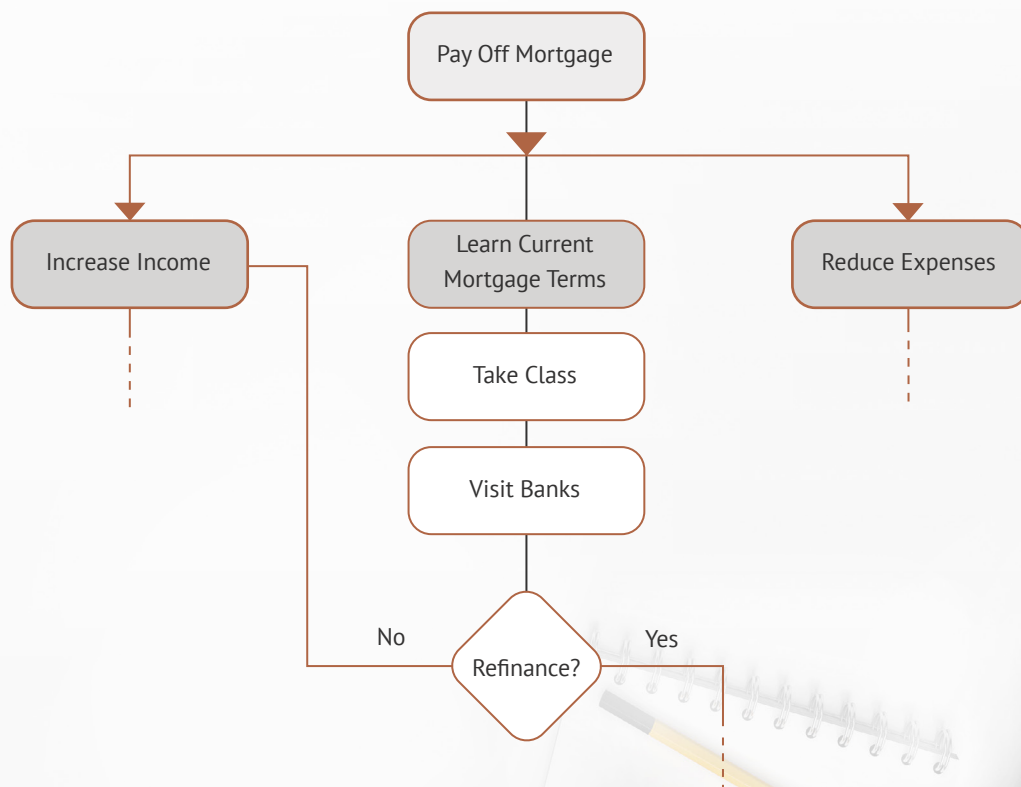
As you saw in our example, big goals can be complex. You probably will not finish your master plan in a single sitting. And for goals that span many years, you will need to make adjustments along the way.

Here's a few ideas to keep complex ideas organized and well-documented. Some people excel in certain areas of planning, yet tend to omit detailed information in others. Use a combination of tools in the format(s) you prefer to meet your personal planning needs.

Flow Charts

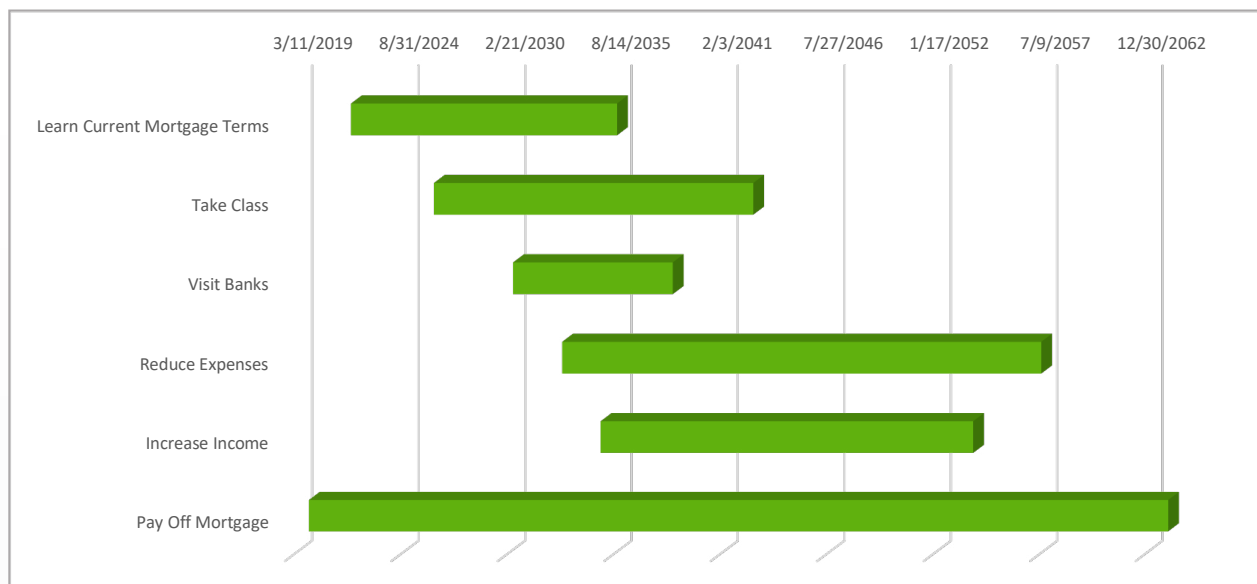
Flow charts are methods to visually depict complex relationships. There's even an entire "language" built around flow charts in which different shapes and lines have different meanings. However, don't worry yourself with such complexities if they feel intimidating. The key concepts you can leverage with a flow chart are:

1. Showing process relationships between goals. For example, "This comes before that," or "These two things must be completed before starting on this."
2. Indicating a decision-making tree. "If this does not work, then do that," or "If the answer was 'No' to that, then do this."



Gantt Charts

A Gantt chart is a type of bar graph that illustrates a project schedule. Tasks to be performed are listed on the vertical axis, and time intervals on the horizontal axis. The width of the horizontal bars indicate the duration of each activity. These charts illustrate start and finish dates of the terminal elements and summary elements of the task, constituting a work breakdown schedule of the project. Gantt charts can be created using project management software such as Microsoft Project. Like flow charts, they may be useful for organizing the breakdown of goals, sub-goals, and action steps.



Activity: Goal-setting Worksheet

Excel

Microsoft Excel offers a powerful, user-friendly solution for organizing your finances and goals. You can manage time, deadlines, projects, and money using Excel spreadsheets with formulas set to update with every entry you make. The software also provides data analysis functions. Excel even has spreadsheet templates to make worksheet creation easier, including a money management template, budget template, and checkbook register template.

	A	B	C
1	Pay Off Mortgage		
2	1/1/2111		
3		<i>Learn Current Mortgage Terms</i>	
4		1/1/2109	
5			Take Class
6			1/1/2108
7			
8			Visit Banks
9			6/1/2108
10			
11			Refinance
12			12/1/2108

The tools you use and the details they convey are entirely up to you. The important thing is to use tools that help you break down a complex goal into manageable sub-goals and their own actionable items to help you stay on track, evaluate your progress, and make adjustments to the plan as needed. Laying out all your action steps along a reasonable timeline is the optimal method to cleanly organize your goal-setting processes and get on the path toward actually achieving your goals.



Financial Psychology

Post-Education Case Study: Level – Financial Foundation & Growth

A case study is essentially a story – it provides an illustration of how financial lessons can be put into action by real people in real-world situations. Case studies are engaging and relatable, and offer solid evidence of the practical value financial education has to help people solve problems and make sound life decisions.

Financial Foundation & Growth

Post-education Case Study

Elena has been in love with Japan since she was a young girl. She has long dreamed of spending an entire year living in Japan, seeing the great Torii gate at Miyashima, touring the streets of the old capital of Kyoto, taking the Shinkansen bullet train, and shopping in the many fashion districts of Tokyo.

When she turned 25, Elena decided to make her dream of living in Japan for one whole year a reality. This goal would allow her time to study and explore as she saw fit.

Elena works as a medical technician, earning a basic salary of \$5,667 a month. She wants to enroll in a year-long Medtech course that costs \$5,500. She checked out some forums for people who have lived in Japan and found she would need an additional \$20,000 to cover her living expenses. This would bring her target amount to a total of \$25,500.

To hit this target, Elena figured she could comfortably set aside 16% of her salary each month. She gave herself a time limit of two and a half years to build her savings.

Elena saved religiously, month after month, all the while collecting pictures of the places where she would go and the things she would do when living in Japan. She even took up learning Japanese so she could at least speak it fluently when it was time for her to go.

At the two-year mark, Elena felt confident enough to apply for a visa and purchase her ticket. After all, she had accumulated quite a sum. In her excitement, she decided to visit the forums to share about her upcoming trip.

When she started reading the forums, however, she was shocked to discover that sudden changes in Japan's economy had drastically affected the economy. The cost of living there had increased by 9% in the last two years. Moreover, her tuition had also gone up by 18%.



With only a few months left to her deadline, Elena decides to go over her options. She drew up a spreadsheet of her income and expenses, as shown below.

Monthly salary
\$ 5,625.00

Expenses	
Rent	\$1,600.00
Groceries	\$300.00
Credit card fees	\$100.00
Transportation	\$280.00
Entertainment	\$300.00
Insurance	\$167.00
Charitable causes	\$50.00
Utilities	\$270.00
Car payment	\$430.00
Loan payments	\$428.00
Retirement Savings	\$800.00
Japan Trip Fund	\$900.00



1. How much more does Elena need to save in order to meet her goal by the deadline?
2. What aspects of financial planning and goal-setting did Elena do right?
3. What part of her planning could she have done better?
4. What adjustments can you recommend to reduce her expenses so she can meet her goal on time?





Financial Psychology

Post-Education Case Study: Level – Financial Challenges & Recovery

A case study is essentially a story – it provides an illustration of how financial lessons can be put into action by real people in real-world situations. Case studies are engaging and relatable, and offer solid evidence of the practical value financial education has to help people solve problems and make sound life decisions.

Financial Challenges & Recovery

Post-education Case Study

Charles, age 40, lived his life according to a strict money code: Never borrow, and never lend.

He had picked up this code from his childhood when his father, a spendthrift, would use up their family's hard-earned cash on alcohol and other vices. He would even give money away whenever a close friend asked. This inevitably drove his family into poverty.

When he turned 25, Charles swore he would be different. He would protect his money at all costs. Earning \$3,340 a month as a graphic designer, he would save 20% of his earnings in a savings account; then move it yearly into a certificate of deposit that yielded 3% a year – which he never touched except to redeposit.

Charles never liked to talk about money. He would avoid the subject entirely when talking to friends and family. He focused instead on saving aggressively and socking money away, thinking that this would save him from the hardships of old age and misfortune.

When he turned 30, a friend offered him a chance to invest in a farming business that would yield an average of 8% per year. Charles turned him down, stating that it would break his one rule.

The very next year, another friend who happened to be a broker, offered him a bond fund that would earn roughly 6% a year at minimal risk. Despite the relative safety, Charles still said no.

A year later, his own sister offered to include him in a real estate venture, which would possibly yield 20% per annum. True to form, Charles declined.

Eventually, Charles's behavior began to affect other areas of his life. Charles was unable to hold a steady relationship for long because he would wind up trying to control his partner's finances, such as looking at their credit card debt out of fear that he would wind up paying it. He avoided giving financial aid to his friends and family, thinking that would train them to run to him for every monetary problem. His attitude left him unpopular and isolated, but he stuck to his code.

When he turned 40, however, tragedy struck. The growing weakness in his body, which he had attributed to fatigue, was diagnosed as a form of muscular dystrophy. Soon he found himself having a difficult time getting out of bed. Even sitting down to do design work exhausted him, leading to fewer hours and lower income.

Within a year, Charles had used up his medical insurance for surgery, therapy, and medication. To his regret, he now has to tap into the accumulated savings in his time deposit.



He finds he has roughly \$150,000 to his name. Now that can barely work, he wonders how long he has before his savings run out.

1. Consider opportunity costs. How much more money would Charles have by age 40 had he gone for the farming business? The bond fund? The real estate venture?
2. What are the benefits and downsides to this kind of financial mindset?
3. Discuss the importance of checking one's own financial beliefs against reality.
4. What advice would you give Charles given his current situation?



SECTION 2

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SAVINGS, EXPENSES, & BUDGETING



KĀLĀ CAPITAL PARTNERS

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Savings, Expenses & Budgeting

Lesson Warm-up: KWR & VIQQS



VIQQS

The VIQQS activity is designed to support various learning styles and gives you the freedom to activate your own existing knowledge in ways that work for you. The VIQQS acronym stands for Video, Image, Quote, Questions, Sounds. You are provided with each of these different cues and instructed to free-write, reflect, or participate in group activities to activate prior knowledge, laying the foundation to connect with the new information you're about to learn. The VIQQS method builds on the KWR strategy to continue the activation of prior knowledge; but has the added benefit of appealing to a variety of learning styles, including visual, auditory, reading, and kinesthetic.



Video



Image



Quote

“

We must consult our means rather than our wishes.


- George Washington, first President of the United States

”

Question

?


Why is it necessary to our long-term financial health to understand where our money is going, and how can we achieve that?

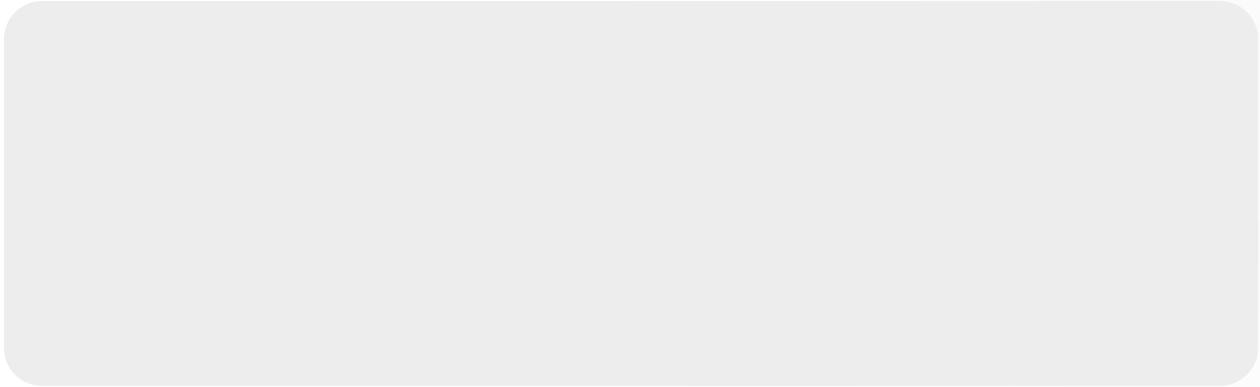


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KWR

The purpose of a KWR chart is to help you organize your thoughts about information. A KWR chart provides you with a method to organize and simplify your thoughts when reading complex information.

Education Reason – Research shows that, when you connect existing knowledge about a topic to a new topic you are learning, it is easier to pick up the new concept and increase your knowledge about the subject matter. By connecting previous experiences to new information as you learn it, it becomes easier to recall and retain the information you have learned.

How a KWR Works – Using a KWR chart will help you organize and clarify your thoughts. Let's dig deeper into how this type of chart works.

K stands for what you already know about a subject or topic. One way to approach using this column is to brainstorm any words, terms, or phrases you have heard or associate with that topic. For example, you might think about the term “finance” and associate words like money, wealth, happiness, rich, or vacation when you hear that term. This activity can be expanded by choosing a word that you wrote down, such as money, and asking yourself “What made me think of that word, and why do I associate it with wealth?” This activity can be extensive, and you should be open to writing down as much information as possible without worrying about whether it is right or wrong.

W stands for what you want to learn about a topic. Always be sure to remember that no question is stupid, so write down anything that comes to mind. Thinking about the term finance, you may have questions such as “What makes someone wealthy?” or “How do I start a savings account?” The list of questions could be endless, and that's ok. Each question will help strengthen your understanding of the topic and expand your knowledge.

Another great question to ask yourself is “What would I like to learn more about regarding this idea?” This way of thinking helps change your perspective and approach to the question.

Finally, **R** stands for how this information relates to your life. This column helps you sort your thoughts about how you can take information and immediately apply it to your life. For example, you may realize that you associate wealth with being bad or that being wealthy means others will suffer. These thoughts could then lead you to start thinking about how you approach money and why you are hesitant to make more money or appear wealthy to others. The R column allows you to expand on the first two columns, while making deeper connections to your current life status.

Instructions – Using the chart provided below, you will complete your KWR chart by listing what you currently know about this topic, what you want to know, and how this topic relates to your life. There are no right or wrong answers. Just reflect on the topic and write down whatever comes to mind for each question.

K

What I Know. Think about what you already know about this topic and make a list that includes all these ideas. Don't worry about whether it's right or wrong; give yourself the freedom to write whatever comes to your mind about the topic.

W

What I Want to Know. What questions do you have about this topic, and what do you want to know more about? List all your questions. Also, note any areas about which you may be unsure and that you would like to learn more about.

R

How It Relates to My Life. How does this topic relate to your life? List the ways in which you think this topic may affect your life and the personal reasons you have for picking up the information.

Share Additional Insight

Once you complete the lesson, answer the following questions.

1. What is one thing you learned about this topic that surprised you?
2. How could you share this knowledge to help others learn more about this topic?
3. What topic or idea do you feel you didn't learn enough about and would like to expand your knowledge on further?
4. What is one habit or change you would like to make in your life, given the information you just learned?

5. How did learning about this information make you feel?

6. How will this information change your life in a more positive way?

7. How can I expand your learning once this class is done?

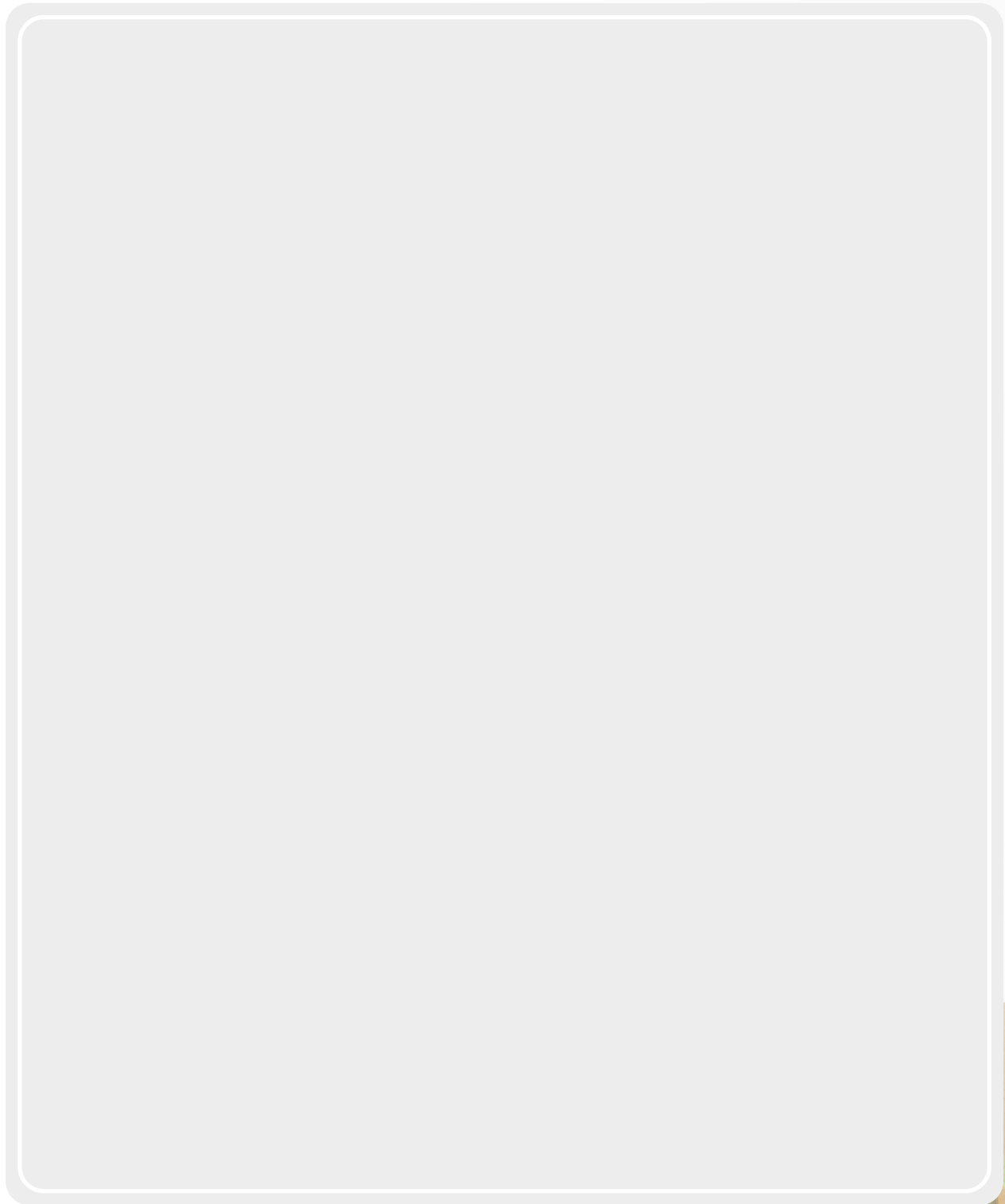
After completing this activity, rate your level of experience, on a scale of 1-10, about your understanding of this topic.

Rate:

1 – I understand little about this topic

10 – I feel confident in the content I have learned and would be able to share my knowledge with other

Next, make a list of all the topics or ideas about which you would be interested in learning more.





Reasons to Learn

Savings, Expenses, & Budgeting:

Benefits & Imagery

To start the topic, we're going to walk you through an activity designed to help you get into a productive state of mind for learning. The activity is a story about a person or people who are experiencing certain life events. As you go through the story, just let your mind go. The idea is to feel whatever emotions you feel when you hear the characters' story, and then those emotions can translate into motivation to learn and take positive action.

Genevieve Faces a Dilemma

Genevieve feels like she's doing pretty well. She has a steady job with a decent salary. She lives in a nice apartment near the river and rides the trolley for her daily commute.

Then one day, Genevieve stops to pick up her mail and there's her monthly gas and electric bill. She opens it up and is stunned to see that her bill is three times the normal amount!

Genevieve reads the fine print, only to realize that she must have neglected to pay last month's bill. Now she's being charged not only for two months' worth of utility usage, but also a \$40 late payment fee.

Genevieve is alarmed and feels blindsided, because she doesn't really budget her money. She thinks about how much her next paycheck will be. Will she have enough to cover these extra charges? What will she do? She feels worried and stressed.

Clear Your Mind Transition

OK, that probably didn't feel very good. But many people face scenarios like this at some point in their lives. Now just take a moment to clear your mind.

Shake out your body. Take a nice, deep breath. Roll your shoulders a couple of times.

Stand up, then sit back down. Take another deep breath.

Genevieve Avoids a Dilemma

Genevieve feels like she's doing pretty well. She has a steady job with a decent salary. She lives in a nice apartment near the river and rides the trolley for her daily commute.

Then one day, Genevieve stops to pick up her mail and there's her monthly gas and electric bill. She opens it up and is surprised to see that her bill is three times the normal amount!

Genevieve feels calm, because she knows she has a workable budget in place and she pays all her bills on time. She goes home, gets out her detailed budget, and reads through the gas and electric bill more closely. Genevieve also gets her last bill out and compares the figures and her usage from the previous month. She quickly determines that the gas and electric company has made a mistake – they failed to record her last month's payment, and now they're charging her for two months plus a \$40 late payment fee.



Genevieve reviews her bank account and locates documentation that proves she made her last payment. She calls the gas and electric company and explains the situation. The representative reviews her account and apologizes profusely. The company agrees to correct the error and reverse the late fee.

Reflection

Learning about savings, expenses, and budgeting is the key to understanding exactly how much money we have coming in and where it goes. When Genevieve didn't have a budget, she had no idea where her money was going month-to-month, which is why she forgot to pay her bill. But when Genevieve had learned to budget her money, she knew her bills were taken care of, so she was able to handle the situation to her own advantage. The main purpose of budgeting is to help us save money and plan for expenses as they come up.



Reasons to Learn Savings, Expenses, & Budgeting: Benefits & Imagery


Your motivation for learning about money plays an important role in your financial success. Gaining money management skills supports both your motivation and your ability to achieve your financial goals. In this activity, you're going to use a sales strategy called the "Ben Franklin Close." It's a valuable technique that salespeople use to close a sale. The "Ben Franklin Close" helps you logically evaluate the pros and cons of any action you want to take.

On the left side of the "T" chart below, write your **reasons for** learning about savings, expenses, and budgeting. Then on the right side of the "T" chart, write your **reasons against** learning about savings, expenses, and budgeting.

Evaluate your answers. Do your "reasons for" outweigh your "reasons against" learning about savings, expenses, and budgeting?

Reasons For	Reasons Against





Preview Activities: Crib Notes & T.H.I.E.V.E.S. for Savings, Expenses, & Budgeting

This student guide will support you as you complete the T.H.I.E.V.E.S. pre-reading exercise. Using this guide, you will employ a reading preview model to preview the section, activate your prior knowledge about the topic, and set a purpose for doing the reading. Crib notes also are provided; this student resource provides a summary review of the content of this lesson and also allows you to complete the T.H.I.E.V.E.S. pre-reading exercise: “Summary of What the T.H.I.E.V.E.S. activity is.”

Savings, Expenses, & Budgeting Crib Notes

Having a workable budget saves you time, puts you in control, and keeps you focused on your goals. “Budget” is defined as “a finance plan that allocates future personal income toward expenses, savings, and debt repayment.” It comprises three elements: income, expenses, and savings, and compares how much money you earn with how much money you spend or save.

The four stages of successful budgeting are: 1) understand how your money’s spent; 2) prioritize spending; 3) budget with lifestyle in mind; and 4) save money (the primary goal). Allocate your savings into three funds: emergency fund, short-term and long-term savings. Your emergency fund is first priority, should be liquid (i.e. cash), and equal six months of living expenses. Short-term savings is for fun things. Long-term savings is where you hold money for future investments. A good goal is to put 10% of your income in long-term savings.

Prioritizing expenses depends on evaluating each purchase based on whether it’s a “need” – something you must have – or a “want” – something you would like to have. Needs and wants vary between individuals. Your background, advertising, and peers influence you to spend. Before making a purchase, think carefully whether it is a need. Calculate “opportunity cost” – the value of the decision you passed up. People live in three ways: beyond, within, or beneath their means. Set a goal to live beneath your means.

We have three types of expenses: fixed, periodic, and variable. Fixed expenses cost the same amount every month. Periodic expenses are scheduled payments outside the monthly routine. Variable expenses are regular payments that vary each time you pay. Take steps to reduce expenses: first consider whether you “need” it. If not, stop, sell, or cancel. If yes, reduce, negotiate, transfer, or manage the expense. Make small changes like eating out less often. Negotiate with companies for lower rates. Change service providers to get better terms. Or manage the expense, for example, unplug appliances at night. Consider a consolidation loan if you have debt, and work to avoid account fees charged by your financial institution.

Create your budget in 5 steps: 1) enter your income; 2) plan your savings; 3) list fixed expenses; 4) calculate variable expenses; and 5) set up your budget to be automated and organize your finances online. Open checking and savings accounts, have your checks direct deposited, and set up automatic bill pay. Review your budget at least quarterly. Assess your budget’s health by calculating your savings rate ratio (expenses/net income) and Debt Service Ratio (debt payments/gross income). Your housing expense ratio (housing expense/gross income) should be as low as possible (.25 is a good ratio; .40 is critically high).

Preview Activities: Crib Notes & T.H.I.E.V.E.S. for Savings, Expenses, & Budgeting

When purchasing an automobile, budget before buying. Consider all expenses of owning a car (insurance, gas), not just the payment. Research the vehicle you want and know its value. Consider buying used, because new cars lose value immediately. When renting or buying a home, budget in advance. Consider all expenses (utilities, appliances, maintenance, closing costs), not just the rent or mortgage payment. Prepare by having good credit and rental history.



Reason / Purpose

Scanning what you are about to read can help you understand the big picture and recognize important areas you will be covering. We use the THIEVES model to maximize your ability to tap into prior knowledge, determine what you will learn from the lesson, and create a plan for your learning. The T.H.I.E.V.E.S. acronym stands for elements of the text:

- Title,
- Heading,
- Introduction,
- Every first sentence,
- Visual and vocabulary,
- End of chapter questions, and
- Summary.

The THIEVES model will help you learn the reading process. Before reading, you will use each element within the acronym (T.H.I.E.V.E.S.) to write or think about each question that is associated with the letters of the acronym of the model. Essentially, THIEVES is a three step process that first enables you to preview the text prior to reading it, then explain the different elements of the text through the evaluation of each letter of the acronym, and finally facilitate your learning by modeling how to use this strategy until you are comfortable with the steps in the process.

You may choose to complete the THIEVES activity in its entirety, responding in the space provided for each letter in the acronym. Or, if you have limited time, you may choose to review the crib notes version of the lesson and then skip directly to the “Summary” section (the “S” in “THIEVES”) and type in your answer based on the crib notes.



Instructions

Follow the THIEVES model guidelines and complete the chart. On the next two pages is a table of seven sections or columns (T.H.I.E.V.E.S.). Read the instructions for each section, respond to the instructions for each column, and then type the response in the space provided. Or, if time is limited, review the crib notes for this lesson, then skip directly to the “Summary” section (the “S” in “THIEVES”) and type in your response based on the crib notes.



THIEVES Model	Your Answers
T: Title – Look at the overall title of the lesson. What does the title tell you about what you can expect to learn in this lesson?	
H: Headings – Look at all of the headings and subheadings in this lesson. What do the subheadings tell you about what you can expect to learn in this lesson?	
I: Introduction – Read the introductory paragraph. What two or three topics does it tell you the lesson will talk about?	
E: Every first sentence in a paragraph – Read the first (topic) sentences of each paragraph. What are the topics of each paragraph?	

THIEVES Model	Your Answers
V: Visuals and Vocabulary – Look at all the images and vocabulary terms. What topics do they indicate are important?	
E: End-of-Chapter questions – Look at the review questions at the end of the section. What topics are they asking you to review?	
S: Summary – Read the summary of the lesson. What does it say are the key topics you should have learned?	





Savings, Expenses & Budgeting

Pre-Education Case Study:

Level – Financial Foundation & Growth

A case study is essentially a story – it provides an illustration of how financial lessons can be put into action by real people in real-world situations. Case studies are engaging and relatable, and offer solid evidence of the practical value financial education has to help people solve problems and make sound life decisions.

Financial Foundation & Growth

Pre-budgeting Case Scenarios

Meet Michael, age 18

Michael is a freshman at the Westlake Community College. He is undecided on a major, and felt that Westlake would be a good place to start his undergraduate studies. Michael was a good athlete at his high school, participating in both football and track & field. In addition, for the past two years he has held down a part-time job at the local hardware store, where he is a trusted employee.

Michael has just had a difficult conversation with his father about a series of late payments he made on his 2008 Jeep Tahoe, which he bought last year. Michael was able to save enough money to put a \$500 deposit down on the purchase of the Tahoe, which carried a \$7,000 price tag. Since Michael had no credit history, the dealership required a co-signer on the loan, and Michael's father agreed to be his co-signer. Michael made the first six payments on time, and was starting to establish a good credit history. However, he has been 30+ days late on two recent payments, and is now 60+ days late on his current payment. The finance company has informed him that he is in jeopardy of losing the vehicle to repossession. In addition, the late payments have been reported to the credit bureaus and now appear on both his credit report and his father's, causing a drop of 100 points in each of their credit scores.

Michael agreed to try to document (from memory and receipts) his budget and spending for the past three months, in an attempt to shed light on his recent financial struggles. Here is what he put together:

Month 1	
Income	\$501.25
Car payment	\$185 (paid 30 days late)
Gasoline	\$54
Cell Phone	\$75
Eating out	\$130
Textbooks	\$215
Concert	\$80
Deposit into savings	\$25



Month 2

Income	\$641.05
Car payment	\$185 (paid 30 days late)
Gasoline	\$68
Cell Phone	\$115 (data overage)
Eating out	\$70
Clothes (2 new dress shirts)	\$80
Golf weekend	\$160
Groceries	\$50
Deposit into savings	\$0

Month 3

Income	\$700.65
Car payment	\$0 (60 days past due)
Gasoline	\$116 (friend borrowed car to move)
Cell Phone	\$75
Eating out	\$125
Graduation gifts for friends	\$65
Tire replacement (x2)	\$212
Groceries	\$80
Gym membership (annual)	\$360
Deposit into savings	\$0



Michael's father used his own savings to cover Michael's tuition expenses for this first year at college. In addition, he agreed to allow Michael to stay on his auto insurance provided that he does well at school and continues to work. After the fall semester, Michael earned a 2.5 GPA, which was lower than he expected, especially considering he only had 10 credits.

Due to the serious impact on his credit because of the late payments on the car, Michael's father is now unable to refinance his mortgage, which he had planned to do this year. In addition, his insurance premiums have increased \$43 per month because of the drop in his credit score. Therefore, Michael's father has given Michael one month to put together a working budget which includes the full car payment, a new contribution of \$50 per month for insurance, and a minimum deposit of \$50 into his savings account. If these conditions do not happen, the car will be repossessed.

In the fall, Michael was planning on enrolling at a four-year university. However, he is now wondering whether that's feasible. He has \$180 in savings, and a very angry finance company calling him daily.

1. How did Michael get into this situation?
2. What advice and/or suggestions would you give him to get on the right financial path?



3. If you were the finance company, how would you deal with Michael?

4. Is Michael's father being too harsh with his requirements?

5. What are the key learning points from this case study?





Savings, Expenses & Budgeting

Pre-Education Case Study:

Level – Financial Challenges & Recovery

A case study is essentially a story – it provides an illustration of how financial lessons can be put into action by real people in real-world situations. Case studies are engaging and relatable, and offer solid evidence of the practical value financial education has to help people solve problems and make sound life decisions.

Financial Challenges & Recovery

Pre-budgeting Case Scenarios

Meet Paul and Lisa

Paul (age 27) and Lisa (age 26) met in college, and were married six months ago. Paul is a sales representative for a medical supply company, and Lisa works as a second grade teacher at a local school. After celebrating an eight-day honeymoon in Mexico, the couple is settling into their new living situation – a rented two bedroom apartment in the heart of the city’s bustling urban scene. Lisa feels they are treading water financially, and is constantly stressed about the fact that they live paycheck-to-paycheck. Paul is not stressed about their situation ; he is happy with his career path and the fact that they live right in the heart of the entertainment district.

Lisa finally convinces Paul that they need to meet with a financial advisor to review their situation and gain some advice and suggestions. One of the first tasks they accomplish is setting short- and long-term goals:

Joint

- Buy a home within four years
- Start a family within three years
- Be able to contribute (tithe) regularly to their church

Paul

- Buy a used boat for weekend recreation
- Pay down his credit card debt

Lisa

- Begin participating in her school’s 403b retirement plan
- Pay off student loans by age 35
- Fund an Emergency Account with three months of living expenses



Another critical step in the process is to put together a current spending plan – or budget – so there is clear and open transparency about their income and expenses. Neither Paul nor Lisa has ever used a written budget, and Paul is especially resistant because he feels a budget is restrictive and not worth the time and effort. Nevertheless, the financial advisor convinces them to document their income and expenses for the previous month, as a starting point. Here is what they came up with:

Paul's net income = \$3,875	Car insurance (2 cars) = \$210
Lisa's net income = \$1,850	Dining out & entertainment = \$350
Total net income = \$5,725	Church = \$120
	Credit cards (x3) – \$535 (minimum payments)
Rent = \$1,700	Student loans (x2) - \$700
Utilities = \$400	Clothes - \$100
Cell Phones = \$180	Dry cleaning - \$60
Groceries = \$600	Gasoline - \$105
Gym memberships = \$110	Spotify subscription - \$20
Paul's car payment = \$380	
	Total expenses = \$5,570

Other important information:

- Paul is contributing to his company's 401k plan, at 3% per paycheck. His company matches up to 5% of an employee's contribution. Current balance is \$8,100.
- Lisa has elected not to participate in her 403b plan, and is not receiving the 7% match for which she is eligible.
- The couple currently has \$600 set aside for emergencies.
- The couple has \$2,000 set aside in a savings account.
- The interest rates on the three credit cards are 12.99%, 18.50%, and 22.99%.
- Lisa drives a 2004 Ford Focus which is paid in full but has 145,000 miles on it.
- They do not currently have renter's insurance.



Based on their situation and goals, answer the following questions:

1. Why do you think Paul and Lisa have different financial goals and perspectives when it comes to their finances?
2. What specific advice and/or suggestions would you give this couple to help them start working toward their financial goals?
3. Are the goals (both joint and individual) this couple has set realistic, given their current financial situation?



4. Looking ahead 2-3 years, what life changes will likely affect their financial situation?

5. What are the key learning points from this case study?





Activity:

Aligning Budgets to Lifestyle

The purpose of this activity is to get you thinking about how developing a strong budget can make a difference in terms of one's lifestyle and available options.

Activity: Aligning Budgets to Lifestyle

Read the scenarios below and answer the questions to help align each character's lifestyle choices to his or her finances.

Scenario 1

Justin is in his first year at university studying business management. Coming from a fairly wealthy family, Justin is used to having nice things and spending whatever money he has. Now Justin lives in a fraternity house at the university where he pays a flat amount every semester for housing and food. His parents give him a monthly allowance and he earned a scholarship that pays for his tuition and books. Justin drives a BMW that he financed right after he graduated from high school, and he has a credit card that he uses to pay for incidental expenses. His parents have agreed to pay half of the monthly car payment and keep Justin on their insurance policy. Justin is responsible for the other half of the payment, plus gas and maintenance. Justin loves to hang out with his college friends, go out to eat, and attend concerts and sporting events. However, he is struggling to keep up on his car payments, gas, and maintenance costs while still having enough left over to go out to dinner, concerts, or ball games. He wants to keep the car because it makes him feel like he has status among his circle of friends, but at the same time he wants to be able to actually hang out with those friends. Justin has been using his credit card to pay for dinners and events, and now the card has a substantial balance. Justin is starting to make late payments or miss payments altogether.

1. What is at stake in Justin's life if he continues on his current path?
2. What is the most significant or pressing problem Justin faces right now?
3. What plan of action would you recommend for Justin?

Scenario 2

Paula worked her way through beauty school, recently graduated and got her license, and has landed her dream job as a stylist and makeup artist at a prestigious salon. She has rented a small apartment nearby and takes Uber to and from work each day. Every workday morning she stops at the café next door to the salon to grab coffee and breakfast, and she likes to go out with her co-workers for lunch every day. Paula wants to establish a strong clientele and then start saving up to buy a car, but she also feels responsible to wear nice clothes and keep up her appearance so her clients have confidence in her styling abilities. The salon pays her weekly on every Friday. Paula has multiple bills that come due at the first of each month – rent, gas/electric, cell phone, Internet, cable, renter's insurance, and her Bloomingdale's retail credit card. She has a habit of shopping at Bloomingdale's two or three times a month for clothing and makeup. Sometimes Paula realizes the first of the month is drawing near and she doesn't know if she has enough funds to cover all her bills. In fact, she isn't always even sure how much money she has in her accounts. Although Paula wants to save up for a car, she often finds herself wondering where all her money has gone at the end of the week. She usually has enough to get by, but never feels like she has enough left over to put into savings.

1. How serious is Paula's situation?
2. What are Paula's goals?
3. What advice would you give Paula if she were your friend?

Scenario 3

George is a recent divorcé who works at Value Mart as an operations manager. Value Mart has encountered financial difficulties and, as a result, George's hours have been cut to three-quarter time. Since the divorce, he has been struggling to separate his own debts from his ex-wife's and has hired an attorney to help him. George has been paying the attorney fees out of his savings, but his savings account is rapidly dwindling. He has incurred \$16,000 in personal loan debt to help make up for his lost earnings. He hopes that Value Mart will get back on its feet and he will be able to increase his hours again soon. Three months ago, George met a woman in whom he is very interested. They have had several dates and really like each other. His woman friend won a trip to Cancún for spring break. She is urging George to come with her. George really wants to go. But he knows that, even though the airfare and hotel are covered in the prize package, he would have to spend money he doesn't have in order to pay for food and entertainment. As his friend is pressing him to make a decision, George finally decides, "What the heck," and takes out a payday loan to cover the trip. When he gets home, he finds a pile of bills waiting in his mailbox. He's worried and stressed, especially because now the payday loan and its large interest fee will be deducted from his next paycheck.

1. How would you feel if you were in George's shoes?
2. What is contributing to the problems George is facing?
3. What are your thoughts on how George has managed his income?



Activity:

Create Your Savings Plan

This activity is designed to help you develop a savings plan that works specifically for your needs, guides you toward financial health, and moves you closer to your personal finance goals.

Activity: Create Your Savings Plan

Follow the instructions below to develop a personalized savings plan that incorporates an emergency fund, short-term and long-term savings goals.

Emergency Fund


Save 6 months' worth of your total bills – or the total amount you would need to replace your income for a greater length of time if it would take longer than 6 months. Consider increasing your emergency fund to cover your bills for the amount of time it would take to replace an income source.


Calculate your emergency fund goals by narrowing down to the most critical elements of your life that you would have to support to maintain a basic standard of living.

The standard of living you maintain during unemployment is your personal decision to make, however. Some of you may be willing to adopt austerity measures, while others will simply take their current lifestyle expenses (required AND frivolous) and multiply the total by 6 – such that 6 months of unemployment would have no effect on your lifestyle at all. The decision on how you live your life during emergency unemployment is up to you, but the more luxuriant your lifestyle, the more money you must set aside for such an emergency.

 Home Ownership Expense	Short-term	Long-term
Fixed Rate Mortgage Payments		
Adjustable Rate Mortgage Payments		
Property Taxes		
Homeowner Insurance		
HOA Dues or Assessments		
Maintenance		
Other		
Sub Total:		

Activity: Create Your Savings Plan

 Home Renting Expenses	Short-term	Long-term
Rent		
Renters Insurance		
Other		
Other		
Sub Total:		

 Utilities		
Electric		
Gas		
Water / Garbage		
Cable/Satellite		
Phone (cell)		
Internet		
Home Security		
Other		
Sub Total:		

Activity: Create Your Savings Plan

 Other Insurance	Short-term	Long-term
Health Insurance		
Life Insurance		
Long-term Disability		
Umbrella Insurance		
Other Insurance		
Sub Total:		

 Kids & Caregiving		
Children's Activities		
Child Care		
Child Support		
Alimony		
Caregiver		
Sub Total:		

 Pets		
Pet Supplies		
Veterinarian		
Pet Insurance		
Grooming & Boarding		
Other		
Sub Total:		

Activity: Create Your Savings Plan

 Educational Expenses	Short-term	Long-term
Professional Development		
School Tuition		
Books		
Other		
Other		
Sub Total:		

 Transportation Expenses	Short-term	Long-term
Vehicle 1 Payments		
Vehicle 2 Payments		
Insurance		
Registration		
Gas		
Maintenance		
Public Transportation		
Taxi / Ride Sharing		
Other		
Sub Total:		

Activity: Create Your Savings Plan

 Health & Fitness	Short-term	Long-term
Gym Membership		
Alternative Medicine		
Supplements & Vitamins		
Doctor Visits		
Dentist Visits		
Prescriptions		
Eye Care		
Other		
Sub Total:		

 Fees & Charges		
Banking Fees		
Credit Card Fees		
Mismanagement fees (late, overdraft)		
Other Fees		
Sub Total:		

Activity: Create Your Savings Plan

 Loans & Debt Expense	Short-term	Long-term
Credit Cards		
Personal Loans		
Student Loan		
Tax Debt		
Appliance Loans		
Other		
Sub Total:		

 Variable Personal Expenses		
Groceries		
Vitamins & Supplements		
Cell Phone		
Personal Items		
Subscriptions		
Other		
Sub Total:		


Activity: Create Your Savings Plan

 Entertainment	Short-term	Long-term
Entertainment (movies, concerts)		
Eating Out & Drinks		
Hobbies & Recreation		
Random Purchases		
Other		
Sub Total:		

 Personal Care	Short-term	Long-term
Clothing		
Laundry / Dry-cleaning		
Personal Grooming (hair, nails)		
Skin Care (makeup, lotions)		
Other		
Sub Total:		

 MSC	Short-term	Long-term
Donations / Charity		
Other		
Sub Total:		

Activity: Create Your Savings Plan

 Monthly Savings Contributions	Short-term	Long-term
Emergency Fund		
Short-term Fund		
Long-term Fund		
Other		
Other		
Sub Total:		

Total Short-term Expenses _____	Total Long-term Expenses _____
------------------------------------	-----------------------------------

Now that you have an estimated total of your monthly expenses, simply multiple that number by 6. This figure is your target emergency fund total:

Your 6 Month Target Emergency Fund Total

Your Emergency Fund Target that Considers Your Employment

(6 months of expenses plus the amount of time you think it will take you to get a job.)

Activity: Create Your Savings Plan

Short-term Savings

Planning ahead for future expenses will help ensure that you have money set aside in advance. Answer the following questions in order to calculate how much you need to save monthly for future purchases:

- What major expenses do you have coming up (new child, car purchase, college, buying a home, big electronics purchase)?
- How much do you have currently saved for this item?
- When do you need the item?

Activity: Create Your Savings Plan

Start planning early by completing the worksheet.

Item	Start Saving Date [MM/YY]	Target End Date [MM/YY]	Total Amount to Save	Number of Months Saving	Target Saved per Month

Example: In 24 months I am planning to purchase a used car which will cost \$15,000. I already have \$5,000 saved toward the purchase. To ensure that I have enough money saved in advance, I will save \$416.67 per month. (Calculation: cost of item (\$15,000) – how much you have saved (\$5,000) DIVIDED BY number of months (24) = \$416.67).

Long-term Savings

Work toward saving at least 10% of your income for investments and longer-term goals. Save more if you need it to help you reach your longer-term goals; but 10% is the minimum amount you should strive to save.



Activity:

Wants vs. Needs Self-Assessment

The goal of this activity is to help you assess your past purchasing behavior, with an eye toward evaluating future purchases based on whether the items are “needs” or “wants.” Breaking down purchases this way may help you change your behavioral patterns.

Activity: Wants vs. Needs Self-Assessment

Take a few minutes to envision your living room (or look around if you are completing this activity at home). Do you see mostly needs or wants? Take inventory and use the following worksheet to assess your spending habits.

Enter the description of each item in the room. Check whether the item is a “need” or a “want” and enter the approximate cost of the item. Then decide whether you would reconsider purchasing the item now, and why or why not?

1. Item Name or Description _____ ☐ Need or ☐ Want

Would I reconsider my purchase now? Why or why not?

Estimated Cost

\$ _____

2. Item Name or Description _____ ☐ Need or ☐ Want

Would I reconsider my purchase now? Why or why not?

Estimated Cost

\$ _____

3. Item Name or Description _____ ☐ Need or ☐ Want

Would I reconsider my purchase now? Why or why not?

Estimated Cost

\$ _____

4. Item Name or Description _____ ☐ Need or ☐ Want

Would I reconsider my purchase now? Why or why not?

Estimated Cost

\$ _____

Activity: Wants vs. Needs Self-Assessment

5. Item Name or Description _____ ☐ Need or ☐ Want

Would I reconsider my purchase now? Why or why not?

Estimated Cost

\$ _____

6. Item Name or Description _____ ☐ Need or ☐ Want

Would I reconsider my purchase now? Why or why not?

Estimated Cost

\$ _____

7. Item Name or Description _____ ☐ Need or ☐ Want

Would I reconsider my purchase now? Why or why not?

Estimated Cost

\$ _____

8. Item Name or Description _____ ☐ Need or ☐ Want

Would I reconsider my purchase now? Why or why not?

Estimated Cost

\$ _____

9. Item Name or Description _____ ☐ Need or ☐ Want

Would I reconsider my purchase now? Why or why not?

Estimated Cost

\$ _____

Activity: Wants vs. Needs Self-Assessment

The goal of this activity is to help you consider your next purchase. Whenever you get ready to make a purchase, you should always ask yourself, “Is this a need or a want?” “Do I really need this?” Over time, you will notice that your purchasing pattern will change. You may even start feeling guilty when you get ready to spend money on something you know you don’t need. Even the most amazing sale doesn’t justify buying more of something you didn’t need in the first place. That money could go toward your savings and other goals instead. If you break down all your expenses between needs and wants, you will quickly realize that not only could you save a lot more, but you also may not need as much as you’ve forecast for a future situation – like when you finish your advanced degree or retire.

Now, nobody expects you to stop spending money on all your wants. Life is supposed to be fun, too! All you have to do is evaluate and prioritize each purchase.

The want for daily, premium coffee is very important to you? That’s fine! Maybe pack your lunch each day instead of grabbing a meal at the food court.

Want coffee AND a hot lunch? Okay! Maybe reevaluate whether buying the premium car you’ve been eyeing is the best choice.

Once you distinguish between your needs and your wants, you will start being more selective about where you spend your money.

Good money management is all about choices. Some wants will be more important to you than others, and the decision will be different for each of us.





Activity:

Lowering Your Expenses

In this activity, you will review all the expenses in your budget and come up with a plan for lowering them.

Activity: Lowering Your Expenses

Go through each expense listed below and determine the course of action you will take for each expense. Then start working the plan. Some people choose to develop a master action plan for all expenses at once, while others attack just one or two categories on a regular schedule.

Regardless of the method you choose, we suggest you start with the areas that are causing the most problems to your budget. Furthermore, hold yourself accountable by setting an estimated completion date.

Legend:

N/A (Not Applicable) – Items you mark as “N/A” on the activity below mean that you do not have that expense and thus do not need to consider action.

Negotiate – Items you mark as “Negotiate” mean that you will contact the supplier or lender and open up discussions to achieve revision to your current terms. For example, you can talk with your cell phone service provider to ask if there are ways to reduce your bill. You can contact credit card companies to discuss reduced interest rates.

Transfer – Items you mark as “Transfer” mean that you will attempt to reduce the expense by transferring to a different service provider or purchase source. For example, switch your Internet service provider to a less expensive plan; or get your hair cut at the beauty school rather than by a professional stylist.

Reduce – Items you mark as “Reduce” mean that you will try to reduce your consumption in a given area. For example, you will cut down on eating dinner out from 7 days a week to 4 days a week; or take a thermos of homemade coffee to work instead of stopping at the coffee shop every morning.

Cancel – Items you mark as “Cancel” mean that you will cancel that expense because you don’t really need or use it. For example, you will cancel your newspaper delivery subscription because you read the paper digitally.

Sell – Items you mark as “Sell” are items you intend to sell. For example, you might sell your car and start taking public transportation; sell your home at a profit; or sell last semester’s college textbooks to an incoming student.

No Change – Items you mark as “No Change” will be those areas where you do not intend to make any revisions to your budget.

Activity: Lowering Your Expenses

Home Renting Expenses		Actions (Select One)			Completion Date (MM/YY)
Rent	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____
Renters Insurance	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____
Other	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____
Other	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____
Home Ownership Expenses					
Fixed Rate Mortgage Payments	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____
Adjustable Rate Mortgage Payments	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____
Property Taxes	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____
Homeowner Insurance	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____
HOA Dues or Assessments	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____
Maintenance	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____
Other	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____
Utilities					
Electric	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____

Activity: Lowering Your Expenses

Gas	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____
Water/Garbage	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____
Cable/Satellite	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____
Phone (cell)	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____
Phone (land line)	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____
Internet	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____
Home Security	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____
Other	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____

Other Insurance

Health Insurance	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____
Life Insurance	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____
Long-term Disability	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____
Umbrella Insurance	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____
Other Insurance	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____

Activity: Lowering Your Expenses

Kids & Caregiving

Children's Activities	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____
Child Care	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____
Child Support	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____
Alimony	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____
Caregiver	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____

Pets

Pet Supplies	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____
Veterinarian	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____
Pet Insurance	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____
Grooming & Boarding	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____
Other	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____

Educational Expenses

Professional Development	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____
School Tuition	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____

Activity: Lowering Your Expenses

Books	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____
Other	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____
Other	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____

MSC

Donations / Charity	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____
Other	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____

Transportation Expenses

Vehicle 1 Payments	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____
Vehicle 2 Payments	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____
Insurance	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____
Registration	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____
Gas	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____
Maintenance	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____
Public Transportation	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____

Activity: Lowering Your Expenses

Taxi / Ride Sharing	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____
Other	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____

Loans & Debt Expense

Credit Cards	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____
Personal Loans	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____
Student Loan	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____
Tax Debt	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____
Appliance Loans	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____
Other	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____

Fees & Charges

Banking Fees	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____
Credit Card Fees	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____
Mismanagement fees (late, overdraft)	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____
Other Fees	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____

Activity: Lowering Your Expenses

Variable Personal Expenses	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____
Groceries	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____
Vitamins & Supplements	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____
Cell Phone	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____
Personal Items	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____
Subscriptions	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____
Other	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____

Entertainment

Entertainment (movies, concerts)	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____
Eating Out & Drinks	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____
Hobbies & Recreation	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____
Random Purchases	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____
Other	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____

Activity: Lowering Your Expenses

Personal Care

Clothing	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____
Laundry / Dry-cleaning	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____
Personal Grooming (hair, nails)	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____
Skin Care (makeup, lotions)	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____
Other	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____

Health & Fitness

Gym Membership	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____
Alternative Medicine	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____
Supplements & Vitamins	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____
Doctor Visits	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____
Dentist Visits	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____
Prescriptions	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____
Eye Care	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____
Other	N/A	Negotiate Cancel	Transfer Sell	Reduce No Change	____ / ____



Activity:

Completing Your Budget

This activity involves completing your initial budget plan. You are provided with a link to an Excel spreadsheet that lays out each component of your budget including income, savings, fixed and variable expenses. You can use this spreadsheet tool to create your initial budget, and return to review, evaluate, and adjust it over time.

Activity: Completing Your Budget

Complete the budget on the Excel spreadsheet linked below. If you are not entirely sure about the amount of a particular item, a rough estimate will work for now; the key is to at least get started.

Be sure to enter each amount as a monthly figure. Remember to divide your periodic bills (those paid annually, quarterly, etc.) so you enter the monthly amount of your bills and income.

Expenses

 Home Renting Expenses	Current	Goal
Rent		
Renters Insurance		
Other		
Other		
Sub Total:		

 Home Ownership Expense	Current	Goal
Fixed Rate Mortgage Payments		
Adjustable Rate Mortgage Payments		
Property Taxes		
Homeowner Insurance		
HOA Dues or Assessments		
Maintenance		
Other		
Sub Total:		

Activity: Completing Your Budget

 Utilities	Current	Goal
Electric		
Gas		
Water / Garbage		
Cable/Satellite		
Phone (cell)		
Internet		
Home Security		
Other		
Sub Total:		

 Other Insurance		
Health Insurance		
Life Insurance		
Long-term Disability		
Umbrella Insurance		
Other Insurance		
Sub Total:		

Activity: Completing Your Budget

 Kids & Caregiving	Current	Goal
Children's Activities		
Child Care		
Child Support		
Alimony		
Caregiver		
Sub Total:		

 Pets		
Pet Supplies		
Veterinarian		
Pet Insurance		
Grooming & Boarding		
Other		
Sub Total:		


 Educational Expenses		
Professional Development		
School Tuition		
Books		
Other		
Other		
Sub Total:		


Activity: Completing Your Budget


 Transportation Expenses	Current	Goal
Vehicle 1 Payments		
Vehicle 2 Payments		
Insurance		
Registration		
Gas		
Maintenance		
Public Transportation		
Taxi / Ride Sharing		
Other		
Sub Total:		

 Health & Fitness		
Gym Membership		
Alternative Medicine		
Supplements & Vitamins		
Doctor Visits		
Dentist Visits		
Prescriptions		
Eye Care		
Other		
Sub Total:		

Activity: Completing Your Budget

 Fees & Charges	Current	Goal
Banking Fees		
Credit Card Fees		
Mismanagement fees (late, overdraft)		
Other Fees		
Sub Total:		

 Loans & Debt Expense		
Credit Cards		
Personal Loans		
Student Loan		
Tax Debt		
Appliance Loans		
Other		
Sub Total:		

 Variable Personal Expenses		
Groceries		
Vitamins & Supplements		
Cell Phone		
Personal Items		
Subscriptions		
Other		
Sub Total:		

Activity: Completing Your Budget

 Entertainment	Current	Goal
Entertainment (movies, concerts)		
Eating Out & Drinks		
Hobbies & Recreation		
Random Purchases		
Other		
Sub Total:		

 Personal Care	Current	Goal
Clothing		
Laundry / Dry-cleaning		
Personal Grooming (hair, nails)		
Skin Care (makeup, lotions)		
Other		
Sub Total:		

 MSC	Current	Goal
Donations / Charity		
Other		
Sub Total:		

Activity: Completing Your Budget

 Monthly Savings Contributions	Current	Goal
Emergency Fund		
Short-term Fund		
Long-term Fund		
Other		
Other		
Sub Total:		

Total Current Expenses

Total Goal Expenses

Activity: Completing Your Budget

Income

 Employment Income	Current	Goal
Gross Income from Employment Source 1	+	+
Federal Income Tax	-	-
State & Local Tax	-	-
Social Security & Medicare	-	-
Sub Total:		
Gross Income from Employment Source 2	+	+
Federal Income Tax	-	-
State & Local Tax	-	-
Social Security & Medicare	-	-
Sub Total:		

 Other Income		
Social Security	+	+
Pensions	+	+
Annuities	+	+
Other	+	+
Sub Total:		

Activity: Completing Your Budget

 Investment Income	Current	Goal
Interest Income	+	+
Taxes	-	-
Equity Investments Income	+	+
Taxes	-	-
Real Estate Investments Income	+	+
Taxes	-	-
Business Investment Income	+	+
Taxes	-	-
Other Investment Income	+	+
Taxes	-	-
Sub Total:		

Total Current Income

Total Goal Income

- Total Current Expenses

- Total Goal Expenses

= Net Current

= Net Goal

Activity: Completing Your Budget

Set Goals & Prioritize

Now that you have a completed budget, it's time to create goals. As you think through where to allocate your money each month, ask yourself, "Which items are needs? Which items are wants?"

Create a Plan – this is the step where you actually allocate your available funds across all the various expense categories. The end result of any monthly budget is to:

- a. Make sure all needs are accounted for.
- b. Make sure money is being saved and is available for future and unexpected events.
- c. Make sure the budget is flexible enough that the variable categories (restaurants, clothing, recreation) are present, but don't derail the overall budget goals.
- d. Make sure that you're living below or within your means, and don't have a budget deficit after expenses are deducted from income.

Regular Budget Evaluation – a budget is intended to be reviewed. For some people, their budgets will remain relatively stable and unchanged for months, provided no major life events occur like job loss, disability, or emergencies. For others, their financial lives change frequently. Incomes rise; incomes fall. Expenses are eliminated, but new expenses emerge. Everyone's situation is different. The key is to get into a regular pattern of adjusting your budget at least quarterly, and possibly more often depending on what is happening with your individual




Activity:

Automating Your Financial Tracking

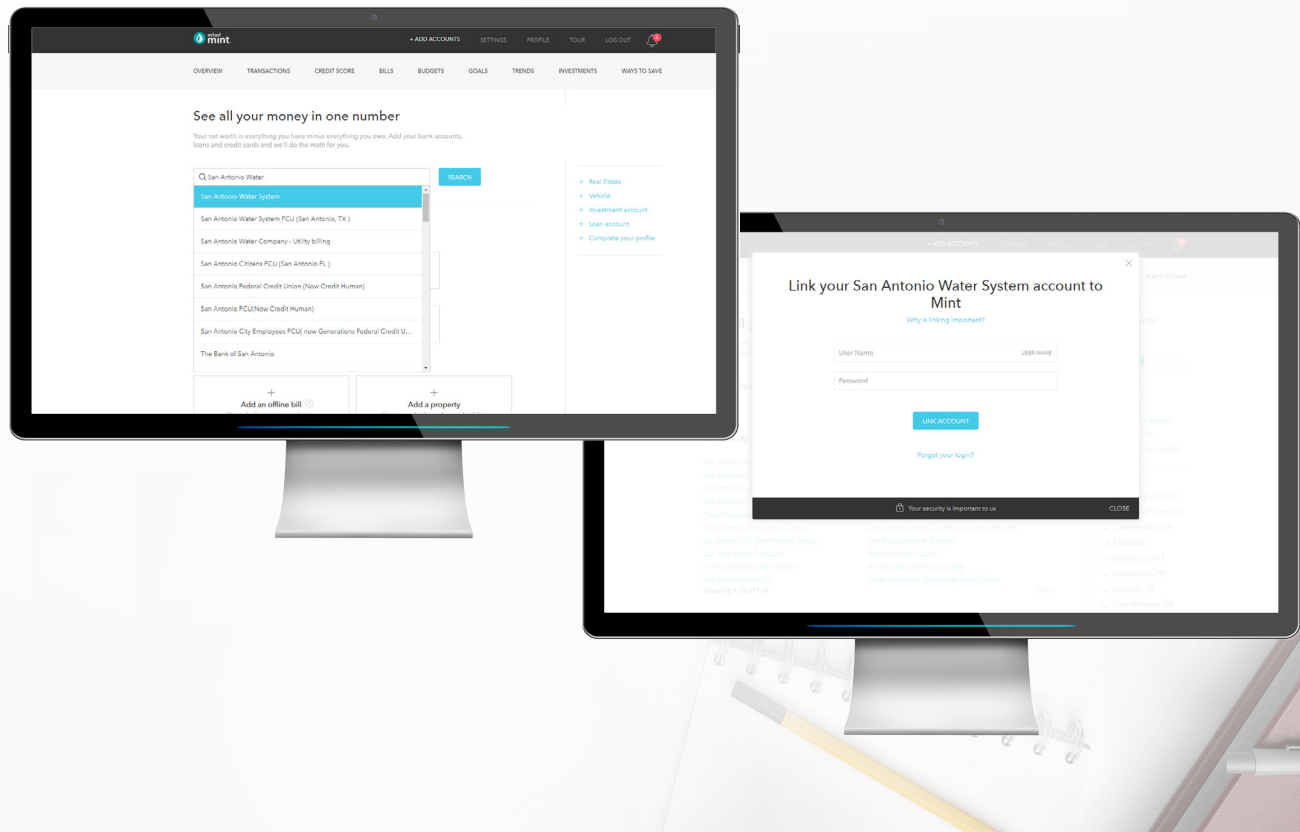
This activity guides you to automate your financial accounts using a third-party online system. Online money management accounts pull together various financial accounts, so you can get an overall picture of all your finances in one place. The instructions provided here are for using the Mint.com system to organize all your accounts into a single dashboard.

Activity: Automating Your Financial Tracking

Set up your online money management account to automate and organize all your finances. We will provide you details for setting up a Mint.com account, but you can locate a different program that offers similar tracking features if you prefer.

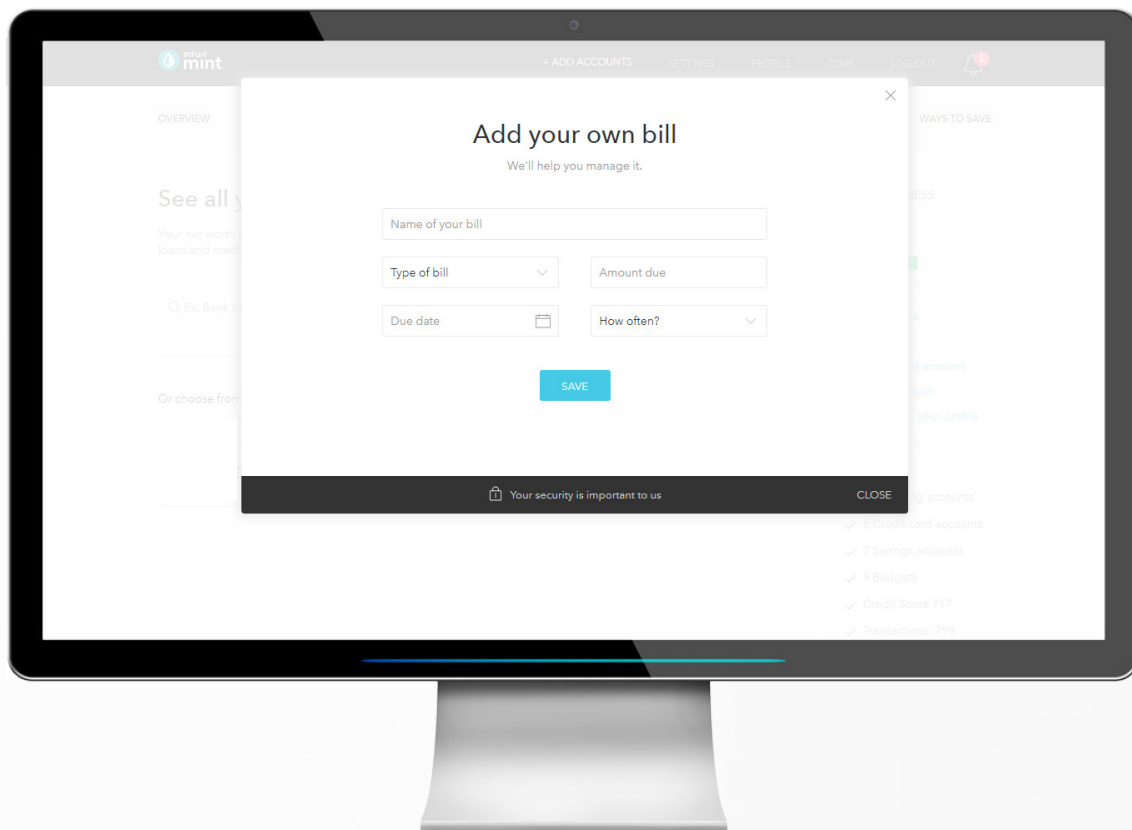
1. Create an account:  Visit: [mint.com](https://www.mint.com/)
<https://www.mint.com/>
2. Connect your financial accounts.
 - a. Click on “Add Accounts” in the main menu.
 - b. Search for the service provider handling your account (name of bank, credit card company, etc.). If Mint has a connection with that provider, its name will come up in the search results. Selecting the account option from the search will then ask you to connect directly to that account by entering its credentials.

For example, if you want to connect your bank accounts, enter your bank’s name into the search field, select your bank from the search results, and then log in with your online banking credentials. Mint will pull all the data from your bank accounts into the Mint system.



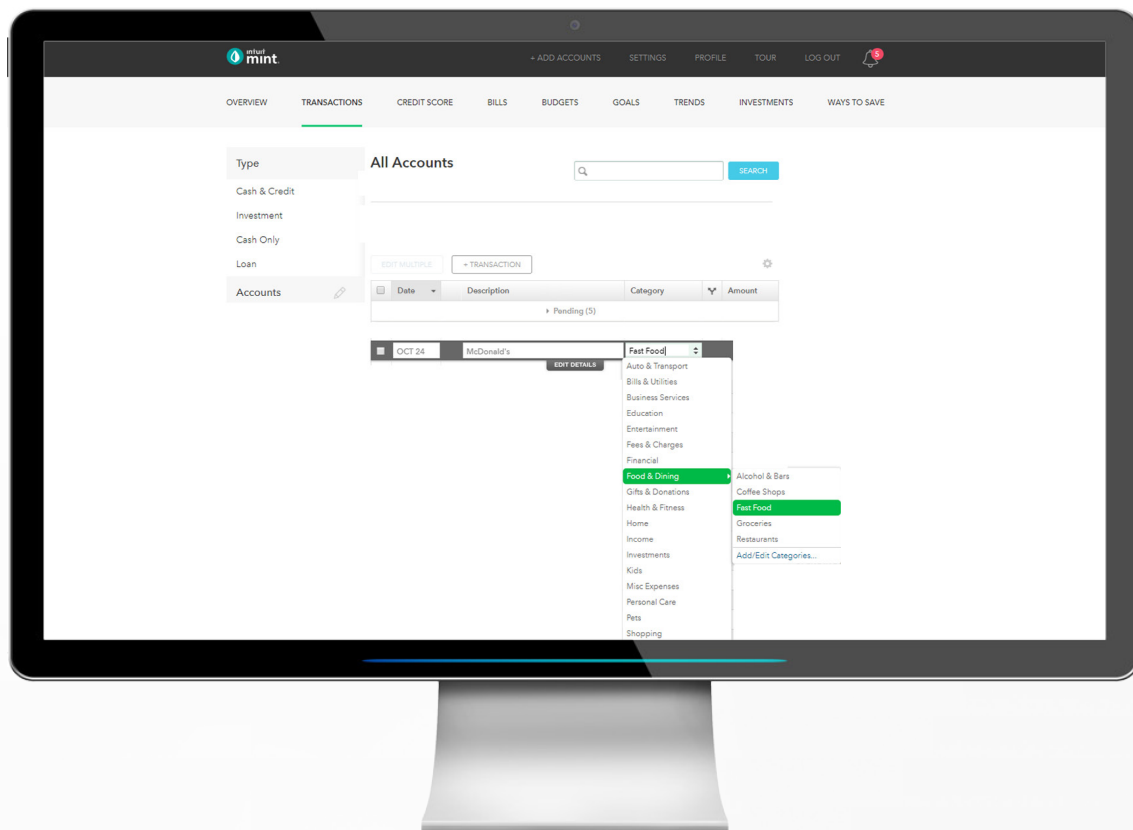
Activity: Automating Your Financial Tracking

3. If the income or expense account you are trying to connect does not have online services or cannot be found in the Mint search feature, you can manually add it using the “Add an Offline Bill” feature.



Activity: Automating Your Financial Tracking

- Once you have connected all your individual accounts to Mint, review your expenses in the Mint “Transactions” section and categorize them as you see fit. Mint provides many common budget categories; you can also create your own.



Activity: Automating Your Financial Tracking

Here is a reference guide that describes how the budget categories are listed on our budget worksheet and how to categorize them on Mint. If you use this system, the budget categories you set up on Mint will match the budget categories from this course.

Income. Select category in Mint: Income

Select Category > Income

Investments. Select category in Mint: Investments

Select Category > Investments

Transfers. Select category in Mint: Transfers

Select Category > Transfers

Home Renters Expenses. Select category in Mint: Home

Select Category > Home

Home Ownership Expense. Select category in Mint: Home

Select Category > Home

Utilities. Select category in Mint: Utilities

Select Category > Utilities

Transportation Expenses. Select category in Mint: Auto & Transport

Select Category > Auto & Transport

Other Insurance. Create a new category in Mint with these steps:

Misc Expense > Add Category > Name Insurance

Loans & Debt Expense. Create a new category in Mint with these steps:

Misc Expense > Add Category > Name Loans & Debt

Activity: Automating Your Financial Tracking

Variable Personal Expenses. Create a new category in Mint with these steps:

Misc Expense ➤ Add Category ➤ Name Variable Personal Expense

Personal Care. Select category in Mint: Personal Care

Select Category ➤ Personal Care

Entertainment. Select category in Mint: Entertainment

Select Category ➤ Entertainment

Educational Expenses. Select category in Mint: Education

Select Category ➤ Education

Health & Fitness. Select category in Mint: Health & Fitness

Select Category ➤ Health & Fitness

Kids & Caregiving. Select category in Mint: Kids

Select Category ➤ Kids

Pets. Select category in Mint: Pets

Select Category ➤ Pets

Fees & Charges. Select category in Mint: Fees & Charges

Select Category ➤ Fees & Charges

Use your credit or debit card for every purchase to ensure that all your spending is tracked and accounted for.

Once it's set up, review your budget monthly. Creating a budget is a cumulative and gradual process, and you may need to revise your budget regularly as your goals, income, and expenses change.



Activity:

Calculating Your Ratios

In this activity, you will gather the information you need to calculate your savings rate, housing expense ratio, and Debt Service Ratio; and then follow the steps to calculate each ratio.

Activity: Calculating Your Ratios

Gather the relevant information you need and enter it into the preparation section, and then follow the instructions in the calculation section for calculating your ratios.

Preparation

Calculate or estimate the following numbers:

Monthly Gross Income _____

This is your income after taxes. Check your bank statement and add up all your deposits within the previous month to give you an estimate of your monthly net income. If you do not have your bank statement easily available at this time, estimate your take-home pay. Estimates can always be refined at a later time when you have the required information available.

Monthly Gross Income _____

This is your income before any tax or deductions are taken out.

If you have a salaried position, take your annual pay and divide by 12 to get your monthly gross income estimate.

If you have an hourly position with set hours, multiply your hourly rate by 160 to get your monthly gross income estimate.

If you work variable hours, do your best to estimate how many hours you work per week on average. Multiply your estimated weekly hours by 4. Then multiply that number by your hourly pay rate to get your monthly gross income estimate.

Monthly Gross Income _____

This figure represents the sum of all your expenses for a given month. All outgoing money should be included in this estimate: your obligated debt payments, variable expenses, frivolous purchases – all expenses for that given month.

Activity: Calculating Your Ratios

Monthly Gross Income _____

This is the sum of all expenses associated with your housing agreement (mortgage or renting).

For Homeowners: Housing expenses include all monthly payments associated with your home – principal payment, interest payment, property taxes, insurance, and any association dues. These expenses do not include maintenance, repairs, or insurance deductibles.

For Renters: Housing expenses include rent, renter's insurance, parking space or garage fees, and fees for any scheduled maintenance or amenities. It does not include your initial application fee, initial security deposit, or insurance deductibles.

Monthly Gross Income _____

This is the sum of all expenses that show up on your credit report, including any loan agreement or monthly installment payments.

This does not include monthly variable bills such as cell phone, internet, utilities, food, entertainment, hobbies, child support or alimony payments.

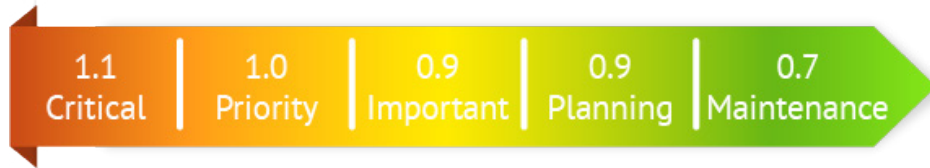
Activity: Calculating Your Ratios

Calculation

Now that you have all the numbers prepared, we can run the calculations to get your ratios.

My Savings Rate Ratio

Monthly Total Expenses _____ = _____ = _____
Monthly Net Income



Steps I can take to improve my ratio:

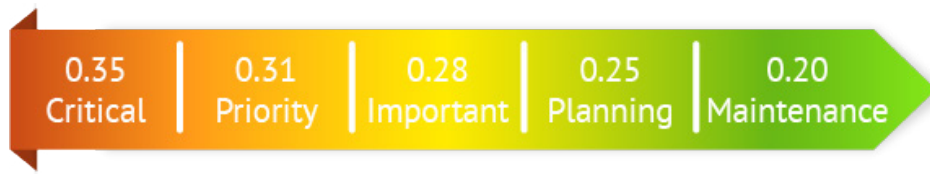
1) Start Date _____

2) Start Date _____

Activity: Calculating Your Ratios

My Housing Expense Ratio

$$\frac{\text{Monthly Housing Expenses}}{\text{Monthly Gross Income}} = \frac{\quad}{\quad} = \frac{\quad}{\quad}$$



Steps I can take to improve my ratio:

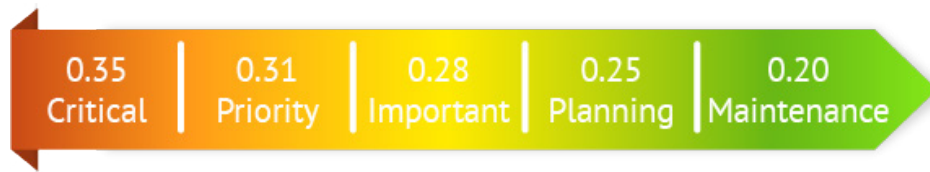
1) Start Date _____

2) Start Date _____

Activity: Calculating Your Ratios

My Debt Service Ratio

$$\frac{\text{Monthly Housing Expenses}}{\text{Monthly Gross Income}} = \frac{\quad}{\quad} = \frac{\quad}{\quad}$$



Steps I can take to improve my ratio:

1) Start Date _____

2) Start Date _____



Activity:

Transportation Worksheet

This activity provides a worksheet and step-by-step instructions to plan your major vehicle purchase. First you will evaluate your reasons for buying a vehicle. Then you will prepare a budget estimate, search for and compare vehicles, calculate all the monthly costs associated with the purchase, and consider alternative options.

Of course, many people dream of having a beautiful Ferrari parked in their driveway, but take a moment to think about what you need for transportation. What attributes do you honestly need in the vehicle you select? Consider not just the car's features, but the purpose of transport itself. Do you even need a vehicle? Let's explore.

Activity: Transportation Worksheet

Why Do You Need a Vehicle?

Some reasons are obvious – like getting to work – while others might be more subtly hidden in your emotions.

Primary Reasons

Getting to Work

Transporting Work Clients

Family Needs (Kids to school, daycare, shopping, daily errands)

Health Appointments (Doctor, dentist, exercise, personal care)

Transporting Family with Special Needs (Baby care seat, wheelchair accessibility)

Other _____

Secondary Reasons

I do not have time to spare to wait

It is more convenient and reliable than public transport

I feel it's safer than public transport

It gives me more options for conveying shopping and heavy items

I feel it's a key aspect of my independence and freedom

I feel it's an important part of my public appearance

Other _____

Activity: Transportation Worksheet

Budgeting the Cost of Your Vehicle

Vehicle Features & Attributes

Let's figure out what you will be looking for before we begin searching. Take a few moments to brainstorm the important things you want in a vehicle. Is there a particular type of vehicle you really want? Do you want to make sure you get above a certain number of miles per gallon? Are you primarily focused on getting the best deal for what you can afford? Will you be using your vehicle for things other than just commuting (i.e., hauling, towing, skiing, etc.)? Do you want to buy new or used?

Attribute	Critical	Important	Like-to-Have	Not Important
Safety				
Reliability				
Fuel Economy				
Handling / Performance				
Styling				
Features / Technology				
Comfort / Accessibility				
Size / Number of Seats				
Purchase Price				
Maintenance Costs				
Environmental Impact				
Utility (Hauling / Towing)				
Other				
Other				

Vehicle Search & Compare

Now that you have defined what you are looking for in a vehicle, you can begin comparing options. Let's start with the most obvious: price.

Many sites offer vehicle payment estimate calculators. Simply entering "Car Payment Estimator" into a search engine will yield thousands of results. For example, take a look at Car.com's calculator here:



[Visit: Monthly Payment Calculator](#)

<https://www.cars.com/car-affordability-calculator/>

With this calculator, you get to work a bit in a "backwards" direction by entering in your desired monthly payment along with other financial aspects of your purchase such as down payment, sales tax (if applicable), interest rate, and loan term. The output of this calculator gives you the total cost of the vehicle you can afford given the numbers you entered.

When gauging the affordability of a vehicle, always remember that there are costs beyond just the loan payment: insurance, gas, maintenance, and registration always need to be factored into your decision.

1. You will need a down payment (especially if you don't have superb credit).
2. You will need to pay documentation, title, registration, and license fees; some states also charge sales tax.
3. You will have to pay interest on the loan you take out.
4. You must qualify for the loan.
5. You must have full coverage insurance on any vehicle that is financed.
6. You will have other ongoing fees including registration, maintenance, and gas.

Now that we have a general starting price estimate for a vehicle, let's begin comparing easily quantifiable vehicle attributes such as fuel economy, safety ratings, horsepower, and estimated vehicle maintenance costs. There are many tools online that allow you to compare three or more vehicles side-by-side at the same time.

Activity: Transportation Worksheet

Now that we have a general starting price estimate for a vehicle, let's begin comparing easily quantifiable vehicle attributes such as fuel economy, safety ratings, horsepower, and estimated vehicle maintenance costs. There are many tools online that allow you to compare three or more vehicles side-by-side at the same time.

Vehicle Search & Comparison



[Visit: Cars.com](https://www.cars.com/)

Start Search

<https://www.cars.com/>



[Visit: AutoTrader.com](https://www.autotrader.com/)

Start Search

<https://www.autotrader.com/>

If you do not have any makes or models in mind, it may be best to simply start with your price estimate and browse vehicles that fall at or under that price. Once you find a few that you like, you can begin comparing them according to the other vehicle attributes you listed above.

Used vehicles typically cost less, require lower insurance coverage, and hold their value better over time. Your new vehicle will be worth a lot less the second you drive it out of the dealership, because it isn't "new" anymore.

You can use websites such as those linked above to specify your search to used vehicles only. You can also search for your local dealership's website to check if they have a "used inventory" section within their website.

Activity: Transportation Worksheet

Quantifying Your Purchase

Now that you have narrowed down your purchase decision to a vehicle or two, let's do a final in-depth financial comparison.

	Vehicle 1	Vehicle 2
Upfront Costs		
Listed Price		
Sales Tax*		
Vehicle Title**		
Vehicle Registration**		
Vehicle License**	\$ _____	
	Total Upfront Costs Sum the above items in this column \$ _____	Total Upfront Costs Sum the above items in this column \$ _____

*If Applicable. Not all states charge sales tax.

To calculate sales tax, enter the listed price of the vehicle on your calculator, click the multiply, “*” or “x” symbol and then enter the decimal form of your state’s sales tax rate (see examples below). Then click the equal “=” symbol. This number is the amount of tax you must pay in addition to the cost of the vehicle.

Examples of percentages in decimal form:

7% = 0.07 7.5% = 0.075 9% = 0.09 9.2% = 0.092 11% = 0.11 11.3% = 0.113

**Vehicle title, registration, and license fees also vary state-by-state. Visit your state’s Department of Motor Vehicles (DMV) website to determine your estimated costs.

Activity: Transportation Worksheet

	Vehicle 1	Vehicle 2
Available Funds & Assets		
Available Cash for Purchase		
Estimated Value of Trade-in*		
	Total Down Payment Sum the above items in this column \$ _____	Total Down Payment Sum the above items in this column \$ _____

*A “trade-in” is just a purchasing term that means you will sell the vehicle you currently own to the seller at the same time you purchase the new vehicle.

Similar to researching fair prices for the cost of the vehicle you want to buy, you can research the fair price for any vehicle you plan to include as a “trade-in” when you purchase your new vehicle.

Using your current vehicle’s specifications (make, model, year, features, mileage) you can get an estimated range of your vehicle’s worth.

Activity: Transportation Worksheet

Now that we know the full up-front cost of what you want to buy and how much you have available for a total down payment, subtract your down payment from the total cost to calculate the amount you will need to finance.

	Vehicle 1	Vehicle 2
Financing		
Amount Needed to Finance*		
Estimated Interest Rate**		
Loan Term (Months)		
	Monthly Loan Payment \$ _____	Monthly Loan Payment \$ _____

*Using your preferred loan payment calculator, enter the total amount you need to finance, an estimated interest rate, and the term of the loan.

Simply entering “Auto Loan Calculator” into any search engine will give you thousands of options. Remember: you have already factored in the down payment, trade-in value, and sales tax in previous calculations.

**Interest rate is just another part of the cost of your vehicle. You can shop around for financing offers. Vehicle dealers try to simplify the purchase by combining all purchase elements into a single, easy-to-understand, monthly payment; and there is nothing inherently wrong with that. It is just important for you to remember that the cost of the vehicle, your trade-in value, and your interest rate can be separate parts of the negotiation for buying your vehicle.

Activity: Transportation Worksheet

	Vehicle 1	Vehicle 2
Total Monthly Expenses		
Monthly Loan Payment (Same as above)		
Annual Vehicle Registration Cost divided by 12		
Monthly Insurance*		
Fuel		
How many miles do you drive per day? (A)		
How many miles per gallon (MPG) does your vehicle estimate? (B)		
Estimated average cost of 1 gallon of fuel in your area (C)		
Calculate Your Monthly Fuel Costs** $(A/B \times C) \times 30$		
Monthly Maintenance***		
	Total Down Payment Sum the above items in this column \$ _____	Total Down Payment Sum the above items in this column \$ _____

*If you are financing a vehicle, in most cases you will be required to purchase full insurance coverage and not just liability. Most insurance companies can provide estimates on the spot if you have the vehicle's VIN.

Activity: Transportation Worksheet

**To calculate monthly fuel costs, enter the estimated number of miles you drive per day on your calculator, click the divide, “÷” or “/” symbol, then enter the estimated miles per gallon (MPG) of your vehicle. Then click the multiply, “*” or “X” symbol, and enter the average cost of 1 gallon of fuel in your area. Click the multiply, “*” or “X” symbol again, and enter 30. Then click the “=” symbol. This number is your estimated monthly fuel costs.

***For newer vehicles, maintenance will be the basics: car washes, oil changes, air filters, tires, brakes. Many of these items can be roughly estimated according to the amount of mileage expected before they need replacing.

For example, many tires start to show need for replacement after around 12,000 miles. If you drive 500 miles a month, then you will need to replace your tires every 2 years. If a set of 4 new tires costs \$400, then you will need to budget \$16.66 per month for tires ($\$400 / 24 \text{ months} = \16.66 per month).

For older vehicles, you will need to prepare the same maintenance budget, while also increasing your emergency fund to accommodate more significant repairs. If the radiator goes out, do you have \$500 available to replace it in a short amount of time?

What Other Options are Out There?

Sometimes having your own vehicle is not necessary, especially in large cities where there are a lot of transportation options. Maybe you live in a city that has an amazing bus/train/subway system that will take you straight to work. Maybe you would enjoy riding a bike to work if there is a safe route. Maybe something like ZipCar – where you rent a “public” vehicle for short periods of time – would best fit your needs. Maybe you can work remotely from home, and simply order an Uber or Lyft ride to run your weekend errands.

This is a difficult decision for some people who feel that having a vehicle is a major aspect of their independence and standard of living. Simply take a moment to explore the idea. Small adjustments to your lifestyle may free you from the costs and worries of vehicle ownership; it is a very personal decision for you to explore in earnest.

If you discover that you may be able to adapt to a combination of alternative transportation options, the time and convenience opportunity costs are not too great, and you would reap large savings in monthly expenses by using alternative transport compared to vehicle ownership, you may want to give the concept a test run for a few weeks.

If after all this research you discover that you don't really need a vehicle, you can now enjoy a good percentage of your income that everyone else places into vehicle ownership. Where else in your lifestyle or future financial situation would you like to invest this new-found money?



Activity:

Will You Rent to Me?

When you are applying to rent a property, it's valuable to consider the process from the point of view of the person deciding whether you would be a good tenant. In most cases, that person is the landlord. This activity has you evaluate the qualifications of potential renters by taking the landlord's position.

Let's look at the renting experience from the opposite perspective to that of the renter: the perspective of the landlord.

Activity: Will You Rent to Me?

You have four potential renters who have applied to move into your vacant property. Review their profiles below and determine which is closest to your ideal renter.

Renter A

Income \$2,500
Credit score/history 550—Poor
Criminal background..... NONE
Pets..... NONE
Rental history 1 out of 3 prior landlords recommend.

Available Funds: \$5000

Renter B

Income \$3,000
Credit score/history 600—Fair
Criminal background..... NONE
Pets..... NONE
Rental history 3 out of 4 prior landlords recommend.

Available Funds: \$2000

Activity: Will You Rent to Me?

Renter C

Income \$3,500
Credit score/history 750—Good
Criminal background..... NONE
Pets..... Large dog
Rental history 3 out of 3 prior landlords recommend.

Available Funds: \$1000

Renter D

Income \$3,200
Credit score/history 650—Fair
Criminal background. Misdemeanor (7 years ago)
Pets NONE
Rental history 3 out of 4 prior landlords recommend.

Available Funds: \$2000

Activity: Will You Rent to Me?

List the potential tenants in rank order from the person you would most want as a tenant first, to the person you would least want as a tenant last.

First Pick _____

Second Pick _____

Third Pick _____

Fourth Pick _____

Which factor is most important to you when evaluating renters?

Income
Pets

Credit History
Rental History

Criminal Background
Available Funds

Which factor is least important to you when evaluating renters?

Income
Pets

Credit History
Rental History

Criminal Background
Available Funds

What advice would you give to the person you would least want as a tenant?



Activity:

Housing Budget

This activity leads you through the budgeting process for home ownership. You will first calculate your housing expense to income ratio, and then determine the potential costs of all the expenses involved with owning a home.

Activity: Housing Budget

Follow the instructions below to calculate your housing expense to income ratio. Then complete the budget table by entering a low estimate and a high estimate of the cost of each line item.

When considering a home purchase, there are three primary areas to include in your budget: the initial cost of buying, the ongoing cost of ownership, and the selling expenses.

Housing Expense to Income Ratio

Your housing expense ratio is calculated by taking the sum of all your monthly housing costs and dividing that by your monthly gross (before taxes) income.

For homeowners, housing expenses include all monthly payments associated with your home – principal payment, interest payment, property taxes, insurance, and any association dues. These expenses do not include maintenance, repairs, or insurance deductibles.

Calculation 1: Housing Expense Ratio

You can perform this calculation very easily with a calculator by following these steps:

Write down or type into Notepad on your computer the following numbers:

- Total of all housing expenses for the past month
- Your gross income – income before taxes during the same month

Then, on a calculator:

1. Enter your expense number into the calculator
2. Click the divide “÷” or “/” button
3. Enter your gross income number into the calculator
4. Click the equal “=” button

The number that is displayed is your housing expense ratio. The lower the number, the better your ratio. Here are some examples:

According to mortgage guidelines, a Federal Housing Authority (FHA) loan qualification requires

You have \$1,500 total housing expenses. You have \$6,000 gross income.

$$\frac{1500}{6000} = 0.25 ; \text{ A good housing expense ratio}$$

You have \$2,500 total housing expenses. You have \$6,000 gross income.

$$\frac{2500}{6000} = 0.42 ; \text{ A critically high housing expense ratio.}$$

Activity: Housing Budget

a housing expense ratio not to exceed 31%, and a conventional loan requires the ratio not to exceed 28% (<https://www.investopedia.com/terms/f/front-endratio.asp>). Knowing these guidelines can help you assess your expenses and income.

Expense Category	Budget Item	Low Estimate	High Estimate
Purchase Costs	Down payment		
	Loan cost		
	Initial mortgage payment		
	Escrow (taxes and insurance)		
	Initial repairs		
	Moving expenses		
Ownership Costs	Monthly mortgage payment		
	PMI		
	Property taxes		
	Insurance		
	Association dues		
	Maintenance		
Selling Costs	Closing costs		
	Repairs to sell		
	Moving expenses		



Savings, Expenses & Budgeting

Post-Education Case Study:

Level – Financial Foundation & Growth

A case study is essentially a story – it provides an illustration of how financial lessons can be put into action by real people in real-world situations. Case studies are engaging and relatable, and offer solid evidence of the practical value financial education has to help people solve problems and make sound life decisions.

Financial Foundation & Growth

Post-budgeting Case Scenarios

Meet Monica, age 43

Monica is a divorced mother of two children Trevor who is 12, and Tia who is 10. Both kids are doing well in school, and are involved in a number of extra-curricular activities such as dance, gymnastics, travel basketball, and scouting. Some weeks, Monica drives seven days a week between work and activities. Monica is a manager at a clothing retailer, and will be celebrating her tenth anniversary with the company later this year. She earned a \$2,000 bonus this past year because her store exceeded sales goals over the holiday shopping period.

Monica has an amicable relationship with her ex-husband, and receives \$640 per month in child support payments from him. The children see their father on a regular basis, but reside full-time with Monica.

Monica's father passed away three years ago, and her mother now lives in an assisted care facility not far from her house. Monica's only sibling, an older brother, lives 1,500 miles away and only visits twice per year. While much of her mother's care is covered by Social Security and Medicare, Monica has found herself incurring additional expenses each month to help her mother, including visits to the salon, clothing, over-the-counter medication, and some groceries.

Monica considers herself more of a saver than a spender, but has found herself worrying more and more about her finances, both day-to-day and across the long-term. She would like to retire by age 60, but has no idea whether that is a realistic goal. She has found herself tapping into her savings account frequently over the past twelve months to cover both expected and unexpected expenses, and that account has now fallen below \$10,000 (it was at \$17,000 18 months ago).



Here is a copy of her monthly budget:

Monica's average net income = \$3,415	Car insurance = \$165
Child support = \$640	Dining out & entertainment = \$125
Total net income = \$4,055	Church and charity = \$150
	Credit card (x1) – \$80
Mortgage = \$1,330	Home equity loan - \$135
Utilities = \$375	Clothes - \$140
Cell Phones (x3) = \$175	Deposit into savings - \$200
Groceries = \$575	Gasoline - \$200
Dance tuition - \$105	Children's other activities - \$125
Car lease payment = \$190	
	Total expenses = \$4,070

Other important information:

- Monica is contributing to her company's 401k plan, at 15% per paycheck. Her company matches up to 4% of an employee's contribution. Her current balance is \$115,680.
- Monica also has a savings account at her local bank, with a current balance of \$8,900.
- Monica's home is currently valued at \$156,000, and her current mortgage balances are:
 - First lien – \$104,300
 - Home equity loan – \$23,110
- Monica expects to have the home paid off in 15 years.
- Monica has a VISA credit card, which she pays off each month.
- Her car lease is up in 7 months, and she is unsure what she'll do at that time.
- Tia needs braces, which will cost \$2,300. In addition, Trevor wants to go on a mission trip for 3 weeks this summer with the youth group from church, and that will cost \$1,200.



Based on her current situation and goals, answer the following questions:

1. How would you summarize Monica's current financial situation? What is she doing well? What areas could she improve?
2. What specific advice and/or suggestions would you give her to help her create a balanced budget?
3. Is her goal of retiring at age 60 realistic, given her current financial situation?



4. Looking ahead 4-5 years, what life changes will likely affect her financial situation?

5. What are the key learning points from this case study?





Savings, Expenses & Budgeting

Post-Education Case Study:

Level – Financial Challenges & Recovery

A case study is essentially a story – it provides an illustration of how financial lessons can be put into action by real people in real-world situations. Case studies are engaging and relatable, and offer solid evidence of the practical value financial education has to help people solve problems and make sound life decisions.

Financial Challenges & Recovery

Post-budgeting Case Scenarios

Meet Miquel and Latisha, ages 58 and 53

Miquel is an electrical engineer, and has worked for one of the largest automobile companies in the world for over 30 years. While Miquel loves what he does, he is planning to retire at age 62 to focus on other passions, such as traveling and volunteering as a mentor for the local Boys and Girls club. Latisha works 20 hours per week from home as a bilingual customer service agent for an online retailer. The couple have two children, ages 22 and 23, who no longer live at home. Their 22-year-old son joined the Army at age 19, and is currently stationed overseas. Their 23-year-old daughter graduated from college last year and is currently attending graduate school at Indiana University.

Latisha had a health scare two years ago, when she was diagnosed with breast cancer. Fortunately, they found the cancer early, her physician feels the treatment she received was successful, and her cancer is currently in remission. However, it was recommended at that time that Latisha reduce her hours at work to no more than part-time (20 hours per week) to maintain a healthy work-life balance.

Miquel feels they are in a decent financial position at this point, but wants to make sure he does not make any mistakes over the next four years that would derail his plans. Latisha has always deferred any/all financial decisions to Miquel, and completely trusts him with their money. At times, Miquel wishes Latisha would take a more active role in their spending decisions, as making these decisions on his own leads to more stress in his life.



A review of their monthly household budget reveals the following:

Miquel's net income = \$7,100	Car insurance = \$190
Latisha's net income = \$1,250	Dining out & entertainment = \$400
Total net income = \$8,350	Tennis club – \$135
	Credit card (x4) – \$600 (minimum payments)
Mortgage = \$1,945	Personal loan – \$230
All utilities (including cable TV) = \$525	Clothes – \$200
Cell Phones (x2) = \$200	Deposit into savings – \$300
Groceries = \$425	Gasoline – \$250
Charitable contributions – \$250	Gifts for children, family – \$125
Life insurance – \$145	Season tickets to theater – \$110
Lawn maintenance – \$155	Prescription co-pays – \$200
Miquel's car payment = \$485	
Latisha's car payment = \$350	Total expenses = \$7,220

Other important information:

- Miquel is contributing to his company's 401k plan, at 12% per paycheck. His company matches up to 7% of an employee's contribution. His current balance is \$485,600.
- Latisha does not participate in a 401k plan, but has an Individual Retirement Account with Fidelity with a current balance of \$90,200. Latisha makes periodic deposits into her IRA when she feels they have extra money.
- The couple have a savings account at a bank, with a current balance of \$15,000. Of these funds, they consider \$10,000 to be earmarked as an Emergency Fund.
- Their home is currently valued at \$480,000, and their current mortgage balance is \$200,690. Miquel refinanced the mortgage 6 years ago, going from a 30-year fixed to a 15-year fixed mortgage.



- Miquel has two credit cards, and uses the cards frequently for the perks:
 - MasterCard, balance of \$12,330 (16.99%)
 - Amazon, balance of \$3,500 (22.99%)
- Latisha also has two credit cards, and primarily uses the cards for shopping and gifts:
 - VISA, balance of \$9,900 (19.99%)
 - Wayfair, balance of \$2,500 (24.49%)
- They are currently paying off a personal loan which they used to install new windows in their home. Total cost for that purchase was \$13,775. That loan should be paid in full in 12 months.
- His car will be paid off in 8 months. Her car won't be paid off for another 32 months.
- Based on current calculations, they will receive a combined \$3,750 in monthly Social Security payments if they elect to start receiving benefits at age 62.

Based on her current situation and goals, answer the following questions:

1. What are your thoughts on how this couple is doing financially? What are they doing well? What areas could be improved?
2. What specific advice and/or suggestions would you give them, in terms of their budget?



3. Is Miquel's goal of retiring at age 62 realistic, given their current financial situation?
4. Looking ahead the next four years, what life changes will likely affect their financial situation?
5. What are the key learning points from this case study?



SECTION 3

...

ACCOUNT MANAGEMENT & YOUR TRUSTED TEAM



KĀLĀ CAPITAL PARTNERS

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Account Management & Your Trusted Team

Lesson Warm-up: KWR & VIQQS



VIQQS

The VIQQS activity is designed to support various learning styles and gives you the freedom to activate your own existing knowledge in ways that work for you. The VIQQS acronym stands for Video, Image, Quote, Questions, Sounds. You are provided with each of these different cues and instructed to free-write, reflect, or participate in group activities to activate prior knowledge, laying the foundation to connect with the new information you're about to learn. The VIQQS method builds on the KWR strategy to continue the activation of prior knowledge; but has the added benefit of appealing to a variety of learning styles, including visual, auditory, reading, and kinesthetic.



Video



Image



Quote

“

Teamwork is the ability to work together toward a common vision...It is the fuel that allows common people to attain uncommon results.


- Andrew Carnegie, industrialist and philanthropist

”

Question

?


What role does organizing and systematizing our finances play in helping us attain long-term financial security?

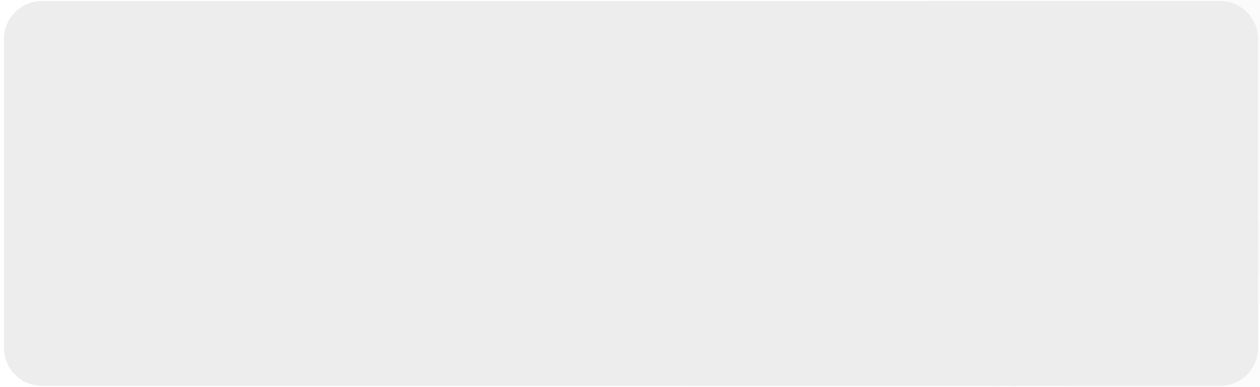


Sound

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KWR

The purpose of a KWR chart is to help you organize your thoughts about information. A KWR chart provides you with a method to organize and simplify your thoughts when reading complex information.

Education Reason – Research shows that, when you connect existing knowledge about a topic to a new topic you are learning, it is easier to pick up the new concept and increase your knowledge about the subject matter. By connecting previous experiences to new information as you learn it, it becomes easier to recall and retain the information you have learned.

How a KWR Works – Using a KWR chart will help you organize and clarify your thoughts. Let's dig deeper into how this type of chart works.

K stands for what you already know about a subject or topic. One way to approach using this column is to brainstorm any words, terms, or phrases you have heard or associate with that topic. For example, you might think about the term “finance” and associate words like money, wealth, happiness, rich, or vacation when you hear that term. This activity can be expanded by choosing a word that you wrote down, such as money, and asking yourself “What made me think of that word, and why do I associate it with wealth?” This activity can be extensive, and you should be open to writing down as much information as possible without worrying about whether it is right or wrong.

W stands for what you want to learn about a topic. Always be sure to remember that no question is stupid, so write down anything that comes to mind. Thinking about the term finance, you may have questions such as “What makes someone wealthy?” or “How do I start a savings account?” The list of questions could be endless, and that's ok. Each question will help strengthen your understanding of the topic and expand your knowledge.

Another great question to ask yourself is “What would I like to learn more about regarding this idea?” This way of thinking helps change your perspective and approach to the question.

Finally, **R** stands for how this information relates to your life. This column helps you sort your thoughts about how you can take information and immediately apply it to your life. For example, you may realize that you associate wealth with being bad or that being wealthy means others will suffer. These thoughts could then lead you to start thinking about how you approach money and why you are hesitant to make more money or appear wealthy to others. The R column allows you to expand on the first two columns, while making deeper connections to your current life status.

Instructions – Using the chart provided below, you will complete your KWR chart by listing what you currently know about this topic, what you want to know, and how this topic relates to your life. There are no right or wrong answers. Just reflect on the topic and write down whatever comes to mind for each question.

K

What I Know. Think about what you already know about this topic and make a list that includes all these ideas. Don't worry about whether it's right or wrong; give yourself the freedom to write whatever comes to your mind about the topic.

W

What I Want to Know. What questions do you have about this topic, and what do you want to know more about? List all your questions. Also, note any areas about which you may be unsure and that you would like to learn more about.

R

How It Relates to My Life. How does this topic relate to your life? List the ways in which you think this topic may affect your life and the personal reasons you have for picking up the information.

Share Additional Insight

Once you complete the lesson, answer the following questions.

1. What is one thing you learned about this topic that surprised you?
2. How could you share this knowledge to help others learn more about this topic?
3. What topic or idea do you feel you didn't learn enough about and would like to expand your knowledge on further?
4. What is one habit or change you would like to make in your life, given the information you just learned?

5. How did learning about this information make you feel?

6. How will this information change your life in a more positive way?

7. How can I expand your learning once this class is done?

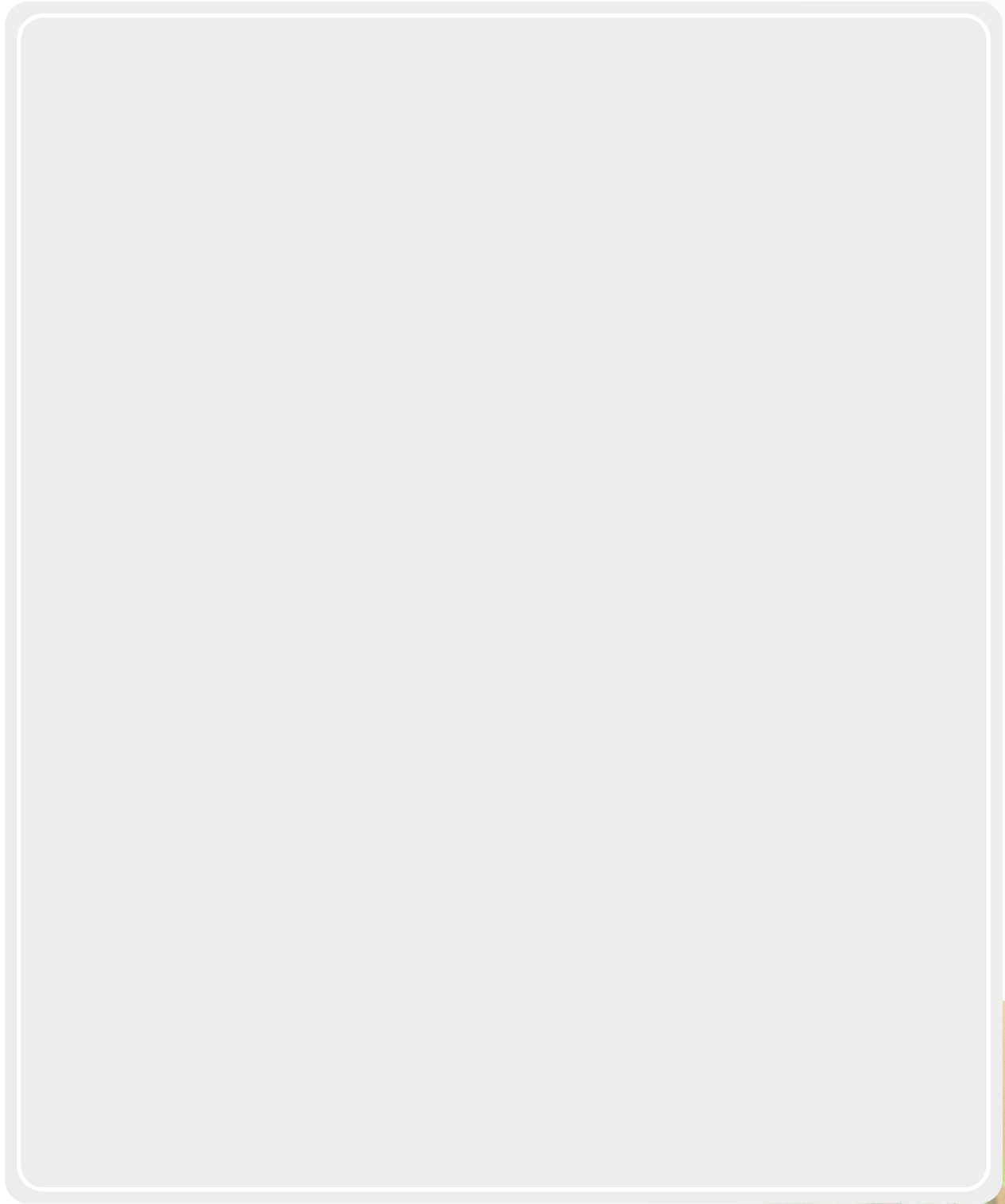
After completing this activity, rate your level of experience, on a scale of 1-10, about your understanding of this topic.

Rate:

1 – I understand little about this topic

10 – I feel confident in the content I have learned and would be able to share my knowledge with other

Next, make a list of all the topics or ideas about which you would be interested in learning more.





Reasons to Learn Account Management & Your Trusted Team:

Benefits & Imagery

To start the topic, we're going to walk you through an activity designed to help you get into a productive state of mind for learning. The activity is a story about a person or people who are experiencing certain life events. As you go through the story, just let your mind go. The idea is to feel whatever emotions you feel when you hear the characters' story, and then those emotions can translate into motivation to learn and take positive action.

Paul and Sarah Have a Problem

Paul and Sarah have been married for three years. They have a joint checking account at a large local bank. They deposit their paychecks separately. Paul gets paid biweekly, while Sarah gets paid monthly.

The couple are busy, so they don't check their account very often. Then one day they get notice that their rent check bounced, with a \$35 overdraft fee. The landlord calls and tells them they must cover the bad check right away, plus he'll be charging a 10% late fee.

Sarah and Paul are beside themselves. Paul doesn't get paid again for 10 days, and Sarah won't get paid until the first of next month.

Sarah takes out a payday loan to cover the overdraft and fees, knowing the full amount of the loan plus 300% interest will be taken out of her next paycheck. They're terrified about next month, when they'll be short that money.

Clear Your Mind Transition

OK, that probably didn't feel very good. But many people face scenarios like this at some point in their lives. Now just take a moment to clear your mind.

Shake out your body. Take a nice, deep breath. Roll your shoulders a couple of times.

Stand up, then sit back down. Take another deep breath.

Paul and Sarah Have a System

Paul and Sarah have been married for three years. They have joint checking and savings accounts at a large local bank. Paul gets paid biweekly, while Sarah gets paid monthly. They have all their paychecks direct deposited into the checking account, with a \$200 monthly automatic transfer to the savings account. Their savings account balance currently would cover about 3 months of their expenses.

The couple have set up their rent and all their bills to be paid through automatic bill pay using the bank's online banking system. Their checking and savings accounts are linked, so if the checking account were ever overdrawn, money would automatically be taken from the savings account to cover the overdraft.



Sarah and Paul have established a relationship at the bank with one of the assistant account managers, whom they feel comfortable talking with about their accounts and other accounts they may need in the future. Although they are busy, they find time to check their account balances at least twice a week, and sometimes even daily.

Paul and Sarah feel safe and secure knowing that their accounts are carefully managed and that they are staying on top of their finances.

Reflection

Having the proper accounts set up with a financial institution and having people you trust on your team make a huge difference in how your money is managed. Today's technology makes it easy to open, automate, and organize your finances using the many digital banking tools available. Automation and systematization are essential components of your personal financial plan. You can easily see the difference in Paul and Sarah's lives when they had a smooth system in place for handling their accounts, in contrast to what happened when they dealt with their money haphazardly. Managing your accounts and having a trusted team in place helps you prepare for contingencies and secure your future.



Reasons to Learn Account Management & Your Trusted Team: Benefits & Imagery

Your motivation for learning about money plays an important role in your financial success. Gaining money management skills supports both your motivation and your ability to achieve your financial goals. In this activity, you're going to use a sales strategy called the "Ben Franklin Close." It's a valuable technique that salespeople use to close a sale. The "Ben Franklin Close" helps you logically evaluate the pros and cons of any action you want to take.

On the left side of the "T" chart below, write your **reasons for** learning about account management and your trusted team. Then on the right side of the "T" chart, write your **reasons against** learning about account management and your trusted team.

Evaluate your answers. Do your "reasons for" outweigh your "reasons against" learning about account management and your trusted team?

Reasons For	Reasons Against





Preview Activities: **Crib Notes & T.H.I.E.V.E.S. for** **Account Management &** **Team Members**

This student guide will support you as you complete the T.H.I.E.V.E.S. pre-reading exercise. Using this guide, you will employ a reading preview model to preview the section, activate your prior knowledge about the topic, and set a purpose for doing the reading. Crib notes also are provided; this student resource provides a summary review of the content of this lesson and also allows you to complete the T.H.I.E.V.E.S. pre-reading exercise: “Summary of What the T.H.I.E.V.E.S. activity is.”

Account Management & Team Members Crib Notes

Your accounts with a financial institution lie at the center of your financial planning. But not all financial institutions are created equal. To select a financial institution, consider your expectations and purposes for the accounts -- whether for business, personal transactions, savings, wage deposits, or loans. Compare institutions in terms of account fees, types of accounts offered, interest rates, ATM network, and online/mobile features. Benefits of having – at minimum – checking and savings accounts at a financial institution include safety, interest earned, direct deposit, organization, and a future relationship which you can grow. If you have trouble opening an account due to past problems, you can dispute negative information on your ChexSystems report. Some financial institutions may offer a second chance.

Once you have accounts open, set up a central system to automatically deposit your paychecks, pay your bills, transfer funds, and manage your investments. It is possible to fully automate your entire bill pay, savings, and investment system. Deposit money each month via automatic transfer into your savings account for emergency fund, short-term and long-term savings. Stay on top of your accounts by checking your balances online at least once a month. Keep accurate records and do all your transactions online to avoid overdraft fees. These systems save you time and money, protect your credit rating, and ensure that your bills are paid on time.

A debit card works like a check, taking money directly from your checking account at time of purchase. You can also use a debit card to withdraw money from your account at an ATM. You cannot use a debit card to purchase or withdraw more money than you have in your account. A credit card is basically a loan – you borrow money by using the card, and the company charges you interest until you pay it back. Credit cards sometimes offer benefits like bonus gifts, airline miles, or purchase discounts. Used correctly, credit cards can help you build good credit. You do that by using the card and paying it back in full every month. Credit cards also have increased protection compared with debit cards.

While you need to gain knowledge and make financial decisions yourself, also having a trusted team of advisors can increase your chances of success. Your trusted team might include a financial institution contact; financial mentor; tax planner; insurance agent; college planner; attorney; realtor; and financial advisor. You should do your homework and interview potential team members before adding them to your team. Choose trusted and established professionals; vet them carefully based on credentials, education, testimonials, licenses, professional reputation, and services they offer. Strive to build long-term relationships with them and choose ones whom you like personally as well as trust professionally.

Reason / Purpose

Scanning what you are about to read can help you understand the big picture and recognize important areas you will be covering. We use the THIEVES model to maximize your ability to tap into prior knowledge, determine what you will learn from the lesson, and create a plan for your learning. The T.H.I.E.V.E.S. acronym stands for elements of the text:

- Title,
- Heading,
- Introduction,
- Every first sentence,
- Visual and vocabulary,
- End of chapter questions, and
- Summary.

The THIEVES model will help you learn the reading process. Before reading, you will use each element within the acronym (T.H.I.E.V.E.S.) to write or think about each question that is associated with the letters of the acronym of the model. Essentially, THIEVES is a three step process that first enables you to preview the text prior to reading it, then explain the different elements of the text through the evaluation of each letter of the acronym, and finally facilitate your learning by modeling how to use this strategy until you are comfortable with the steps in the process.

You may choose to complete the THIEVES activity in its entirety, responding in the space provided for each letter in the acronym. Or, if you have limited time, you may choose to review the crib notes version of the lesson and then skip directly to the “Summary” section (the “S” in “THIEVES”) and type in your answer based on the crib notes.



Instructions

Follow the THIEVES model guidelines and complete the chart. On the next two pages is a table of seven sections or columns (T.H.I.E.V.E.S.). Read the instructions for each section, respond to the instructions for each column, and then type the response in the space provided. Or, if time is limited, review the crib notes for this lesson, then skip directly to the “Summary” section (the “S” in “THIEVES”) and type in your response based on the crib notes.



THIEVES Model	Your Answers
T: Title – Look at the overall title of the lesson. What does the title tell you about what you can expect to learn in this lesson?	
H: Headings – Look at all of the headings and subheadings in this lesson. What do the subheadings tell you about what you can expect to learn in this lesson?	
I: Introduction – Read the introductory paragraph. What two or three topics does it tell you the lesson will talk about?	
E: Every first sentence in a paragraph – Read the first (topic) sentences of each paragraph. What are the topics of each paragraph?	

THIEVES Model	Your Answers
V: Visuals and Vocabulary – Look at all the images and vocabulary terms. What topics do they indicate are important?	
E: End-of-Chapter questions – Look at the review questions at the end of the section. What topics are they asking you to review?	
S: Summary – Read the summary of the lesson. What does it say are the key topics you should have learned?	





Account Management & Your Trusted Team

Pre-Education Case Study: Level – Financial Foundation & Growth

A case study is essentially a story – it provides an illustration of how financial lessons can be put into action by real people in real-world situations. Case studies are engaging and relatable, and offer solid evidence of the practical value financial education has to help people solve problems and make sound life decisions.

Financial Foundation & Growth

Pre-education Case Study

Lucy has used the same bank since she was a teenager. As a recent college graduate who has moved to a new city, she suspects her hometown bank may be too far away for her to use as her main financial institution.

Since her current bank is just a small regional branch, Lucy hasn't been able to use a banking app to stay connected to her day-to-day financial activity. She thinks it would be convenient to be able to receive notifications through her smartphone when there's activity on her checking or savings account. When she moved to college, she decided to keep both her checking account and savings account at her small local bank because it was in the town where her parents live. It was also convenient that her parents were always willing to help when she needs extra money.

In college, she didn't have easy access to a no-fee ATM, and that was a problem. Lucy hates paying \$3 every time she needs to get cash, and her hometown is an hour away from her school. Now that she's moving even farther away, she knows she needs to find a new bank.

Her new employer offers membership in a credit union, but Lucy wonders if a large bank with branches all over the country may suit her better.

She'd like to buy a car when she gets settled into her new job and town. Currently, her car is 15 years old and isn't reliable or economical enough to ensure safe transportation.

Ideally, Lucy would like to do all her banking in one place. She knows she'll need a car loan, a credit card, and checking and savings accounts.

Lucy doesn't know where to begin. She's worried about surprise fees, has concerns about getting a good deal on a car loan, and wants to be able to conduct her financial business face-to-face with someone who works for the bank if necessary.



1. If you were Lucy's friend, what would you tell her to do?

2. What is Lucy's biggest challenge right now?





Account Management & Your Trusted Team

Pre-Education Case Study: Level – Financial Challenges & Recovery

A case study is essentially a story – it provides an illustration of how financial lessons can be put into action by real people in real-world situations. Case studies are engaging and relatable, and offer solid evidence of the practical value financial education has to help people solve problems and make sound life decisions.

Financial Challenges & Recovery

Pre-education Case Study

As the event specialist at his company, Josh is responsible for organizing an appearance at 10 trade shows all over the country each year. Josh is out of town for five to seven days each time he attends a show. His finances are simple. He has a checking account and a savings account. He also has one credit card with a \$2,000 credit limit.

Josh doesn't use the savings account very often and only keeps \$5 in that account. The checking account is for his regular expenses. While in college, Josh learned to live on a budget because he had an irregular income. Josh still uses a simple budget to make sure he doesn't spend too much money on entertainment or shopping.

When there is an unexpected expense, Josh uses his credit card instead of cash. He makes enough money to get by comfortably, but his budget doesn't allow for much savings other than the money he contributes to his 401(k) account through work and his Health Savings Account (HSA) contributions, which also come out of his paycheck.

Even though the credit card interest rate is 18%, Josh uses the card for emergencies and always tries to pay the bill off within six months. Unfortunately, sometimes those unexpected expenses overlap, leaving him dangerously close to reaching his credit limit. Without the credit card, he doesn't have a reliable or fast way to access money other than his regular biweekly paycheck.

Since he doesn't usually have a lot of available credit on his credit card, he also uses the debit card attached to his checking account for all his work-related travel expenses. He eventually gets reimbursed, but sometimes it takes two to three weeks before the human resources department gets around to processing his expense reports.

Josh realizes that he should have an emergency fund, but he hasn't been able to set aside any money because he is working on paying down his emergency credit card. Now that he's in the habit of using the credit card to cover unexpected expenses, he's not sure how to break the cycle.

Josh would like to use his credit card for work expenses so he doesn't have to use money out of his regular budget until he gets the reimbursement check from his company. However, Josh would need all the available credit to get him through just one work trip.



1. How serious is Joshua's financial situation?

2. What would you tell Joshua he should do to break the cycle of using his credit card for unexpected expenses?





Activity: Selecting a Financial Institution

This activity guides you to review the options and features available through a given financial institution, to help you define what's important to you in selecting the institution with which you want to bank. Even if you already have accounts at a financial institution, you can use this activity to learn the ins and outs of your current accounts. For example, do you know all the potential fees associated with your account(s)? What about the available savings account options your institution offers?

Activity: Selecting a Financial Institution

If you are shopping for a new financial institution, use this activity to compare various options at different institutions. If you are satisfied with your current banking relationships, use this activity to learn all the features of your current accounts.

Checking Accounts

Minimum Opening Balance

The minimum dollar amount that a customer must deposit into the account upon opening.

Option1:

Option2:

Option3:

Minimum Monthly Balance to Avoid Fees

The minimum dollar amount that a customer must maintain in the account to keep the account open and avoid fees/penalties.

Option1:

Option2:

Option3:

Minimum Balance Fee

The fee/penalty charged if an account balance falls below the required minimum.

Option1:

Option2:

Option3:

Monthly/Annual Maintenance Fee

A monthly or annual fee charged to your account for general banking services. This fee can sometimes be avoided by meeting certain criteria; for example, maintaining the minimum balance requirement.

Option1:

Option2:

Option3:

Activity: Selecting a Financial Institution

Joint Accounts Available

Accounts are available that can be held by more than one person – that is, all account activity can be jointly controlled.

Option1:

Option2:

Option3:

Direct Deposit Available

Electronic payment from one account to another is enabled.

Option1:

Option2:

Option3:

Deposit Hold Period

A period of time in which funds may be credited to your account, but are not yet available for use.

Option1:

Option2:

Option3:

ATM Withdrawal Daily Maximum

The maximum amount of funds you can withdraw from an ATM in a single day.

Option1:

Option2:

Option3:

Daily Purchase Maximum

The maximum amount of funds you can charge through purchases to your account in a single day.

Option1:

Option2:

Option3:

Activity: Selecting a Financial Institution

Daily Deposit Limit

The maximum amount of funds you can deposit to your account in a single day. There may be different restrictions based on whether you are using mobile deposit, cash, checks, etc.

Option1:

Option2:

Option3:

Out-of-network ATM Withdrawal Fee

A fee charged for withdrawing cash from an ATM operated by another bank or institution.

Option1:

Option2:

Option3:

Replacement Card Fee

A fee charged for ordering a new debit/ATM card when yours has been lost, stolen, or destroyed.

Option1:

Option2:

Option3:

Check Order Fee

A fee charged to order books of checks for your checking account.

Option1:

Option2:

Option3:

Cashier's Check Fee

A fee charged when you request that the institution issue you a Cashier's Check.

Option1:

Option2:

Option3:

Activity: Selecting a Financial Institution

Check Stop Payment Fee

A fee charged when you request that the institution cancel a check or payment that has not yet been processed.

Option1:

Option2:

Option3:

Overdraft Protection Fee

A fee charged to transfer funds from another existing account to cover a withdrawal made from your account that exceeds the available balance.

Option1:

Option2:

Option3:

Overdraft/Overdrawn Fee

A fee charged when a withdrawal is made from your account that exceeds the available balance.

Option1:

Option2:

Option3:

Activity: Selecting a Financial Institution

Savings Accounts

Savings Interest Rate

A percentage rate that you earn on your account balance, usually accrued monthly.

Option1:

Option2:

Option3:

Minimum Opening Balance

The minimum dollar amount that a customer must deposit into the account upon opening.

Option1:

Option2:

Option3:

Minimum Monthly Balance to Avoid Fees

The minimum dollar amount that a customer must maintain in the account to keep the account open and avoid fees/penalties.

Option1:

Option2:

Option3:

Minimum Balance Fee

The fee/penalty charged if an account balance falls below the required minimum.

Option1:

Option2:

Option3:

Monthly/Annual Maintenance Fee

A monthly or annual fee charged to your account for general banking services. This fee can sometimes be avoided by meeting certain criteria; for example, maintaining the minimum balance requirement.

Option1:

Option2:

Option3:

Activity: Selecting a Financial Institution

Savings Withdrawal Fee/Fee for Withdrawals over Maximum

A fee charged to withdraw funds from a savings account. Some institutions allow a certain number of withdrawals and, after that, issue a fee any time you exceed that number.

Option1:

Option2:

Option3:

Joint Accounts Available

Accounts are available that can be held by more than one person – that is, all account activity can be jointly controlled.

Option1:

Option2:

Option3:

Maximum Number of Withdrawals per Period

The maximum number of withdrawals you are allowed to perform in a given time period before a fee is assessed.

Option1:

Option2:

Option3:

Activity: Selecting a Financial Institution

CD Accounts

CD Savings Rates & Term

A certificate of deposit (CD) is a type of savings account that has a set interest rate and date of withdrawal (term length). If you access the funds before the term length has expired, you may be charged a penalty.

Option1:

Option2:

Option3:

Minimum Opening Balance

The minimum dollar amount that a customer must have to deposit into the account upon opening.

Option1:

Option2:

Option3:



Activity:

Automate Your Accounts

This activity walks you through the steps for setting up your automated bill payment and financial tracking systems. Having automated systems in place can save you time and money, help protect your credit, and assist you to stay on track toward your goals.

Activity: Automate Your Accounts

Complete each of the following steps below to automate your accounts. For each step, either mark it “Complete” when you have finished, or set a target date for completion.

1. Set Up Direct Deposit – Contact your employer to get the paperwork you need to have your paycheck directly deposited into your checking account. Contact your financial institution for assistance filling out the form.

Completed

Scheduled for Completion; Date _____

2. Set Up Automated Bill Payment – Collect all your monthly bills. Once you’ve gathered them, connect your bank account to the business or the business to your bank account. Then set up the date when each bill payment is to be mailed/withdrawn. Ensure that bills are properly scheduled. You do not want a bill to auto-withdraw before your paycheck funds are available. Monitor your bill payments closely the first few months to ensure that nothing is missed and all your bills are paid on time.

Completed

Scheduled for Completion; Date _____

3. Set Up Automatic Transfers to Savings – Most financial institutions allow you to automatically transfer money from your checking to your savings. Simply contact your financial institution to learn how you can set this up, or use the online banking feature. Most institutions require just a few clicks or a few short forms completed in person with a teller.

Completed

Scheduled for Completion; Date _____

4. Personal Financial Money Management Program – A personal money management system pulls all your financial accounts into one place. Mint.com is a popular option. Add your checking, savings, investment accounts, credit cards, loans, and any other accounts to this program to view all your financial records in one location. Consider categorizing all your expenses to get a quick overview of how your money is spent each month. It may take some time to get everything tracked and organized, but viewing all your financial transactions in one spot is incredibly valuable once it’s set up correctly.

Completed

Scheduled for Completion; Date _____

Activity: Automate Your Accounts

5. Personal Account Management System – Create financial management systems you personally follow. For example, you might check that your bills are paid on the 5th of each month and review your investments at the end of each month. Create a schedule and system that works for you to maximize the benefits.

Completed

Scheduled for Completion; Date _____

6. Filing and Records System – Create a filing and records system to store your information. Include a file system for hard documents as well as a computerized organizational system for storing electronic documents. Simple file folders in a cabinet is popular for hard records, while creating a separate personal finance folder is a great way to organize electronic documents. Although your financial institution may store previous records for some time – usually up to 18 months – it is important for you to maintain your own records. What if you need a statement from 24 months ago, and your financial institution only keeps them for 18 months?

Completed

Scheduled for Completion; Date _____



Activity:

Identifying Card Mechanics

This activity presents a series of statements and asks you to fill in the appropriate card type – debit or credit – that matches each statement. The purpose of the activity is to reinforce your knowledge of the differences between debit and credit cards.

Activity: Identifying Card Mechanics

Fill in the blanks with the appropriate card type that matches the statement.

When you use a _____ card, the amount of the purchase is automatically deducted from your checking account.

Debit

Credit

When you use a _____ card, you cannot make a purchase for more than the balance in your account (e.g. if you have \$400 in your account and want to make a \$500 purchase, you will be unable to do so.)

Debit

Credit

With a _____ card, the lender pays for the purchase at the point of sale and you must pay the lender back later.

Debit

Credit

A _____ card is linked to a checking account.

Debit

Credit

When you use a _____ card, if you do not pay off the card in full each month, you end up paying more than the amount for which you purchased the item due to interest and fees incurred.

Debit

Credit

Many _____ cards offer bonuses like gifts and airline miles with each purchase. Educated users who pay their bills in full each month can reduce the cost of other purchases.

Debit

Credit

Activity: Identifying Card Mechanics

A _____ card is an alternative to carrying cash.

Debit

Credit

A _____ card is a loan from a financial institution, store, or company.

Debit

Credit

The lender who issues your _____ card charges you interest each month until the bill is paid in full.

Debit

Credit

In most cases, _____ cards offer greater protection in case of theft.

Debit

Credit

When you use a _____ card at some stores, you can ask for cash back with your purchase. The amount of the cash would also be deducted from your account.

Debit

Credit



Activity:

Team Member Assessment

This activity involves assessing where you currently stand in the process of building your trusted team of financial advisors, and developing a plan for completing that process based on your current and projected needs.

Activity: Team Member Assessment

Fill in each of the tables below by entering the information for all the members you already have on your financial advisement team. For each team member you have not yet selected, evaluate your current needs and your expected needs over the next five years, to determine whether you should begin working toward adding those members to your team to achieve your financial goals.

Financial Foundation Team Members

Financial Institution Contact

Have This Team Member?	Yes	No
Direct Contact or General Customer Service?		
Trust Level (1-10):		
Company:		
Contact Name:		
Contact Email:		
Contact Phone:		
My Account Info:		
Notes:		

Activity: Team Member Assessment

Financial Mentor (Coach, consultant)

Have This Team Member?

Yes

No

Direct Contact or General Customer Service?

Trust Level (1-10):

Company:

Contact Name:

Contact Email:

Contact Phone:

My Account Info:

Notes:

Activity: Team Member Assessment

Tax Preparer / Consultant

Have This Team Member?	Yes	No
Direct Contact or General Customer Service?		
Trust Level (1-10):		
Company:		
Contact Name:		
Contact Email:		
Contact Phone:		
My Account Info:		
Notes:		

Activity: Team Member Assessment

Insurance Specialist / Company (auto, home, life etc.)

Have This Team Member?	Yes	No
Direct Contact or General Customer Service?		
Trust Level (1-10):		
Company:		
Contact Name:		
Contact Email:		
Contact Phone:		
My Account Info:		
Notes:		

Specialized & Advanced Team Members

Attorney

Have This Team Member?	Yes	No
Direct Contact or General Customer Service?		
Trust Level (1-10):		
Company:		
Contact Name:		
Contact Email:		
Contact Phone:		
My Account Info:		
Notes:		

Activity: Team Member Assessment

Real Estate Agent

Have This Team Member?	Yes	No
Direct Contact or General Customer Service?		
Trust Level (1-10):		
Company:		
Contact Name:		
Contact Email:		
Contact Phone:		
My Account Info:		
Notes:		

Activity: Team Member Assessment

Mortgage Broker

Have This Team Member?	Yes	No
Direct Contact or General Customer Service?		
Trust Level (1-10):		
Company:		
Contact Name:		
Contact Email:		
Contact Phone:		
My Account Info:		
Notes:		

Activity: Team Member Assessment

Financial Advisor

Have This Team Member?	Yes	No
Direct Contact or General Customer Service?		
Trust Level (1-10):		
Company:		
Contact Name:		
Contact Email:		
Contact Phone:		
My Account Info:		
Notes:		

Activity: Team Member Assessment

Financial Consultant

Have This Team Member?	Yes	No
Direct Contact or General Customer Service?		
Trust Level (1-10):		
Company:		
Contact Name:		
Contact Email:		
Contact Phone:		
My Account Info:		
Notes:		

Activity: Team Member Assessment

Specialized Investments Advisor

Have This Team Member?	Yes	No
Direct Contact or General Customer Service?		
Trust Level (1-10):		
Company:		
Contact Name:		
Contact Email:		
Contact Phone:		
My Account Info:		
Notes:		

Activity: Team Member Assessment

College Planner

Have This Team Member?	Yes	No
Direct Contact or General Customer Service?		
Trust Level (1-10):		
Company:		
Contact Name:		
Contact Email:		
Contact Phone:		
My Account Info:		
Notes:		

Activity: Team Member Assessment

Other Specialized Team Member

Have This Team Member?	Yes	No
Direct Contact or General Customer Service?		
Trust Level (1-10):		
Company:		
Contact Name:		
Contact Email:		
Contact Phone:		
My Account Info:		
Notes:		

Activity: Team Member Assessment

Other Specialized Team Member

Have This Team Member?	Yes	No
Direct Contact or General Customer Service?		
Trust Level (1-10):		
Company:		
Contact Name:		
Contact Email:		
Contact Phone:		
My Account Info:		
Notes:		

Activity: Team Member Assessment

Other Specialized Team Member

Have This Team Member?	Yes	No
Direct Contact or General Customer Service?		
Trust Level (1-10):		
Company:		
Contact Name:		
Contact Email:		
Contact Phone:		
My Account Info:		
Notes:		



Account Management & Your Trusted Team

Post-Education Case Study: Level – Financial Foundation & Growth

A case study is essentially a story – it provides an illustration of how financial lessons can be put into action by real people in real-world situations. Case studies are engaging and relatable, and offer solid evidence of the practical value financial education has to help people solve problems and make sound life decisions.

Financial Foundation & Growth

Post-education Case Study

Louis hasn't had a bank account in over five years. He currently uses cash for everyday expenses. Until now, his employer has issued him a paper check every Friday. However, his employer recently hired a new payroll company that wants to go completely paperless.

Last Friday, his boss announced that everyone must fill out a direct deposit form. All paychecks will be automatically deposited into bank accounts every Thursday night at midnight starting six weeks from now.

Louis' current take-home pay is \$625 per week. Every Friday, Louis takes his check to Wal-Mart where they cash it for a \$4 fee. In order to pay his bills, Louis gets money orders. .

Louis got a credit card two years ago because he wanted to purchase a smartphone. The company with the best deal did not accept cash or money order payments, so Louis was forced to use the credit card to purchase the phone. The card has a \$250 credit limit. Every month Louis uses the card to pay his phone bill, which is \$60 per month, and also to pay his. a Netflix subscription, which costs \$7.99 per month for the basic plan. He pays the credit card bill in full each month by mailing in a money order.

The credit card company charges a \$120 annual fee, but instead of charging his card once each year, they break it down into 12 monthly payments.

Louis drives a 1997 Dodge Ram with 230,000 miles on it. He bought it from a buy-here, pay-here lot near his home about a year ago. Every Saturday morning, he makes a \$60 car payment. Last time he stopped into the dealership, he asked how much it would cost to pay off his truck in full. He still owes about \$3,200. The dealership offers a \$5 per week discount on their fees if he pays automatically with a checking account, however.

Money orders cost \$.70 each and stamps are an additional \$.50 each. Louis pays check-cashing fees, buys stamps and money orders, and pays the credit card fees. Recently, Louis has been wondering if it would be simpler and less expensive to have a bank account.

He pays his bills on time but doesn't really have a budget. He isn't aware of how much money he spends in various categories. Since he gets paid once a week, he can usually get by until payday without experiencing too much difficulty or hardship. Louis thinks it would be nice to have a savings account in case an emergency were to happen and he needed cash right away.



1. What decision must Louis make first?

3. Analyze the situation. What are the exact steps you would take if you were Louis?





Account Management & Your Trusted Team

Post-Education Case Study: Level – Financial Challenges & Recovery

A case study is essentially a story – it provides an illustration of how financial lessons can be put into action by real people in real-world situations. Case studies are engaging and relatable, and offer solid evidence of the practical value financial education has to help people solve problems and make sound life decisions.

Financial Challenges & Recovery

Post-education Case Study

Jessica and Dan are employed by the same medical group, where Dan is the office manager and Jessica is the physician's assistant. They have been dating for two years and have finally decided to move in together.

Currently, they both have apartments near the office but would like to buy a loft in a building just a few blocks away. The unit they want is currently for sale, but they'll need \$25,000 for a down payment. Jessica inherited some money from her mom's estate and is willing to use it to secure the loft.

Dan has about \$20,000 in his emergency savings account. The couple would like to keep the savings account to cover unexpected expenses they are likely to encounter as homeowners. Dan also recently purchased a car. He paid cash for it, and since work is just two blocks away, Jessica agreed to share Dan's car. She'll sell hers for around \$10,000 and contribute that money to their emergency fund.

Jessica's take-home pay is about 20% higher than Dan's. While they both contribute to retirement accounts, Dan is a much more aggressive investor. He contributes 20% of his pre-tax income to a 401(k). Jessica contributes 5% of her pre-tax income to her 401(k).

Even though they are excited to buy a new home, they are unsure about how to navigate the financial challenges that come with being a live-in couple. Dan thinks they should split all their bills, including the house payment, but Jessica wonders whether she should pay a larger amount because she makes more money. Jessica would also like to keep their debts separate. Dan has about \$11,000 in credit card debt and Jessica has one credit card that she pays off monthly.

The couple is unsure about how to handle expenses like vacations, furniture, and the costs associated with caring for the dog they plan to get. Combining their finances would make their budget simpler to navigate, but neither Jessica nor Dan is quite ready for a 100% combined income. Jessica enjoys weekend shopping trips with her sisters and doesn't want to have to get Dan's "OK" whenever she wants to splurge on something new for herself.

Their real estate agent has recommended that couples see a financial advisor before they move in together. She also states that she has a friend who would be happy to advise them. Dan thinks they should choose someone on their own, but Jessica says there's no need to see a "professional" and they can work out all their money issues on their own.



1. What issues or problems could arise if they choose NOT to see a financial planner?
2. If you were a financial advisor, what would you tell Dan and Jessica to do about their upcoming expenses and their current savings?
3. Analyze the situation; what exact steps would you tell them to take?



SECTION 4

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LOANS & DEBT



KĀLĀ CAPITAL PARTNERS

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Loans & Debt

Lesson Warm-up: KWR & VIQQS

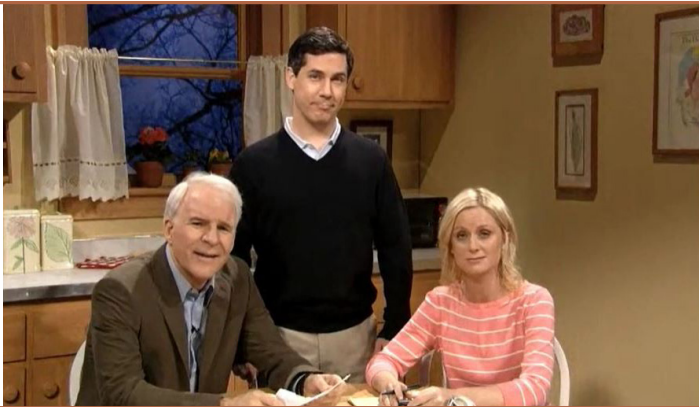


VIQQS

The VIQQS activity is designed to support various learning styles and gives you the freedom to activate your own existing knowledge in ways that work for you. The VIQQS acronym stands for Video, Image, Quote, Questions, Sounds. You are provided with each of these different cues and instructed to free-write, reflect, or participate in group activities to activate prior knowledge, laying the foundation to connect with the new information you're about to learn. The VIQQS method builds on the KWR strategy to continue the activation of prior knowledge; but has the added benefit of appealing to a variety of learning styles, including visual, auditory, reading, and kinesthetic.



Video



Image



Quote

“

Debt means enslavement to the past, no matter how much
you want to plan well for the future.

- Tsh Oxenreider, author, *The Clutter-free Approach to Intentional Living*


”

Question

?

What does it mean to say that
borrowing money now is like robbing from our future selves?




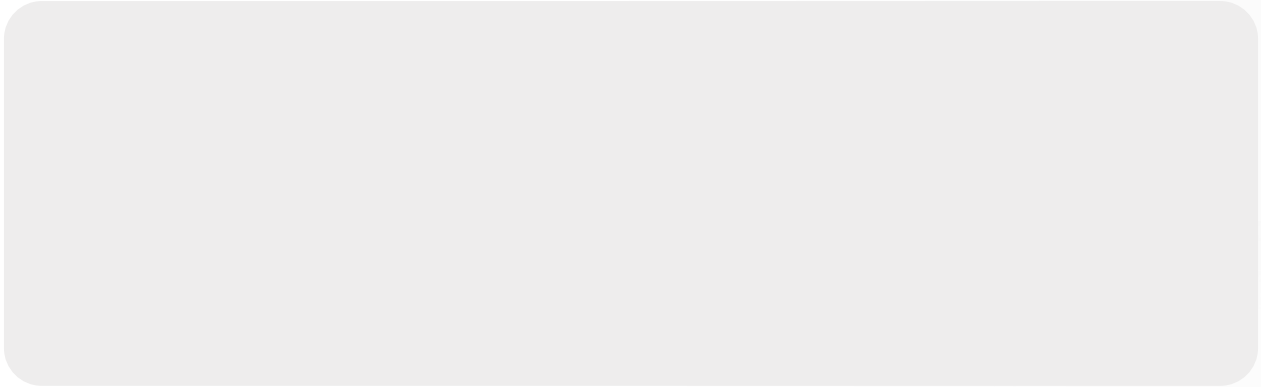


Sound

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KWR

The purpose of a KWR chart is to help you organize your thoughts about information. A KWR chart provides you with a method to organize and simplify your thoughts when reading complex information.

Education Reason – Research shows that, when you connect existing knowledge about a topic to a new topic you are learning, it is easier to pick up the new concept and increase your knowledge about the subject matter. By connecting previous experiences to new information as you learn it, it becomes easier to recall and retain the information you have learned.

How a KWR Works – Using a KWR chart will help you organize and clarify your thoughts. Let's dig deeper into how this type of chart works.

K stands for what you already know about a subject or topic. One way to approach using this column is to brainstorm any words, terms, or phrases you have heard or associate with that topic. For example, you might think about the term “finance” and associate words like money, wealth, happiness, rich, or vacation when you hear that term. This activity can be expanded by choosing a word that you wrote down, such as money, and asking yourself “What made me think of that word, and why do I associate it with wealth?” This activity can be extensive, and you should be open to writing down as much information as possible without worrying about whether it is right or wrong.

W stands for what you want to learn about a topic. Always be sure to remember that no question is stupid, so write down anything that comes to mind. Thinking about the term finance, you may have questions such as “What makes someone wealthy?” or “How do I start a savings account?” The list of questions could be endless, and that's ok. Each question will help strengthen your understanding of the topic and expand your knowledge.

Another great question to ask yourself is “What would I like to learn more about regarding this idea?” This way of thinking helps change your perspective and approach to the question.

Finally, **R** stands for how this information relates to your life. This column helps you sort your thoughts about how you can take information and immediately apply it to your life. For example, you may realize that you associate wealth with being bad or that being wealthy means others will suffer. These thoughts could then lead you to start thinking about how you approach money and why you are hesitant to make more money or appear wealthy to others. The R column allows you to expand on the first two columns, while making deeper connections to your current life status.

Instructions – Using the chart provided below, you will complete your KWR chart by listing what you currently know about this topic, what you want to know, and how this topic relates to your life. There are no right or wrong answers. Just reflect on the topic and write down whatever comes to mind for each question.

K

What I Know. Think about what you already know about this topic and make a list that includes all these ideas. Don't worry about whether it's right or wrong; give yourself the freedom to write whatever comes to your mind about the topic.

W

What I Want to Know. What questions do you have about this topic, and what do you want to know more about? List all your questions. Also, note any areas about which you may be unsure and that you would like to learn more about.

R

How It Relates to My Life. How does this topic relate to your life? List the ways in which you think this topic may affect your life and the personal reasons you have for picking up the information.

Share Additional Insight

Once you complete the lesson, answer the following questions.

1. What is one thing you learned about this topic that surprised you?
2. How could you share this knowledge to help others learn more about this topic?
3. What topic or idea do you feel you didn't learn enough about and would like to expand your knowledge on further?
4. What is one habit or change you would like to make in your life, given the information you just learned?

5. How did learning about this information make you feel?

6. How will this information change your life in a more positive way?

7. How can I expand your learning once this class is done?

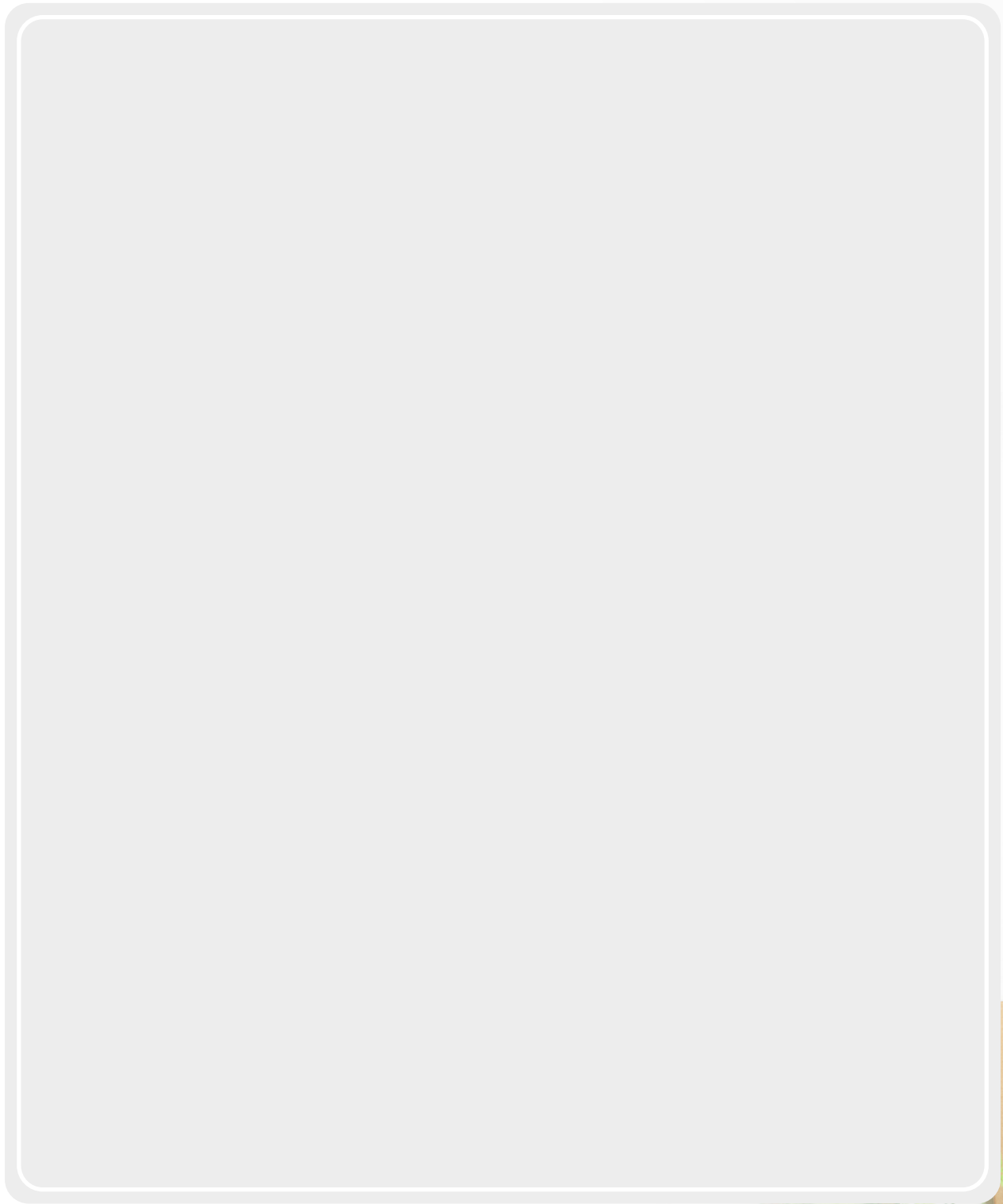
After completing this activity, rate your level of experience, on a scale of 1-10, about your understanding of this topic.

Rate:

1 – I understand little about this topic

10 – I feel confident in the content I have learned and would be able to share my knowledge with other

Next, make a list of all the topics or ideas about which you would be interested in learning more.





Reasons to Learn Loans & Debt: Benefits & Imagery

To start the topic, we're going to walk you through an activity designed to help you get into a productive state of mind for learning. The activity is a story about a person or people who are experiencing certain life events. As you go through the story, just let your mind go. The idea is to feel whatever emotions you feel when you hear the characters' story, and then those emotions can translate into motivation to learn and take positive action.

Howard is Denied a Car Loan

Howard is excited. Today he's going to buy a new car!

He hasn't done any research, but he knows exactly what car he wants. He goes down to the dealership to check it out. The sales rep is happy to show Howard the car, and they go for a test drive.

When they get back to the dealership, Howard is sold. "Let's do it," he says. The salesperson says, "Sure! Let me just get some information from you, and we'll do a quick credit check."

Howard fills out a couple of forms and the salesperson takes them back to the Account Manager. Howard sits fidgeting in the salesperson's office, waiting for her to come back.

When she finally returns, her face has fallen. "I'm sorry, Howard. With your credit, we can't approve your loan for a new car at this time. We might be able to finance a used car at 21% interest."

Howard is stunned and disappointed. He feels like everyone in the dealership is staring at him because he's such a loser. Embarrassed, he exits as fast as he can.

Clear Your Mind Transition

OK, that probably didn't feel very good. But many people face scenarios like this at some point in their lives. Now just take a moment to clear your mind.

Shake out your body. Take a nice, deep breath. Roll your shoulders a couple of times.

Stand up, then sit back down. Take another deep breath.

Howard Buys a Car

Howard is excited. Today he's going to buy a new car!

Actually, it's a preowned car, three years old with low mileage. Howard did lots of research to find a make and model that would meet his needs. He prepared a careful budget to determine the monthly payment he could afford, after accounting for all the other expenses of owning a car. For the past six months, he's been searching online car-buying platforms – like Cargurus.com and cars.com – waiting for the right deal to become available, and two weeks ago just the vehicle he wants came available at a local dealer.



Howard went to his bank last week and got pre-qualified for a 30-month car loan with a 15% down payment and a 6% interest rate. Now everything is in place and he's ready to go to the dealership and make the deal.

Howard heads down to the dealership. He locates the vehicle he's interested in on the lot and goes inside. He asks to speak with the person who handles online sales. When the salesperson comes out, Howard shows him a printout of the online listing with the price indicated.

"Sure," says the salesperson. "That vehicle is available. Let me just run a quick credit check, and we can see about financing."

"No, thank you," says Howard, "I already have financing in place. May I take a test drive?"

Howard goes for a test drive and decides he likes the car. When they arrive back at the dealership, Howard arranges for the salesperson to drive him to his bank, where he gets a cashier's check to pay for the car. Two hours later, Howard is driving off the lot in his new (preowned) vehicle.

Reflection

Knowing the fundamentals of loans and debt can make the difference between getting a loan with favorable terms and being turned down for any loan at all. When Howard was unprepared to make a car purchase and wasn't aware of his credit situation, he was denied. But when he did his research, budgeted carefully, and got prequalified for the loan in advance, he was ready to enter into the loan contract with all his bases covered. Those are just some of the advantages of learning about loans and debt.



Reasons to Learn Loans & Debt: Benefits & Imagery


Your motivation for learning about money plays an important role in your financial success. Gaining money management skills supports both your motivation and your ability to achieve your financial goals. In this activity, you're going to use a sales strategy called the "Ben Franklin Close." It's a valuable technique that salespeople use to close a sale. The "Ben Franklin Close" helps you logically evaluate the pros and cons of any action you want to take.

On the left side of the "T" chart below, write your **reasons for** learning about loans and debt. Then on the right side of the "T" chart, write your **reasons against** learning about loans and debt.

Evaluate your answers. Do your "reasons for" outweigh your "reasons against" learning about loans and debt?

Reasons For	Reasons Against





Preview Activities: Crib Notes & T.H.I.E.V.E.S. for Loans & Debt

This student guide will support you as you complete the T.H.I.E.V.E.S. pre-reading exercise. Using this guide, you will employ a reading preview model to preview the section, activate your prior knowledge about the topic, and set a purpose for doing the reading. Crib notes also are provided; this student resource provides a summary review of the content of this lesson and also allows you to complete the T.H.I.E.V.E.S. pre-reading exercise: “Summary of What the T.H.I.E.V.E.S. activity is.”

Loans & Debt Crib Notes

Debt falls into two categories: “good” and “bad” debt. Good debt is used to purchase something that is likely to go up in value over time. Debt to purchase assets like investments, homes, or education is usually good debt. Bad debt is for something that is likely to decrease in value. Credit cards and auto loans are usually considered bad debt. Good debt can become bad debt, e.g. when you buy property that loses value. Bad debt can become good debt, e.g. using a credit card to buy something that lands you a good job. The amount of money you owe in a debt is called the “principal balance.” The amount charged on top of the principal is “interest,” determined by a percentage called the “interest rate.” The loan “term” is the amount of time you have to pay it back. “Amortization” is when lenders apply more of your early payments toward interest rather than principal. You can reduce the total interest you pay by making larger payments than required.

All debt involves risk. Loans to family or friends risks ruining the relationship. Some home mortgages like adjustable rate loans are risky. Cars lose value and auto loans can be high-interest. Student loans should be a last resort to fund college. Credit cards are easy to overuse and get into debt over your head. Payday loans are extremely high-interest, risky loans that should be avoided. You should strive to keep your Debt Service Ratio no higher than 25% of your gross monthly income.

The 6 steps to qualifying for a loan are: 1) check your credit score; 2) get pre-qualified; 3) shop for lenders; 4) compare offers; 5) read the fine print; and 6) final approval. Lenders use the “5 Cs” criteria to qualify you: character, capacity, capital, collateral, and conditions. Before you ever consider taking out a loan, you should have a plan to pay it off. There are two common debt payoff methods. In Debt Avalanche, you pay off accounts in order, starting with the one with the highest interest rate. In Debt Snowball, you pay off accounts in order, starting with the one with the smallest balance. Other debt management strategies include balance transfers, consolidation loans, settlements, or bankruptcy – but these are not recommended.

There are options for automobile loans. You can buy or lease; leasing is not recommended unless you use the car only for business. Longer loan terms usually result in lower monthly payments, but you’ll pay much more interest and risk being “upside down” – owing more than the car is worth. It’s recommended to get pre-approval before buying. Car lenders consider your credit score, debt-to-income ratio, and available capital when qualifying you. You must have insurance on the vehicle to maintain an auto loan.

Preview Activities: Crib Notes & T.H.I.E.V.E.S. for Loans & Debt

Options also exist for home mortgages. Many first-time buyers use Federal Housing Authority (FHA) loans backed by the government. Conventional loans usually require a 20% down payment. Veterans, military, and their families can get loans through Veterans Affairs (VA). Low-income individuals can apply for HomeReady/HomePossible loans through the federal Freddy Mac and Fanny Mae programs. You must have insurance on the home to maintain a home loan.



Reason / Purpose

Scanning what you are about to read can help you understand the big picture and recognize important areas you will be covering. We use the THIEVES model to maximize your ability to tap into prior knowledge, determine what you will learn from the lesson, and create a plan for your learning. The T.H.I.E.V.E.S. acronym stands for elements of the text:

- Title,
- Heading,
- Introduction,
- Every first sentence,
- Visual and vocabulary,
- End of chapter questions, and
- Summary.

The THIEVES model will help you learn the reading process. Before reading, you will use each element within the acronym (T.H.I.E.V.E.S.) to write or think about each question that is associated with the letters of the acronym of the model. Essentially, THIEVES is a three step process that first enables you to preview the text prior to reading it, then explain the different elements of the text through the evaluation of each letter of the acronym, and finally facilitate your learning by modeling how to use this strategy until you are comfortable with the steps in the process.

You may choose to complete the THIEVES activity in its entirety, responding in the space provided for each letter in the acronym. Or, if you have limited time, you may choose to review the crib notes version of the lesson and then skip directly to the “Summary” section (the “S” in “THIEVES”) and type in your answer based on the crib notes.



Instructions

Follow the THIEVES model guidelines and complete the chart. On the next two pages is a table of seven sections or columns (T.H.I.E.V.E.S.). Read the instructions for each section, respond to the instructions for each column, and then type the response in the space provided. Or, if time is limited, review the crib notes for this lesson, then skip directly to the “Summary” section (the “S” in “THIEVES”) and type in your response based on the crib notes.



THIEVES Model	Your Answers
T: Title – Look at the overall title of the lesson. What does the title tell you about what you can expect to learn in this lesson?	
H: Headings – Look at all of the headings and subheadings in this lesson. What do the subheadings tell you about what you can expect to learn in this lesson?	
I: Introduction – Read the introductory paragraph. What two or three topics does it tell you the lesson will talk about?	
E: Every first sentence in a paragraph – Read the first (topic) sentences of each paragraph. What are the topics of each paragraph?	

THIEVES Model	Your Answers
V: Visuals and Vocabulary – Look at all the images and vocabulary terms. What topics do they indicate are important?	
E: End-of-Chapter questions – Look at the review questions at the end of the section. What topics are they asking you to review?	
S: Summary – Read the summary of the lesson. What does it say are the key topics you should have learned?	





Loans & Debt

Pre-Education Case Study: Level – Financial Foundation & Growth

A case study is essentially a story – it provides an illustration of how financial lessons can be put into action by real people in real-world situations. Case studies are engaging and relatable, and offer solid evidence of the practical value financial education has to help people solve problems and make sound life decisions.

Financial Foundation & Growth

Pre-education Case Study

Chandler just graduated from college and was hired as a history teacher at a local high school. Because the school is in a low-income area, he qualifies for special student loan repayment terms and may eventually get a grant to help him pay off the debt he incurred in college.

While his finances are manageable, he would like to move out of his one-bedroom apartment. Chandler defaulted on two credit cards and had a vehicle repossessed during his sophomore year. Now that he is working full-time, he has decided to clean up old debt. Because of his past credit challenges, getting approved for a new lease on a better apartment could be difficult.

He also has some medical debt that went into collections last year. After suffering through pneumonia during his junior year, Chandler didn't have the money to pay for multiple doctor visits and chest x-rays.

He owes a total of \$6,300 in bad debt. After he pays all his living expenses, including rent, utilities, cell phone bill, groceries, student loan payment, gasoline, and vehicle maintenance, he has about \$700 left over each month.

Luckily, after his car was repossessed, Chandler's father gave him a ten-year-old Toyota Corolla. It's not pretty, but it's reliable and it doesn't cost much to keep it on the road.

Currently, he enjoys a few nights out with friends, a movie about once a week, and the occasional date night with his girlfriend. They have season tickets at the local hockey arena and plan to tailgate every football game this fall just like they did when Chandler was in college. He knows he spends too much of his extra money on "fun" stuff, but doesn't really have a plan for how to get on solid financial ground.

He's afraid his girlfriend has expectations about moving in together now that he's graduated from college and has a "real" job. While he wants to clear up his past financial missteps, he's not sure if he can afford to do so.



1. What is the main reason why Chandler can't focus on his financial goals?

2. What decisions led to this situation?

3. What is one thing that Chandler can do right now to improve his financial situation?





Loans & Debt

Pre-Education Case Study: Level – Financial Challenges & Recovery

A case study is essentially a story – it provides an illustration of how financial lessons can be put into action by real people in real-world situations. Case studies are engaging and relatable, and offer solid evidence of the practical value financial education has to help people solve problems and make sound life decisions.

Financial Challenges & Recovery

Pre-education Case Study

Mark lost his job as an electrical engineer four months ago when new owners took over. Upon sale of the company, his department was reorganized, and many of his colleagues also lost their jobs. Mark started looking for work right away, but soon learned that he needed to update some crucial skills by taking a year's worth of college classes to help him earn the same amount of money at a new job.

Competition for electrical engineering jobs is tough because his former coworkers are also out of work and there aren't many positions available in the area.

Mark took on debt in the form of a large mortgage three years ago and he bought a new SUV just a few months ago. Last spring, he took out a loan to buy the boat he's always wanted.

Mark hasn't used credit cards lately, but he does own five cards with high limits. When he lost his job, he didn't change his lifestyle. Instead of paying cash for a night out on the town or a weekend trip, he charged the expenses to his credit cards.

With just enough available credit left to pay for a year's worth of continuing education and cover his minimum bills and living expenses, Mark thinks he can get by for the next 12 months while he goes back to school. He worries about what will happen if he can't find a job in the area that pays as much as he used to make after he's finished his education.

Sometimes he thinks he should just take a lower-paying job. He would have to sell his house and get a cheaper car. He realizes that he may lose money on his vehicle, his home, and his boat. Also, paying off his high credit card balances would take years if he accepts a lower-paying position.



1. How serious is Mark's situation?
2. What is Mark's biggest financial problem right now?
3. If Mark was your friend, what advice would you offer?





Activity:

Identifying Good versus Bad Debt Uses

In this activity, you will apply the information presented in this lesson to demonstrate your understanding of the differences between “good” debt and “bad” debt.

Activity: Identifying Good versus Bad Debt Uses

Use the information presented in the lesson and the examples provided to complete the following tables by writing situations in which each type of debt can be “good” or “bad” debt depending on the circumstances.

Credit Cards

Situations in Which this Type of Debt can be “Good”	Situations in Which this Type of Debt can be “Bad”
Example: Using a credit card to purchase an item that you can resell for profit quickly and easily.	Example: Using a credit card to pay for that last-minute vacation with your friends.

Vehicle Loans

Situations in Which this Type of Debt can be “Good”	Situations in Which this Type of Debt can be “Bad”

Activity: Identifying Good versus Bad Debt Uses

Home Loans

Situations in Which this Type of Debt can be
“Good”

Situations in Which this Type of Debt can be
“Bad”

Loans for Income-Producing Real Estate

Situations in Which this Type of Debt can be
“Good”

Situations in Which this Type of Debt can be
“Bad”

Educational Loans

Situations in Which this Type of Debt can be
“Good”

Situations in Which this Type of Debt can be
“Bad”

Activity: Identifying Good versus Bad Debt Uses

Investment Loans

Situations in Which this Type of Debt can be
“Good”

Situations in Which this Type of Debt can be
“Bad”

Business Loans

Situations in Which this Type of Debt can be
“Good”

Situations in Which this Type of Debt can be
“Bad”



Activity:

Loan Basics

This activity has you demonstrate your understanding of loan fundamentals by asking you to do some simple loan calculations.

Activity: Loan Basics

1. You know more than you think. Without using a calculator, match the appropriate terms with the numbers shown:

1. Length (Term) of Loan

a. \$21,000

2. Principal Amount of Loan

b. 8%

3. Monthly Payment

c. 3 Years

4. Interest Rate

d. \$658.06

5. Total Interest Paid Over 3 Years

e. \$2,690.29

2. Without using a calculator, match the appropriate terms with the numbers shown:

1. Monthly Payment

a. \$200,000

2. Total Interest Paid Over 30 Years

b. 5.25%

3. Interest Rate

c. 30 Years

4. Principal Amount of Loan

d. \$1,104

5. Length (Term) of Loan

e. \$197,587

3. If you borrow \$1,000 for one year at a 20% interest rate, how much will you need to pay back at the end of the year if the debt only compounds once (at the end of the loan) and you make no payments during the year?

4. If you borrow \$1,000 for two years at 20% interest rate how much will you need to pay back at the end of the two-year loan if the debt compounds twice (at the ends of year 1 and year 2) and you make no payments during the loan term?



Activity:

Debt Risk Assessment

This activity guides you to assess your current debt risk. Going through this process can help you identify areas in your budget where you need to make changes to improve your overall financial health.

Activity: Debt Risk Assessment

First, make a list of all your monthly debt payments. Include the following:

- mortgage or rent payments
- credit cards
- installment debt
- car loans
- student loans
- consumer lines of credit
- and any other payment that shows up on your credit report.

Don't include other living expenses like groceries or utility bills in this list; just stick strictly to your debt payments. For the most part, if the debt does not show up on your credit report, then do not include it as a "debt" in your list.

Then determine the level of risk each debt poses. If the debt is unsecured and represents a large proportion of your monthly expenses, it probably represents high risk. But also consider the consequences of non-payment in your risk assessment. Defaulting on a credit card is really bad for your credit; it will prevent you from getting new loans or good interest rates in the future. However, in comparison, defaulting on your mortgage can result in the loss of your home. These two examples represent different metrics of "risk" – that is, one is a financial risk and the other is a financial AND a survival risk. You need a place to live in order to survive.

Loan Name	Risk Level			Monthly Payment Amount
	High	Moderate	Low	\$
	High	Moderate	Low	\$
	High	Moderate	Low	\$
	High	Moderate	Low	\$
	High	Moderate	Low	\$
	High	Moderate	Low	\$
	High	Moderate	Low	\$
	High	Moderate	Low	\$
	High	Moderate	Low	\$
	High	Moderate	Low	\$

Total: \$ _____

Activity: Debt Risk Assessment

Now perform your Debt Service Ratio calculation with a calculator by following these steps:

1. Enter your total debt payment number into the calculator
2. Click the divide “÷” or “/” button
3. Enter your gross monthly income (before taxes) into the calculator
4. Click the equal “=” button

The number that is displayed is your Debt Service Ratio. For example, if the monthly expenses that show up on your credit report total \$2,000 and your income is \$4,000, your Debt Service Ratio is 50% – that is, half of your money goes to pay scheduled debt. The lower the number, the better your ratio.

Here are some examples:


You have \$1,000 total debt expenses. You have \$3,000 gross income.

$$\frac{1000}{3000} = 0.33; \text{ A reasonable debt-to-income ratio}$$

You have \$2,300 total debt expenses. You have \$4,000 in gross income.

$$\frac{2300}{4000} = 0.58; \text{ A critically poor debt-to-income ratio.}$$

Debt Service Ratio

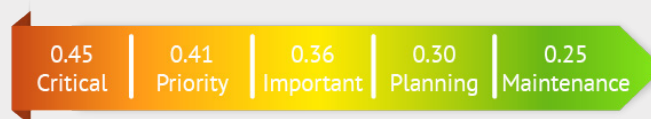
 =
$$\frac{\text{Monthly Debt Expenses}}{\text{Monthly Gross Income}}$$


Example

 =
$$\frac{\$1,700}{\$5,000}$$

0.34





Activity: Debt Risk Assessment

When you make the effort to calculate your Debt Service Ratio, you should be better able to identify those areas where you need to make modifications and improvements to your budget. Staying on top of your ratios and working to improve them gradually over time can assist you to move closer to your long-term financial goals. Prioritize creation and implementation of a budgeting plan to address the highest risk, highest interest rate debt first.



Activity:

Assessing Your Qualification Potential

This activity guides you to honestly evaluate where you currently stand in terms of ability to qualify for a loan. You will assess your potential for loan qualification based on the 'five Cs' presented above: character, capacity, capital, collateral, and conditions.

Activity: Assessing Your Qualification Potential

Fill out each section below to assess your current status in terms of the 'five Cs' for loan qualification.

Character

Your credit record and payment history.

	Excellent	Good	Fair	Poor
Credit Score				
Credit History				
Income Stability				

Capacity

Your ability to pay off the loan.

Income	Above Average	Average	Below Average	None
Debt to Income Ratio	<20%	20 – 30%	31 – 40%	>40%

Capital

The amount you have to pay up-front toward the loan; i.e. your down payment.

Down Payment Percentage	>25 %	25 – 15%	14 – 5%	<5%
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Collateral

The asset you offer as security against the loan; for example, a home, vehicle, or savings account.

Value of Collateral Relative to Loan Amount

If your loan is secured with collateral, what percentage of the total loan amount does your collateral cover? (In other words, if you defaulted on the loan, how much of your loan would the value of the collateral pay off?)

_____ %

Activity: Assessing Your Qualification Potential

Conditions

The terms of your loan, including the principal, interest rate, repayment term, and payment amount.

I have an accurate budget in place and can afford the payment on the loan.

The monthly payment will not consume the majority of my available budget (remaining disposable income after all other expenses are accounted for).



Activity: Create Your Debt Payoff Plan

This activity guides you to develop your own individual plan to pay off your current debts.

Activity: Create Your Debt Payoff Plan

Make a list of all your current debts. Include the debtor name, type of debt (i.e. student loan, vehicle loan, mortgage, credit card), the amount you owe, the debt's interest rate, and the current minimum monthly payment.

Decide on the repayment strategy with which you feel most comfortable: Avalanche (paying down the debt with the highest interest rate first) or Snowball (paying down the debt with the smallest balance first). Keep in mind that Avalanche is the preferred and recommended method because it saves you the most money.

Select the debt you plan to pay off first (highest interest rate or smallest balance, depending on the strategy you chose). Calculate how much extra payment you could add. While you're fighting the first debt, it'll feel difficult, because you will need to shave some money off your budget elsewhere to make the additional payment. But once you pay off the first debt, things will start to move faster.

Calculate the number of payments left on the debt you have chosen to attack first. You can use an online loan repayment calculator to get an exact number, or you can roughly estimate the number by dividing the amount you owe by the total payment you intend to make (minimum PLUS additional). Your estimate will be off by a few months because it does not account for interest payments, but it is easy to estimate if you don't have online access at the moment.

Example:

Debtor Name	Type of Loan	Amount Owed	Amount Rate	Minimum Payment Amount	Additional Payment Amount	# of payments left at maximum payments	Notes
Dept of Education	Student	\$20,167	6.8%	\$177			
ABC Financial	Mortgage	\$267,000	4.9%	\$1,417			
Visa #1	Credit card	\$567	27%	\$20	\$120	4	
MasterCard	Credit card	\$2,245	24%	\$32			

Activity: Create Your Debt Payoff Plan

Once you finish your first debt, apply the full payment of your previous debt (minimum PLUS additional payment) to the next debt:

Debtor Name	Type of Loan	Amount Owed	Amount Rate	Minimum Payment Amount	Additional Payment Amount	# of payments left at maximum payments	Notes
Dept of Education	Student	\$20,167	6.8%	\$177			
ABC Financial	Mortgage	\$267,000	4.9%	\$1,417			
Visa #1	Credit card	\$0	27%	\$20	\$120	4	
MasterCard	Credit card	\$2,245	24%	\$32	\$140	13	

Complete your debt payoff plan:

Strategy

Avalanche: Pay off highest interest debt first.

Snowball: Pay off lowest balance debt first.



Activity:

Review the Terms on Your Credit Cards

This activity leads you to gather the relevant terms and information about your current credit cards, compare those terms with other credit card offers, and decide whether obtaining a new card and transferring your balance would be beneficial to your personal financial situation.

Activity: Review the Terms on Your Credit Cards

1) Information on Your Existing Cards

Gather information about your existing credit cards and enter the information into the “Existing Cards” column below.

2) Shop for New Opportunities

Do a quick search online or just check the mounds of junk mail you’ve received at home for multitudes of credit card offers.

Don’t just look at the advertised, promotional rate. Those rates are almost always temporary. Check the full terms to determine the non-promotional rate that will be charged after the promotional period.

Especially note any balance transfer fees in the card’s terms and conditions. Sometimes the transfer fee is charged as a percentage of the total debt you transfer; other times it’s a flat rate.

Enter the information for the card offers you want to compare into the “Compare Cards” column below.

3) Compare and Transfer

Compare your current card’s rates, terms, promotions, and rewards with those offered on the cards that you gathered from your search online or the mail pile.

If your current rates are generally higher than what you see for the recently discovered cards, contact your credit card company, inform them of your research, and ask them to match or beat the rates on the ones you shopped.

If you are not satisfied with your current card company’s response to your request, you can begin the process of applying for one of the new cards you shopped previously and, if approved, transfer the debt from the old card to the new card.

Transferring a balance does NOT relieve you from the credit card debt. You are simply moving debt from one spot to another. But if the fee to transfer is less than the savings you gain in interest or the benefits you gain from rewards, then the transfer is worth the trouble.

Activity: Review the Terms on Your Credit Cards

Existing Cards

- Credit Card Name _____
- Current Interest Rate _____%
- Is this a Promotional Rate? Yes No
If Yes, List the Date the Rate Will Change
____/____/____
If Yes, What the New Rate Will Be _____%
- Balance Transfer Fee (If Applicable)

- Bonuses or Incentives that are Useful to You (e.g. 2% cash back on gas purchases)

Comparison Cards

- Credit Card Name _____
- Current Interest Rate _____%
- Is this a Promotional Rate? Yes No
If Yes, List the Date the Rate Will Change
____/____/____
If Yes, What the New Rate Will Be _____%
- Balance Transfer Fee (If Applicable)

- Bonuses or Incentives that are Useful to You (e.g. 2% cash back on gas purchases)

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If Yes, List the Date the Rate Will Change
____/____/____
If Yes, What the New Rate Will Be _____%
- Balance Transfer Fee (If Applicable)

- Bonuses or Incentives that are Useful to You (e.g. 2% cash back on gas purchases)

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If Yes, List the Date the Rate Will Change
____/____/____
If Yes, What the New Rate Will Be _____%
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Activity: Review the Terms on Your Credit Cards

Existing Cards

- Credit Card Name _____
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- Is this a Promotional Rate? Yes No
If Yes, List the Date the Rate Will Change
____/____/____
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You (e.g. 2% cash back on gas purchases)

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- Balance Transfer Fee (If Applicable)

- Bonuses or Incentives that are Useful to
You (e.g. 2% cash back on gas purchases)



Activity:

Transportation Worksheet

This activity provides a worksheet and step-by-step instructions to plan your major vehicle purchase. First you will evaluate your reasons for buying a vehicle. Then you will prepare a budget estimate, search for and compare vehicles, calculate all the monthly costs associated with the purchase, and consider alternative options.

Of course, many people dream of having a beautiful Ferrari parked in their driveway, but take a moment to think about what you need for transportation. What attributes do you honestly need in the vehicle you select? Consider not just the car's features, but the purpose of transport itself. Do you even need a vehicle? Let's explore.

Activity: Transportation Worksheet

Why Do You Need a Vehicle?

Some reasons are obvious – like getting to work – while others might be more subtly hidden in your emotions.

Primary Reasons

Getting to Work

Transporting Work Clients

Family Needs (Kids to school, daycare, shopping, daily errands)

Health Appointments (Doctor, dentist, exercise, personal care)

Transporting Family with Special Needs (Baby care seat, wheelchair accessibility)

Other _____

Secondary Reasons

I do not have time to spare to wait

It is more convenient and reliable than public transport

I feel it's safer than public transport

It gives me more options for conveying shopping and heavy items

I feel it's a key aspect of my independence and freedom

I feel it's an important part of my public appearance

Other _____

Activity: Transportation Worksheet

Budgeting the Cost of Your Vehicle

Vehicle Features & Attributes

Let's figure out what you will be looking for before we begin searching. Take a few moments to brainstorm the important things you want in a vehicle. Is there a particular type of vehicle you really want? Do you want to make sure you get above a certain number of miles per gallon? Are you primarily focused on getting the best deal for what you can afford? Will you be using your vehicle for things other than just commuting (i.e., hauling, towing, skiing, etc.)? Do you want to buy new or used?

Attribute	Critical	Important	Like-to-Have	Not Important
Safety				
Reliability				
Fuel Economy				
Handling / Performance				
Styling				
Features / Technology				
Comfort / Accessibility				
Size / Number of Seats				
Purchase Price				
Maintenance Costs				
Environmental Impact				
Utility (Hauling / Towing)				
Other				
Other				

Vehicle Search & Compare

Now that you have defined what you are looking for in a vehicle, you can begin comparing options. Let's start with the most obvious: price.

Many sites offer vehicle payment estimate calculators. Simply entering "Car Payment Estimator" into a search engine will yield thousands of results. For example, take a look at Car.com's calculator here:



[Visit: Monthly Payment Calculator](https://www.cars.com/car-affordability-calculator/)

<https://www.cars.com/car-affordability-calculator/>

With this calculator, you get to work a bit in a "backwards" direction by entering in your desired monthly payment along with other financial aspects of your purchase such as down payment, sales tax (if applicable), interest rate, and loan term. The output of this calculator gives you the total cost of the vehicle you can afford given the numbers you entered.

When gauging the affordability of a vehicle, always remember that there are costs beyond just the loan payment: insurance, gas, maintenance, and registration always need to be factored into your decision.

1. You will need a down payment (especially if you don't have superb credit).
2. You will need to pay documentation, title, registration, and license fees; some states also charge sales tax.
3. You will have to pay interest on the loan you take out.
4. You must qualify for the loan.
5. You must have full coverage insurance on any vehicle that is financed.
6. You will have other ongoing fees including registration, maintenance, and gas.

Now that we have a general starting price estimate for a vehicle, let's begin comparing easily quantifiable vehicle attributes such as fuel economy, safety ratings, horsepower, and estimated vehicle maintenance costs. There are many tools online that allow you to compare three or more vehicles side-by-side at the same time.

Activity: Transportation Worksheet

Now that we have a general starting price estimate for a vehicle, let's begin comparing easily quantifiable vehicle attributes such as fuel economy, safety ratings, horsepower, and estimated vehicle maintenance costs. There are many tools online that allow you to compare three or more vehicles side-by-side at the same time.

Vehicle Search & Comparison



[Visit: Cars.com](https://www.cars.com/)

Start Search

<https://www.cars.com/>



[Visit: AutoTrader.com](https://www.autotrader.com/)

Start Search

<https://www.autotrader.com/>

If you do not have any makes or models in mind, it may be best to simply start with your price estimate and browse vehicles that fall at or under that price. Once you find a few that you like, you can begin comparing them according to the other vehicle attributes you listed above.

Used vehicles typically cost less, require lower insurance coverage, and hold their value better over time. Your new vehicle will be worth a lot less the second you drive it out of the dealership, because it isn't "new" anymore.

You can use websites such as those linked above to specify your search to used vehicles only. You can also search for your local dealership's website to check if they have a "used inventory" section within their website.

Activity: Transportation Worksheet

Quantifying Your Purchase

Now that you have narrowed down your purchase decision to a vehicle or two, let's do a final in-depth financial comparison.

	Vehicle 1	Vehicle 2
Upfront Costs		
Listed Price		
Sales Tax*		
Vehicle Title**		
Vehicle Registration**		
Vehicle License**	\$ _____	
	Total Upfront Costs Sum the above items in this column \$ _____	Total Upfront Costs Sum the above items in this column \$ _____

*If Applicable. Not all states charge sales tax.

To calculate sales tax, enter the listed price of the vehicle on your calculator, click the multiply, “*” or “x” symbol and then enter the decimal form of your state’s sales tax rate (see examples below). Then click the equal “=” symbol. This number is the amount of tax you must pay in addition to the cost of the vehicle.

Examples of percentages in decimal form:

7% = 0.07 7.5% = 0.075 9% = 0.09 9.2% = 0.092 11% = 0.11 11.3% = 0.113

**Vehicle title, registration, and license fees also vary state-by-state. Visit your state’s Department of Motor Vehicles (DMV) website to determine your estimated costs.

Activity: Transportation Worksheet

	Vehicle 1	Vehicle 2
Available Funds & Assets		
Available Cash for Purchase		
Estimated Value of Trade-in*		
	Total Down Payment Sum the above items in this column \$ _____	Total Down Payment Sum the above items in this column \$ _____

*A “trade-in” is just a purchasing term that means you will sell the vehicle you currently own to the seller at the same time you purchase the new vehicle.

Similar to researching fair prices for the cost of the vehicle you want to buy, you can research the fair price for any vehicle you plan to include as a “trade-in” when you purchase your new vehicle.

Using your current vehicle’s specifications (make, model, year, features, mileage) you can get an estimated range of your vehicle’s worth.

Activity: Transportation Worksheet

Now that we know the full up-front cost of what you want to buy and how much you have available for a total down payment, subtract your down payment from the total cost to calculate the amount you will need to finance.

	Vehicle 1	Vehicle 2
Financing		
Amount Needed to Finance*		
Estimated Interest Rate**		
Loan Term (Months)		
	Monthly Loan Payment \$ _____	Monthly Loan Payment \$ _____

*Using your preferred loan payment calculator, enter the total amount you need to finance, an estimated interest rate, and the term of the loan.

Simply entering “Auto Loan Calculator” into any search engine will give you thousands of options. Remember: you have already factored in the down payment, trade-in value, and sales tax in previous calculations.

**Interest rate is just another part of the cost of your vehicle. You can shop around for financing offers. Vehicle dealers try to simplify the purchase by combining all purchase elements into a single, easy-to-understand, monthly payment; and there is nothing inherently wrong with that. It is just important for you to remember that the cost of the vehicle, your trade-in value, and your interest rate can be separate parts of the negotiation for buying your vehicle.

Activity: Transportation Worksheet

	Vehicle 1	Vehicle 2
Total Monthly Expenses		
Monthly Loan Payment (Same as above)		
Annual Vehicle Registration Cost divided by 12		
Monthly Insurance*		
Fuel		
How many miles do you drive per day?	A)	A)
How many miles per gallon (MPG) does your vehicle estimate?	B)	B)
Estimated average cost of 1 gallon of fuel in your area	C)	C)
Calculate Your Monthly Fuel Costs**	$\left(\frac{A}{B} * C\right) * 30$ \$ _____	$\left(\frac{A}{B} * C\right) * 30$ \$ _____
Monthly Maintenance***		
	Total Down Payment Sum the above items in this column \$ _____	Total Down Payment Sum the above items in this column \$ _____

*If you are financing a vehicle, in most cases you will be required to purchase full insurance coverage and not just liability. Most insurance companies can provide estimates on the spot if you have the vehicle's VIN.

Activity: Transportation Worksheet

**To calculate monthly fuel costs, enter the estimated number of miles you drive per day on your calculator, click the divide, “÷” or “/” symbol, then enter the estimated miles per gallon (MPG) of your vehicle. Then click the multiply, “*” or “X” symbol, and enter the average cost of 1 gallon of fuel in your area. Click the multiply, “*” or “X” symbol again, and enter 30. Then click the “=” symbol. This number is your estimated monthly fuel costs.

***For newer vehicles, maintenance will be the basics: car washes, oil changes, air filters, tires, brakes. Many of these items can be roughly estimated according to the amount of mileage expected before they need replacing.

For example, many tires start to show need for replacement after around 12,000 miles. If you drive 500 miles a month, then you will need to replace your tires every 2 years. If a set of 4 new tires costs \$400, then you will need to budget \$16.66 per month for tires ($\$400 / 24 \text{ months} = \16.66 per month).

For older vehicles, you will need to prepare the same maintenance budget, while also increasing your emergency fund to accommodate more significant repairs. If the radiator goes out, do you have \$500 available to replace it in a short amount of time?

What Other Options are Out There?

Sometimes having your own vehicle is not necessary, especially in large cities where there are a lot of transportation options. Maybe you live in a city that has an amazing bus/train/subway system that will take you straight to work. Maybe you would enjoy riding a bike to work if there is a safe route. Maybe something like ZipCar – where you rent a “public” vehicle for short periods of time – would best fit your needs. Maybe you can work remotely from home, and simply order an Uber or Lyft ride to run your weekend errands.

This is a difficult decision for some people who feel that having a vehicle is a major aspect of their independence and standard of living. Simply take a moment to explore the idea. Small adjustments to your lifestyle may free you from the costs and worries of vehicle ownership; it is a very personal decision for you to explore in earnest.

If you discover that you may be able to adapt to a combination of alternative transportation options, the time and convenience opportunity costs are not too great, and you would reap large savings in monthly expenses by using alternative transport compared to vehicle ownership, you may want to give the concept a test run for a few weeks.

If after all this research you discover that you don't really need a vehicle, you can now enjoy a good percentage of your income that everyone else places into vehicle ownership. Where else in your lifestyle or future financial situation would you like to invest this new-found money?



Activity: Home Loan Qualification Assessment

This activity provides an assessment tool that helps you evaluate whether you may be able to qualify for a home mortgage in the area(s) where you are interested to buy a home.

Activity: Home Loan Qualification Assessment

Answer the questions below to assess whether you are ready to begin the process of qualifying for a home loan in your chosen location.

1. To get a rough idea of the dollar amount of the home loan you may qualify for, divide your total gross monthly income by 3. This figure will give you a rough idea of the near-maximum payments you could qualify for:

Total gross monthly income \$ _____ / 3 = \$ _____

2. To get a rough idea of how much home you can afford, multiply your gross annual income by 3. Although this calculation can vary significantly based on lender and location, this will give you a ball-park figure:

Total gross monthly income \$ _____ X 3 = \$ _____

3. As a VERY rough estimate, each \$1,000 lent to you for your mortgage equals about \$50 per month in payments. MANY things affect your actual payment such as loan term, interest rate, property tax rates and PMI. This is purely an exercise to get a rough, ball-park idea of the maximum "amount of house" you can afford.

Mortgage amount \$ _____ / 1,000 = \$ _____ X \$50 = \$ _____ monthly payment

4. Gather information on current property values, mortgage interest rates, property tax rates, and insurance rates in the area where you want to purchase.

Current average home value: \$ _____

Current average mortgage interest rate: _____%

Current property tax rate: _____%

Current average insurance rates: _____


Activity: Home Loan Qualification Assessment

5. Complete the budget worksheet below.

 Home Renting Expenses	Current	Goal
Rent		
Renters Insurance		
Other		
Other		
Sub Total:		

 Home Ownership Expense		
Fixed Rate Mortgage Payments		
Adjustable Rate Mortgage Payments		
Property Taxes		
Homeowner Insurance		
HOA Dues or Assessments		
Maintenance		
Other		
Sub Total:		

Activity: Home Loan Qualification Assessment


 Utilities	Current	Goal
Electric		
Gas		
Water / Garbage		
Cable/Satellite		
Phone (cell)		
Internet		
Home Security		
Other		
Sub Total:		

 Other Insurance		
Health Insurance		
Life Insurance		
Long-term Disability		
Umbrella Insurance		
Other Insurance		
Sub Total:		

Activity: Home Loan Qualification Assessment

 Kids & Caregiving	Current	Goal
Children's Activities		
Child Care		
Child Support		
Alimony		
Caregiver		
Sub Total:		

 Pets		
Pet Supplies		
Veterinarian		
Pet Insurance		
Grooming & Boarding		
Other		
Sub Total:		


 Educational Expenses		
Professional Development		
School Tuition		
Books		
Other		
Other		
Sub Total:		


Activity: Home Loan Qualification Assessment

 Transportation Expenses	Current	Goal
Vehicle 1 Payments		
Vehicle 2 Payments		
Insurance		
Registration		
Gas		
Maintenance		
Public Transportation		
Taxi / Ride Sharing		
Other		
Sub Total:		

 Health & Fitness		
Gym Membership		
Alternative Medicine		
Supplements & Vitamins		
Doctor Visits		
Dentist Visits		
Prescriptions		
Eye Care		
Other		
Sub Total:		

Activity: Home Loan Qualification Assessment

 Fees & Charges	Current	Goal
Banking Fees		
Credit Card Fees		
Mismanagement fees (late, overdraft)		
Other Fees		
Sub Total:		

 Loans & Debt Expense		
Credit Cards		
Personal Loans		
Student Loan		
Tax Debt		
Appliance Loans		
Other		
Sub Total:		

 Variable Personal Expenses		
Groceries		
Vitamins & Supplements		
Cell Phone		
Personal Items		
Subscriptions		
Other		
Sub Total:		

Activity: Home Loan Qualification Assessment

 Entertainment	Current	Goal
Entertainment (movies, concerts)		
Eating Out & Drinks		
Hobbies & Recreation		
Random Purchases		
Other		
Sub Total:		

 Personal Care	Current	Goal
Clothing		
Laundry / Dry-cleaning		
Personal Grooming (hair, nails)		
Skin Care (makeup, lotions)		
Other		
Sub Total:		

 MSC	Current	Goal
Donations / Charity		
Other		
Sub Total:		

Activity: Home Loan Qualification Assessment

Monthly Savings Contributions	Current	Goal
Emergency Fund		
Short-term Fund		
Long-term Fund		
Other		
Other		
Sub Total:		

Total Current Expenses

Total Goal Expenses

Activity: Home Loan Qualification Assessment

6. Finally, compare the amount your budget suggests you can put toward total housing costs with home prices, mortgage interest rates, property taxes, and insurance rates in the area where you want to buy. Does the reality of real estate costs in your desired area match your budget?

Yes

No



Loans & Debt

Post-Education Case Study: Level – Financial Foundation & Growth

A case study is essentially a story – it provides an illustration of how financial lessons can be put into action by real people in real-world situations. Case studies are engaging and relatable, and offer solid evidence of the practical value financial education has to help people solve problems and make sound life decisions.

Financial Foundation & Growth

Post-education Case Study

Tom, who is 35, and Jacque, who is 32, want to buy their first home together. They found a three-bedroom house in a desirable area of town and have talked with a loan officer at their bank about getting a mortgage. While they have decent credit scores, they'll still need \$25,000 for a down payment and closing costs.

They can borrow from Jacque's 401(k) or take out a second mortgage to cover this expense. The loan officer says that if they take on any other type of debt it could prevent them from getting the mortgage loan.

Their savings account has an \$18,000 balance, but they also have \$15,000 in credit card debt they must pay off before they can qualify for a mortgage. The house payment would be about the same as their rent, so they know they can afford the mortgage payments within their current budget. Property taxes and homeowner's insurance are included in their total monthly mortgage payment to the bank.

Monthly payments would be about \$300 if they choose the second mortgage. If they borrow the money from the bank instead of using retirement savings, they'll pay 3.75% interest over a 10-year term. Dedicating an extra \$300 each month to a second mortgage isn't financially out of reach for them. They spend several hundred dollars each month on entertainment and weekend trips. They agree that as homeowners, they'll be content to change their lifestyle and go out less frequently.

Jacque doesn't like the idea of making a \$300 payment each month for 10 years. She wants to have a baby within the next five years and would like to pay off the \$25,000 debt as soon as possible so they can save money and start a family.

They'll have to pay back the 401(k) loan within five years at a 6% interest rate. The payment will be about \$480 each month. While this amount isn't going to prevent them from paying bills and living comfortably, Tom has concerns that they may face challenges trying to reduce their costs by nearly \$500 each month. Tom is also concerned because Jacque's 401(k) balance is \$50,000 and borrowing the down payment and closing costs from the account would reduce it by half. Tom doesn't have any money set aside for retirement, but wants to start contributing to his employer-sponsored retirement account as soon as they get settled in their new home.



Jacque has never contributed more than the 5% of her salary required to get the company match. She doesn't think it's necessary to increase her contributions and isn't bothered by the idea of borrowing from her retirement account if that's what it takes to get them into their new home. She says that buying a home is an investment in their financial future and considers it just as important as building retirement savings.

1. What options do Jacque and Tom have that would help them both reach their goals? Is there a middle ground in this situation?
2. What suggestions do you have for the couple as they try to balance saving for retirement with paying off debt?
3. What do you think a financial advisor would tell Tom and Jacque to do in this situation?



4. How can Tom and Jacque reduce the overall financial stress of having to choose between saving money and buying a home?





Loans & Debt

Post-Education Case Study: Level – Financial Challenges & Recovery

A case study is essentially a story – it provides an illustration of how financial lessons can be put into action by real people in real-world situations. Case studies are engaging and relatable, and offer solid evidence of the practical value financial education has to help people solve problems and make sound life decisions.

Financial Challenges & Recovery

Post-education Case Study

Marni works two jobs because she wants to pay down her credit card balances. Her goal is to one day own her own business, and she knows she must protect her credit score. She wants to get her debts paid off within the next two to three years, then shift her focus to saving money. She makes the minimum payments on six credit cards, which adds up to about \$300 per month. She pays an extra \$500-\$600 per month on the card with the smallest balance.

Focusing on her credit card debt means that she doesn't have any money left over to put in her savings account. Last week her refrigerator stopped working, so she used a credit card to buy a new one. Her mechanic says her truck needs a new alternator, and the repair will cost \$300. She'll have to charge that expense, as well.

Some months Marni makes progress toward reducing her total credit card balance of \$15,000. But for the past few months, unexpected expenses have caused her to go deeper into debt.

Marni's cousin is getting married next month. She'll have to fly across the country, pay for three nights in a hotel, and buy a new dress to wear to the event. The trip will cost about \$2,100. Her entire family will be there and she's looking forward to spending time with relatives she hasn't seen in years.

She knows she'll have to replace her vehicle soon, as well. Even a used car would add between \$5,000 and \$8,000 to her total debt load.

The money from her two jobs covers all her living expenses and bills with about \$600 left over each month. She worries that if she must continue to use the cards to cover unexpected expenses, she'll be stuck in a cycle of paying off high-interest credit card debt indefinitely.

Marni hears ads on TV and sees articles online about getting a personal loan with a fixed interest rate to pay off credit card debt. She wonders if that option may be better than trying to chip away at the balances on her credit cards little by little. She knows she could qualify for a loan that would pay off her high-interest credit card debt in 28 months.

Getting the loan won't hurt her credit, but if she has any more unexpected expenses, she won't be able to cover them with her income because of the higher monthly payments on the personal loan. She also understands that she'll have to continue to use her credit cards occasionally as a safety net. Closing the accounts would hurt her credit and she's been unable to save any money. If she goes any farther into debt, she's not sure how she'll be able to preserve her good credit.



Marni is confused about which option offers her the best chance of eventually paying off her credit card debt, so she can redirect her energy toward saving money to open a business someday.

1. Identify the steps Marni should take to get her credit card debt paid off as quickly as possible.
2. If you were a loan officer, would you approve Marni for a low-interest loan?
3. What would a financial professional advise her to do next?



SECTION 5

...

CREDIT PROFILE



KĀLĀ CAPITAL PARTNERS

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Credit Profile

Lesson Warm-up: KWR & VIQQS



VIQQS

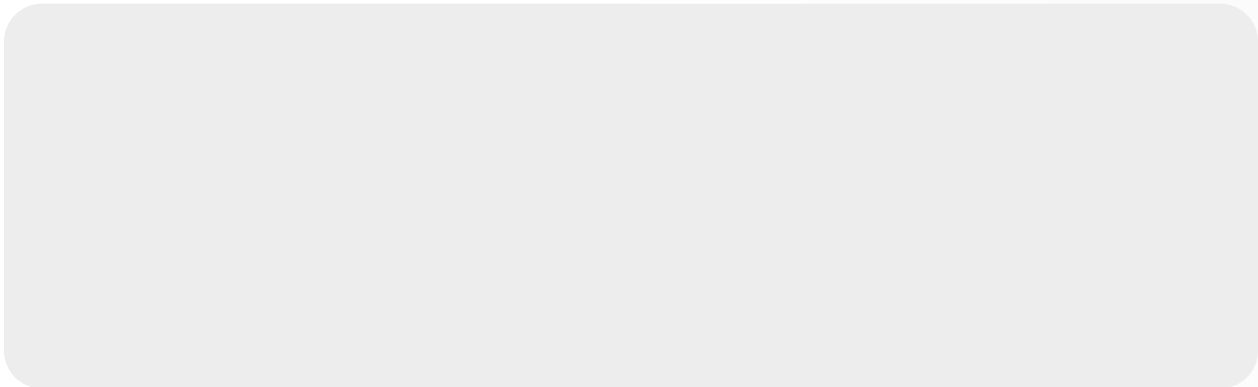
The VIQQS activity is designed to support various learning styles and gives you the freedom to activate your own existing knowledge in ways that work for you. The VIQQS acronym stands for Video, Image, Quote, Questions, Sounds. You are provided with each of these different cues and instructed to free-write, reflect, or participate in group activities to activate prior knowledge, laying the foundation to connect with the new information you're about to learn. The VIQQS method builds on the KWR strategy to continue the activation of prior knowledge; but has the added benefit of appealing to a variety of learning styles, including visual, auditory, reading, and kinesthetic.



Video



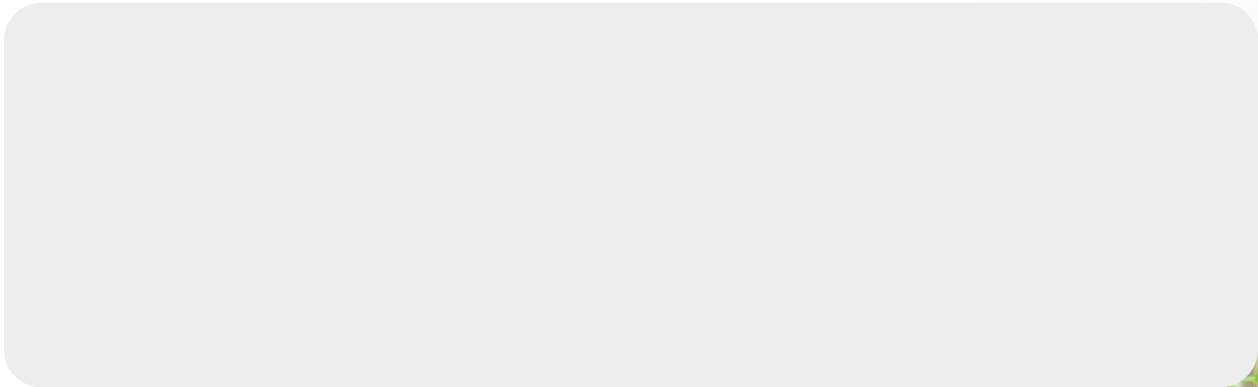






Image





Quote

“

A man who pays his bills on time is soon forgotten.

- Oscar Wilde, Irish poet and playwright


”

Question

?

What is the definition of “good credit,”
and what impact does it have in our lives?




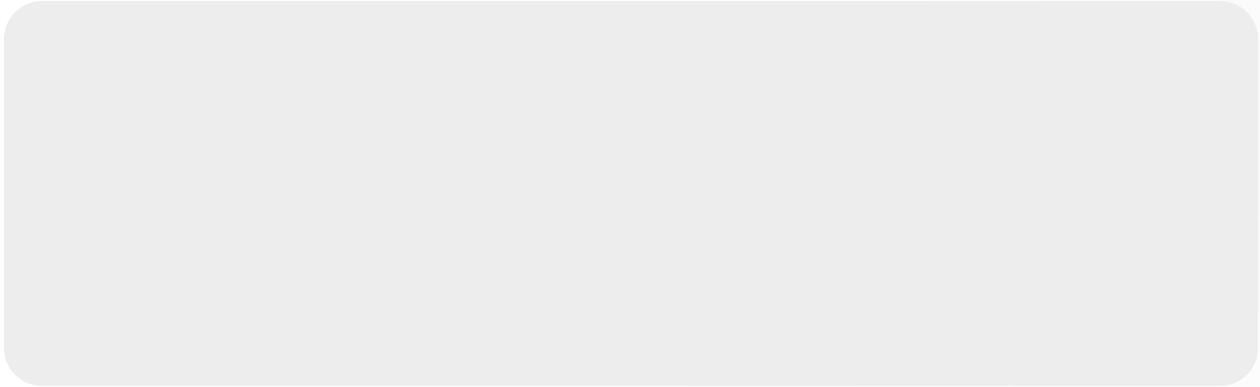


Sound

▶ 0:00 / 0:24

🔊 ⋮







KWR

The purpose of a KWR chart is to help you organize your thoughts about information. A KWR chart provides you with a method to organize and simplify your thoughts when reading complex information.

Education Reason – Research shows that, when you connect existing knowledge about a topic to a new topic you are learning, it is easier to pick up the new concept and increase your knowledge about the subject matter. By connecting previous experiences to new information as you learn it, it becomes easier to recall and retain the information you have learned.

How a KWR Works – Using a KWR chart will help you organize and clarify your thoughts. Let's dig deeper into how this type of chart works.

K stands for what you already know about a subject or topic. One way to approach using this column is to brainstorm any words, terms, or phrases you have heard or associate with that topic. For example, you might think about the term “finance” and associate words like money, wealth, happiness, rich, or vacation when you hear that term. This activity can be expanded by choosing a word that you wrote down, such as money, and asking yourself “What made me think of that word, and why do I associate it with wealth?” This activity can be extensive, and you should be open to writing down as much information as possible without worrying about whether it is right or wrong.

W stands for what you want to learn about a topic. Always be sure to remember that no question is stupid, so write down anything that comes to mind. Thinking about the term finance, you may have questions such as “What makes someone wealthy?” or “How do I start a savings account?” The list of questions could be endless, and that's ok. Each question will help strengthen your understanding of the topic and expand your knowledge.

Another great question to ask yourself is “What would I like to learn more about regarding this idea?” This way of thinking helps change your perspective and approach to the question.

Finally, **R** stands for how this information relates to your life. This column helps you sort your thoughts about how you can take information and immediately apply it to your life. For example, you may realize that you associate wealth with being bad or that being wealthy means others will suffer. These thoughts could then lead you to start thinking about how you approach money and why you are hesitant to make more money or appear wealthy to others. The R column allows you to expand on the first two columns, while making deeper connections to your current life status.

Instructions – Using the chart provided below, you will complete your KWR chart by listing what you currently know about this topic, what you want to know, and how this topic relates to your life. There are no right or wrong answers. Just reflect on the topic and write down whatever comes to mind for each question.

K

What I Know. Think about what you already know about this topic and make a list that includes all these ideas. Don't worry about whether it's right or wrong; give yourself the freedom to write whatever comes to your mind about the topic.

W

What I Want to Know. What questions do you have about this topic, and what do you want to know more about? List all your questions. Also, note any areas about which you may be unsure and that you would like to learn more about.

R

How It Relates to My Life. How does this topic relate to your life? List the ways in which you think this topic may affect your life and the personal reasons you have for picking up the information.

Share Additional Insight

Once you complete the lesson, answer the following questions.

1. What is one thing you learned about this topic that surprised you?
2. How could you share this knowledge to help others learn more about this topic?
3. What topic or idea do you feel you didn't learn enough about and would like to expand your knowledge on further?
4. What is one habit or change you would like to make in your life, given the information you just learned?

5. How did learning about this information make you feel?

6. How will this information change your life in a more positive way?

7. How can I expand your learning once this class is done?

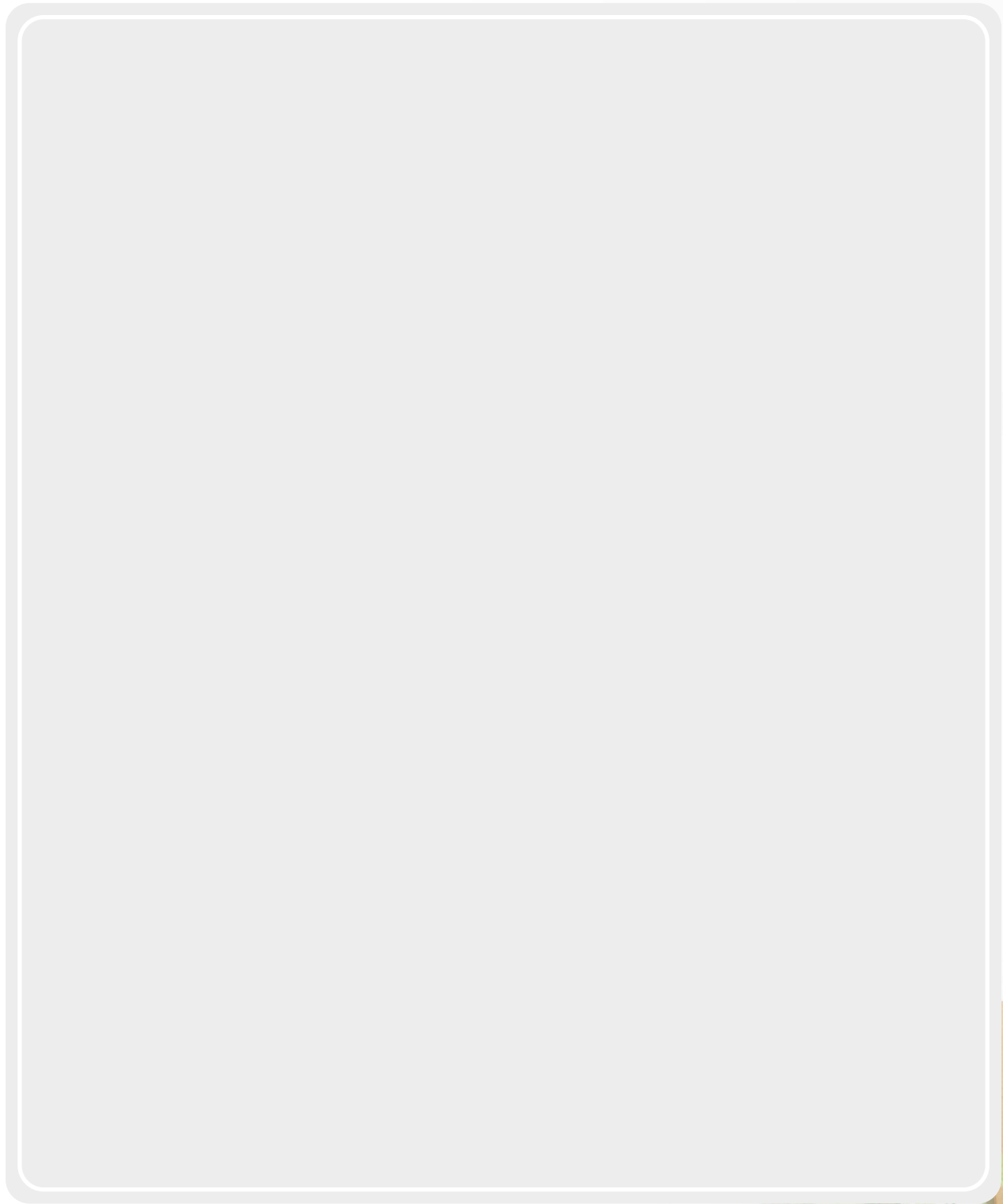
After completing this activity, rate your level of experience, on a scale of 1-10, about your understanding of this topic.

Rate:

1 – I understand little about this topic

10 – I feel confident in the content I have learned and would be able to share my knowledge with other

Next, make a list of all the topics or ideas about which you would be interested in learning more.





Reasons to Learn Credit Profile: Benefits & Imagery

To start the topic, we're going to walk you through an activity designed to help you get into a productive state of mind for learning. The activity is a story about a person or people who are experiencing certain life events. As you go through the story, just let your mind go. The idea is to feel whatever emotions you feel when you hear the characters' story, and then those emotions can translate into motivation to learn and take positive action.

Emily Misses Out

Emily has been working in the finance department of her company for almost 10 years now, and she wants to make a change. She recently heard about a job opening up at one of her company's competitors. The position would be a step up, but Emily believes she qualifies based on her experience.

Emily applies for the position. The application asks for her social security number to check her credit history.

Emily has no idea what her credit score looks like. She has two credit cards; one is maxed to the limit. Emily usually makes her minimum payments every month, but pays late once in a while. She had several late payments on her car loan in the past year. She applied for a personal loan, but the decision is pending. A few years ago she defaulted on a credit card, and there was a judgment against her.

Emily receives a letter in the mail telling her that, due to her credit history, she did not meet the minimum qualifications for an interview. Emily feels hurt, embarrassed, and angry. She is frustrated to miss out on this opportunity.

Clear Your Mind Transition

OK, that probably didn't feel very good. But many people face scenarios like this at some point in their lives. Now just take a moment to clear your mind.

Shake out your body. Take a nice, deep breath. Roll your shoulders a couple of times.

Stand up, then sit back down. Take another deep breath.

Emily Qualifies for a Better Job

Emily has been working in the finance department of her company for almost 10 years now, and she wants to make a change. She recently heard about a job opening up at one of her company's competitors. The position would be a step up, but Emily believes she qualifies based on her experience.

Emily applies for the position. The application asks for her social security number to check her credit history.

Emily recently got her credit report, so she knows her credit score is 750. She has two credit cards that she uses for minor purchases and pays off in full every month. She has an auto loan



with a \$350 monthly payment, but she makes payments of \$400 a month to pay off the principal balance faster. Emily avoids applying for credit very often to make sure she doesn't have hard pulls damaging her score. She has no negative marks on her credit history.

Emily receives a call from the new company. They have reviewed her application and are interested in speaking with her in person. Emily schedules an interview with the company.

At the interview, one of the panel members mentions that Emily's credit history is stellar. Emily answers all their questions to the best of her ability and, when she completes the interview, she leaves feeling positive and encouraged. She is not sure she will get the position, but she feels confident and happy that the company showed interest in her and that the interview went well.

Reflection

Emily learned the hard way that qualifying for a career position may involve one's credit history in addition to one's background and experience. If she had been aware of her credit problems, she could have taken steps to correct her past mistakes prior to branching out into applying for a new job. There are many advantages to learning how to get and maintain an excellent credit profile; qualification for employment represents just one such benefit.



Reasons to Learn Credit Profile: Benefits & Imagery


Your motivation for learning about money plays an important role in your financial success. Gaining money management skills supports both your motivation and your ability to achieve your financial goals. In this activity, you're going to use a sales strategy called the "Ben Franklin Close." It's a valuable technique that salespeople use to close a sale. The "Ben Franklin Close" helps you logically evaluate the pros and cons of any action you want to take.

On the left side of the "T" chart below, write your **reasons for** learning about credit profile. Then on the right side of the "T" chart, write your **reasons against** learning about credit profile.

Evaluate your answers. Do your "reasons for" outweigh your "reasons against" learning about credit profile?

Reasons For	Reasons Against





Preview Activities: Crib Notes & T.H.I.E.V.E.S. for Credit Profile

This student guide will support you as you complete the T.H.I.E.V.E.S. pre-reading exercise. Using this guide, you will employ a reading preview model to preview the section, activate your prior knowledge about the topic, and set a purpose for doing the reading. Crib notes also are provided; this student resource provides a summary review of the content of this lesson and also allows you to complete the T.H.I.E.V.E.S. pre-reading exercise: “Summary of What the T.H.I.E.V.E.S. activity is.”

Credit Profile Crib Notes

Credit refers to an arrangement where you defer payment for borrowed money or a purchased item until later. Three primary credit bureaus – Equifax, TransUnion, and Experian – collect and store information about your financial obligations. That information is compiled into your credit history. They assign you a credit score based on that history, and publish a summary called your credit report. Getting and maintaining good credit saves you money by helping you qualify for loans at better terms. Many employers now check applicants' credit before hiring, and landlords review renters' credit history.

Two components make up your credit profile: credit history and credit score. The credit bureaus compile details on all your loans for the past 7-10 years. Then two credit scoring companies (FICO and VantageScore) generate a score based on those details. The score is based on 6 elements: payment history, amounts owed, length of credit history, new accounts, types of credit, and amount of credit to which you have access. Scores range from 300 to 850. The higher your score, the better. Tips for keeping your score high: pay all bills on time; keep total debt low; build or repair a good score; keep inquiries to a minimum; have health and auto insurance; and check your credit once a year.

It's vital to check your credit regularly. Once a year, obtain your credit report from www.annualcreditreport.com. Only one report from each bureau is free each year. If you have negative items on your credit report, you can work to repair them. You can hire businesses like credit repair agencies, consumer counselors, debt consolidation firms, and debt settlement firms to help. They will charge for their services; also beware of scams. You can challenge errors or fraudulent activity on your report by contacting the credit bureaus and the company reporting the item. Bad debts usually vanish from your report after 7 years; bankruptcy and tax liens take 10 years. You also can negotiate settlements, payment plans, or reduced interest rates with lenders.

Identity theft is an increasingly prevalent problem that can affect your credit score, finances, and personal life. Identity theft occurs when a criminal steals your information and uses it to access accounts you have open, create new accounts in your name, or commit fraud. Identity thieves use various methods including searching trash, mail theft, stealing data from old electronics, redirecting you to different websites, calling or emailing you to ask for personal information, infecting your computer with a virus, stealing or finding your wallet/credit card/ID.

Preview Activities: Crib Notes & T.H.I.E.V.E.S. for Credit Profile

Tips to prevent identity theft: 1) never disclose personal or account information over the phone unless you initiated the call; 2) guard account information; 3) report lost cards immediately; 4) check account transactions often; 5) never carry your PIN with your card; 6) keep your Social Security card and other documents locked and hidden; 7) properly shred and destroy old cards, statements, and documents; 8) never use public computers or public access Wi-Fi connections to access your accounts. Check URLs for “https” which means the website is secure. Freeze your credit with the credit bureaus if you suspect your identity has been compromised.



Reason / Purpose

Scanning what you are about to read can help you understand the big picture and recognize important areas you will be covering. We use the THIEVES model to maximize your ability to tap into prior knowledge, determine what you will learn from the lesson, and create a plan for your learning. The T.H.I.E.V.E.S. acronym stands for elements of the text:

- Title,
- Heading,
- Introduction,
- Every first sentence,
- Visual and vocabulary,
- End of chapter questions, and
- Summary.

The THIEVES model will help you learn the reading process. Before reading, you will use each element within the acronym (T.H.I.E.V.E.S.) to write or think about each question that is associated with the letters of the acronym of the model. Essentially, THIEVES is a three step process that first enables you to preview the text prior to reading it, then explain the different elements of the text through the evaluation of each letter of the acronym, and finally facilitate your learning by modeling how to use this strategy until you are comfortable with the steps in the process.

You may choose to complete the THIEVES activity in its entirety, responding in the space provided for each letter in the acronym. Or, if you have limited time, you may choose to review the crib notes version of the lesson and then skip directly to the “Summary” section (the “S” in “THIEVES”) and type in your answer based on the crib notes.



Instructions

Follow the THIEVES model guidelines and complete the chart. On the next two pages is a table of seven sections or columns (T.H.I.E.V.E.S.). Read the instructions for each section, respond to the instructions for each column, and then type the response in the space provided. Or, if time is limited, review the crib notes for this lesson, then skip directly to the “Summary” section (the “S” in “THIEVES”) and type in your response based on the crib notes.



THIEVES Model	Your Answers
T: Title – Look at the overall title of the lesson. What does the title tell you about what you can expect to learn in this lesson?	
H: Headings – Look at all of the headings and subheadings in this lesson. What do the subheadings tell you about what you can expect to learn in this lesson?	
I: Introduction – Read the introductory paragraph. What two or three topics does it tell you the lesson will talk about?	
E: Every first sentence in a paragraph – Read the first (topic) sentences of each paragraph. What are the topics of each paragraph?	

THIEVES Model	Your Answers
V: Visuals and Vocabulary – Look at all the images and vocabulary terms. What topics do they indicate are important?	
E: End-of-Chapter questions – Look at the review questions at the end of the section. What topics are they asking you to review?	
S: Summary – Read the summary of the lesson. What does it say are the key topics you should have learned?	





Credit Profile

Pre-Education Case Study: Level – Financial Foundation & Growth

A case study is essentially a story – it provides an illustration of how financial lessons can be put into action by real people in real-world situations. Case studies are engaging and relatable, and offer solid evidence of the practical value financial education has to help people solve problems and make sound life decisions.

Financial Foundation & Growth

Pre-education Case Study

Sebastian and Lori recently married and have a one-year-old child. They both have decent-paying full-time jobs and they purchased a home six months ago. When they got the mortgage loan, they had to use Sebastian's credit profile and leave Lori out of the calculations.

Lori lived with her sister, Danielle, for five years before she met and married Sebastian. During that time, Danielle used Lori's social security number to obtain a credit card. Lori wasn't aware that her sister had used her personal information to get access to credit. After making the payments on time for two years and getting several credit increases, Danielle let the account go to collections.

Eventually, the credit card company sued Lori, which is how she learned what Danielle had done. Unfortunately, by then the debt had grown to more than \$15,000. Lori had to choose between taking responsibility for the debt or turning her sister in. Lori knows she would be off the hook for the debt if she reported it as fraud, but the credit card company could also file criminal charges against Danielle.

After learning about what could happen to her sister, Lori decided to keep quiet. Lori thinks her credit is ruined for at least the next seven years. As a result, Lori and Sebastian must rely on his credit profile, payment history, and record of past income for all their financing needs. This situation is compromising their financial future.

Lori's friends think she should talk with a lawyer about her options. They mention hearing ads for credit repair companies on the radio and seeing them on television. When the subject comes up, they often ask Lori why she hasn't just hired one of those companies to take care of the problem for her.

Lori doesn't want to get into trouble for breaking the rules, and she doesn't trust credit repair companies that promise to "fix any credit problems" for a fee. She also doesn't want her sister to end up in jail, which she feels will happen if she enlists the help of one of these companies.

Sebastian worries that they'll have to eventually come up with well over \$15,000 to cover the debt, attorney's fees, and collection costs because of Danielle's decision to use Lori's social security number to get a credit card.



Lori wants to work out a payment plan with the creditor who won the judgement against her, but Sebastian thinks they should research their options and possibly try to hold Danielle responsible for the debt. Neither of them feel like they can start working toward a secure financial future with this issue hanging over their heads.

1. If you were friends with this couple, what would you tell them to do?

2. What are Lori's options in this situation?





Credit Profile

Pre-Education Case Study: Level – Financial Challenges & Recovery

A case study is essentially a story – it provides an illustration of how financial lessons can be put into action by real people in real-world situations. Case studies are engaging and relatable, and offer solid evidence of the practical value financial education has to help people solve problems and make sound life decisions.

Financial Challenges & Recovery

Pre-education Case Study

Kelly has three credit cards that she uses on a regular basis. She's had the cards for more than ten years. All three cards have high credit limits, so she doesn't worry much about the balances. The money she earns from her waitressing job isn't steady, but she can usually pay the bills every month and still have money left over for food, gasoline, and entertainment. She would like to pay down the balances on her credit cards, but when she has a slow month she uses her credit cards to pay for necessities.

Her total credit card balances are \$10,200. She always makes the minimum payments on time and tries to reduce the balances when she has a good month at work. She added up her interest charges from her last billing cycle and realized that her minimum payments cover monthly interest charges and not much more.

Every year, when she gets her tax refund, she pays down the balances on the credit cards. She's never had a tax refund big enough to pay them all off completely.

She sees advertisements from her credit union about debt consolidation loans, but isn't sure if she would qualify with her credit rating. Even though she knows paying her credit card bills on time helps her credit, she also realizes that her past money problems have had a negative effect on her FICO score.

She defaulted on a car loan a few years ago and the vehicle was repossessed. Unpaid medical bills from a time when she didn't have health insurance went to a collection agency, which causes her anxiety when her phone rings.

At the rate she's going, her credit card balances will continue to grow. Kelly knows she would need to pick up extra shifts at work and really tighten up her budget to get her credit cards paid off by paying more than the minimum amount due every month. Even then, it would take her two years to get all three cards down to a zero balance.

With a consolidation loan, she would make the same payment every month until the debt is paid. Kelly doesn't know how to check her credit or how to interpret the information in her credit file. While she would prefer a plan for paying off the debt, she isn't sure what to do next.



1. What are Kelly's options in her current situation?

2. What did Kelly do to get herself into this situation?





Activity:

What is Credit?

This activity asks you to complete two brief exercises to demonstrate your understanding of the term 'credit' and the different ways in which it is used.

Activity: What is Credit?

The word 'credit' has a few meanings. It's important to understand the components that make up your credit profile, as well as to understand how they are used to reference different aspects of your credit.



i. Complete the sentence below using the provided terms.

I received a copy of my credit _____ from one of the credit _____.

Because of my good credit _____ from paying my bills on time, I have built an excellent credit _____.

Terms: Bureaus History Score Report



ii. Match each term with its definition:

1. The ability to obtain goods or services before payment is made based on the lender's trust that you will make that payment.
2. A summary of your credit history.
3. A numeric expression of a person's creditworthiness.
4. A record of your ability to repay debts.
5. A tool used to borrow money.
6. The ability to obtain goods or services before payment is made based on the lender's trust that you will make that payment.

a. Credit Score

b. Credit Report

c. Credit History

d. Credit Bureaus

e. Credit

f. Credit Card



Activity:

Root Causes of Credit Problems

This activity reviews your comprehension of what you've learned about some of the common root causes of financial problems related to credit.



i. Match each credit problem to its corresponding definition.

1. may be caused by payment mismanagement, not automating finances, low income or inconsistent income, or having expenses too high. Starting to make payments on time and disputing negative items on your history can help.
2. can stem from overspending, too-high expenses, low income or inconsistent income. Paying down your expenses can have a positive impact on your credit score.
3. can be caused by not getting loans at an early age. Once you get credit, time and patience will be the solution to improve this credit factor.
4. is caused by applying for too much credit within a 2-year period. Space out your credit applications and allow time to diminish the impact of this factor.
5. can be caused by not having a variety of credit accounts. Getting additional types of credit will help improve this aspect of your credit rating.

a. Credit Mix

b. Amount Owed is too High

c. Credit Inquiries

d. Length of Credit

e. Poor Repayment History



Activity:

Reading a Credit Report

In this activity, you will gain a better understanding of credit reports by looking at sample reports and answering questions regarding the information they present.

Activity: Reading a Credit Report

1. The OCWEN / GMAC MORTGAGE #65280 account is currently _____ and the payment made on 9/2019 was _____.

- a) received | made on time
- b) closed | made on time
- c) closed | made 30 days late
- d) open | not reported

OCWEN/GMAC MORTGAGE #65280****

PO BOX 4622
WATERLOO, IA 50704-4622
(800) 766-4622

Date Opened:	11/26/2017	Balance:	\$0	Pay Status:	Current; Paid or Paying as Agreed
Responsibility:	Individual Account	Date Updated:	10/19/2021	Terms:	\$275 per month, paid Monthly for 360 months
Account Type:	Mortgage Account	Payment Received:	\$275		
Loan Type:	CONVENTIONAL REAL ESTATE MTG	Last Payment Made:	10/05/2021	Date Closed:	10/19/2021
		High Balance:	\$35,000		

Mortgage Info: Fannie Mae ID #100037506528012777 Acct #1679541677

Remarks: CLOSED

	09/2021	08/2021	07/2021	06/2021	05/2021	04/2021	03/2021	02/2021	01/2021	12/2020
Rating	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK

	11/2020	10/2020	09/2020	08/2020	07/2020	06/2020	05/2020	04/2020	03/2020	02/2020
Rating	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK

	01/2020	12/2019	11/2019	10/2019	09/2019	08/2019	07/2019	06/2019	05/2019	04/2019
Rating	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK

	03/2019	02/2019	01/2019	12/2018	11/2018	10/2018	09/2018	08/2018	07/2018	06/2018
Rating	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK

	05/2018	04/2018	03/2018	02/2018	02/2018	12/2017	11/2017
Rating	OK	OK	OK	OK	X	X	OK

OCWEN/HOMEQ SERVICING, CA #693932449****

PO BOX 13716
SACRAMENTO, CA 95853
(800) 746-2936

Date Opened:	04/27/2018	Balance:	\$0	Pay Status:	Current; Paid or Paying as Agreed
Responsibility:	Individual Account	Date Updated:	09/05/2021	Terms:	\$309 per month, paid Monthly for 180 months
Account Type:	Mortgage Account	Payment Received:	\$0		
Loan Type:	SECOND MORTGAGE	Last Payment Made:	08/06/2021	Date Closed:	09/05/2021
		High Balance:	\$31,180		

Remarks: CLOSED

	08/2021	07/2021	06/2021	05/2021	04/2021	03/2021	02/2021	01/2021	12/2020	11/2020
Rating	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK

	10/2020	09/2020	08/2020	07/2020	06/2020	05/2020	04/2020	03/2020	02/2020	01/2020
Rating	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK

	12/2019	11/2019	10/2019	09/2019	08/2019	07/2019	06/2019	05/2019	04/2019
Rating	OK	OK	OK	OK	OK	OK	OK	OK	OK

Activity: Reading a Credit Report

2. The balance on the ADVANTA/CARDWORKS SERVICING account #55841000590 is \$_____ and the account is currently _____.

- a) \$3,228 | charged off
- b) \$1,232 | charged off
- c) \$3,228 | 120 days late
- d) \$2,995 | placed for collections

ADVANTA/CARDWORKS SERVICING #558418000590****

101 CROSSWAYS PARK WEST
WOODBURY, NY 11797-0097
(516) 576-0404 X22020

Date Opened:	06/08/2012	Balance:	\$3,228	Pay Status:	>Charged Off<
Responsibility:	Individual Account	Date Updated:	07/23/2019	Date Closed:	05/31/2015
Account Type:	Revolving Account	Payment Received:	\$0	>Maximum Delinquency of 120 days in 04/2019 and in 06/2019<	
Loan Type:	BUSINESS CREDIT CARD	High Balance:	\$18,771		
		Original Charge Off:	\$3,228		
		Credit Limit:	\$21,500		
		Past Due:	>\$3,228<		

Remarks: >UNPAID BALANCE CHARGED OFF<

Estimated month and year that this item will be removed: 11/2025

	06/2019	05/2019	04/2019	03/2019	02/2019	01/2019	12/2018	11/2018	10/2018	09/2018
Rating	C/O	C/O	120	90	60	30	OK	OK	OK	OK

	08/2018	07/2018	06/2018	05/2018	04/2018	03/2018	02/2018	01/2018	12/2017	11/2017
Rating	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK

	10/2017	09/2017	08/2017	07/2017
Rating	OK	OK	OK	X

AMERICAN EXPRESS #349991686321****

PO BOX 981537
EL PASO, TX 79998
(800) 874-2717

Date Opened:	07/01/2015	Date Updated:	05/16/2021	Pay Status:	>Charged Off<
Responsibility:	Individual Account	Payment Received:	\$0	Date Closed:	01/25/2019
Account Type:	Revolving Account				
Loan Type:	CREDIT CARD				

High Balance: High balance of \$2,955 from 03/2019 to 03/2019; \$2985 from 04/2019 to 04/2019; \$3,021 from 05/2019 to 03/2021; \$3,021 from 05/2021 to 05/2021

Estimated month and year that this item will be removed: 10/2019

	05/2021	04/2021	03/2021	02/2021	01/2021	12/2020	11/2020	10/2020	09/2020	08/2020
Balance	\$3,021		\$3,021	\$3,021	\$3,021	\$3,021	\$3,021	\$3,021	\$3,021	\$3,021
Amount Paid	\$0		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Past Due	\$1,232		\$1,196	\$1,160	\$1,124	\$1,088	\$1,052	\$1,016	\$980	\$944
Remarks	CBG >PRL<		CBG >PRL<	CBG >PRL<	CBG >PRL<	CBG >PRL<	CBG >PRL<	CBG >PRL<	CBG >PRL<	CBG >PRL<
Rating	C/O	N/R	C/O	C/O	C/O	C/O	C/O	C/O	C/O	C/O

	07/2020	06/2020	05/2020	04/2020	03/2020	02/2020	01/2020	12/2019	11/2019	10/2019
Balance	\$3,021	\$3,021	\$3,021	\$3,021	\$3,021	\$3,021	\$3,021	\$3,021	\$3,021	\$3,021
Amount Paid	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Past Due	\$908	\$872	\$836	\$800	\$764	\$728	\$692	\$656	\$620	\$584
Remarks	CBG >PRL<	CBG >PRL<	CBG >PRL<	CBG >PRL<	CBG >PRL<	CBG >PRL<	CBG >PRL<	CBG >PRL<	CBG >PRL<	CBG >PRL<
Rating	C/O	C/O	C/O	C/O	C/O	C/O	C/O	C/O	C/O	C/O

Activity: Reading a Credit Report

3. The 7/2018 payment on the CITICARDS CBNA was _____

- a) paid on time
- b) charged off
- c) 90 days late
- d) placed for collection

CITICARDS CBNA #542418059380****

701 E 60TH ST N
SIOUX FALLS, SD 57104
(888) 248-4728

Date Opened:	02/19/2017	Date Updated:	07/22/2021	Pay Status:	>Account Paid in Full; was a Charge-off<
Responsibility:	Individual Account	Payment Received:	\$0	Terms:	Paid Monthly
Account Type:	Revolving Account	Last Payment Made:	04/28/2021	Date Closed:	10/23/2018
Loan Type:	CREDIT CARD			Date Paid:	09/27/2021
				>Maximum Delinquency of 120 days in 08/2018 for \$756 and in 09/2018 for \$924	

Hight Balance: Hight balance of \$7,983 from 02/2020 to 05/2021; \$7,983 from 07/2021 to 07/2021

Credit Limit: Credit limit of \$6,140 from 11/2019 to 05/2021; \$6140 from 07/2021 to 07/2021

Estimated month and year that this item will be removed: 03/2025

	07/2021	06/2021	05/2021	04/2021	03/2021	02/2021	01/2021	12/2020	11/2020	10/2020
Balance	\$0		\$0	\$7,983	\$7,983	\$7,983	\$7,983	\$7,983	\$7,983	\$7,983
Amount Paid	\$0		\$2,075	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Past Due	\$0		\$0	\$5,155	\$5,036	\$4,917	\$4,798	\$4,679	\$4,560	\$4,441
Remarks	>SET< >PPL<		CBG >PPL<	CBG >PRL<	CBG >PRL<	CBG >PRL<	CBG >PRL<	CBG >PRL<	CBG >PRL<	CBG >PRL<
Rating	C/O	C/O	C/O	C/O	C/O	C/O	C/O	C/O	C/O	C/O

	09/2020	08/2020	07/2020	06/2020	05/2020	04/2020	03/2020	02/2020	01/2020	12/2019
Balance	\$7,983	\$7,983	\$7,983	\$7,983	\$7,983	\$7,983	\$7,983	\$7,983	\$7,983	\$7,907
Amount Paid	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Past Due	\$4,322	4,203	\$4,084	\$3,965	\$3,846	\$3,727	\$3,608	\$3,489	\$3,334	\$3,172
Remarks	CBG >PRL<	CBG >PRL<	CBG >PRL<	CBG >PRL<	CBG >PRL<	CBG >PRL<	CBG >PRL<	CBG >PRL<	CBG >PRL<	CBG >PRL<
Rating	C/O	C/O	C/O	C/O	C/O	C/O	C/O	C/O	C/O	C/O

	11/2019	10/2019	09/2019	08/2019	07/2019	06/2019	05/2019	04/2019	03/2019	02/2019
Balance	\$7,824									
Amount Paid	\$0									
Past Due	\$3,018									
Remarks	CBG >PRL<									
Rating	C/O	C/O	C/O	C/O	C/O	C/O	C/O	C/O	C/O	C/O

	01/2019	12/2018	11/2018	10/2018	09/2018	08/2018	07/2018	06/2018	05/2018	04/2018
Rating	C/O	C/O	C/O	C/O	120	120	90	60	OK	OK

	03/2018	02/2018	01/2018	12/2017	11/2017	10/2017	09/2017	08/2017	07/2017	06/2017
Rating	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK

Activity: Reading a Credit Report

4. The MIDLAND FUNDING LLC #854305 is an account that has been _____
and the BAC HOME LOANS SERV LP #87189 has a high balance of _____.

- a) a factoring company | 360 months
- b) charged off | \$196,000
- c) collection paid in full | \$196,000
- d) settled for less than full balance | 360 months

MIDLAND FUNDING LLC #0854305****
8875 AERO DRSUITE 200
SAN DIEGO, CA 92123
(844) 236-1959

Placed for collection	11/09/2021	Balance	\$0	Pay Status:	>Account Paid in Full; was a Collection<
		Date Updated:	01/16/2024		
Responsibility:	Individual Account	Last Payment Made:	09/27/2023	Date Closed:	10/23/2023
Account Type:	Open Account	Original Amount:	\$11,359	Date Paid:	09/27/2023
Loan Type:	FACTORING COMPANY ACCOUNT	Original Creditor:	CHASE BANK USA N/A		

Remarks:>PAID COLLECTION<
Estimated month and year that this item will be removed: 03/2018

Satisfactory Accounts

The following accounts are reported with no adverse information. For your protection, your account numbers have been partially masked, and in some cases scrambled. Please note: Accounts are reported as "Current; Paid or paying as agreed" if paid within 30 days of the due date. Accounts reported as Current may still incur late fees or interest charges if not paid on or before the due date.

BAC HOME LOANS SERV LP #87189****
18 TAPO CANYON
SIMI VALLEY, CA 93063
(800) 451-6362

Date Opened:	06/14/2016	Balance	\$0	Pay Status:	Current; Paid or Paying as Agreed
Responsibility:	Individual Account	Date Updated:	09/23/2021		
Account Type:	Mortgage Account	Payment Received:	\$0	Terms:	\$0 per month, paid Monthly for 360 months
Loan Type:	CONVENTIONAL REAL ESTATE MTG	Last Payment Made:	09/23/2021	Date Closed:	09/23/2021
		High Balance:	\$196,000		

Remarks: CLOSED

	08/2021	07/2021	06/2021	05/2021	04/2021	03/2021	02/2021	01/2021	12/2020	11/2020
Rating	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK

	10/2020	09/2020	08/2020	07/2020	06/2020	05/2020	04/2020	03/2020	02/2020	01/2020
Rating	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK

	12/2019	11/2019	10/2019	09/2019	08/2019	07/2019	06/2019	05/2019	04/2019	03/2019
Rating	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK

	02/2019	01/2019	12/2018	11/2018	10/2018	09/2018	08/2018	07/2018	06/2018	05/2018
Rating	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK

	04/2018	03/2018	02/2018	01/2018	12/2017	11/2017	10/2017	09/2017	08/2017	07/2017
Rating	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK

	06/2017	05/2017	04/2017	03/2017	02/2017	01/2017	12/2016	11/2016	10/2016	09/2016
Rating	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK



Activity:

Creating Your Credit Plan

Now that you know how to access your credit report, it's important to set up a plan for staying on top of your credit history into the future – a plan that you can easily duplicate on a regularly-scheduled basis. In this activity, you will review examples of action steps and use them to develop your own credit plan.

Consider integrating your credit plan into your regular financial review processes. Below is a sample template of action steps to help you conduct a credit history review and stay on top of your credit score.

Activity: Creating Your Credit Plan

Step 1a) Credit Report. Visit www.AnnualCreditReport.com and get your credit report complimentary. You get one complimentary report from each credit bureau annually.

Option 1) You can pull your report from all three credit bureaus for a comprehensive look – this step is good for those trying to qualify for a loan or who have other credit needs that will take place in the next 12 months.

Option 2) Pull your credit report from one bureau every four months. This option allows you to check your credit for free over the course of the year by requesting reports from each bureau at different times. This method is good for those who just want to conduct regular monitoring.

Step 1b) Credit Scores. There are numerous ways to get your credit score – both free and paid.

Option 1) Utilize free credit score opportunities available through companies, banks, and other organizations. However, keep in mind that there is a big problem with this option as most of the scores provided are inaccurate – often by a large margin. They are based on estimates given your credit history, debt load, and other credit-related variables. To date, we have not found a reliable source of accurate credit scores among companies.

Option 2) Purchase your credit score. The advantage to this option is that you can purchase scores directly from the credit agencies and they are accurate. The drawback is that they cost money.

Activity: Creating Your Credit Plan

Step 2) Now that you have pulled your credit report, it's time to review the data. Review all the information in your report for accuracy. Look at the areas where you receive lower rankings, and work to improve those factors.

Step 3) Start a file where you keep records of your credit reports and credit score and track them over time. You can physically print reports, save them as PDFs, or both. Be sure to store the reports in a secure location.

Step 4) Look for any trends or problems in your report and work on long-term solutions to address those issues. Always keep in mind that each bureau is separate from the others. How each one calculates your score varies slightly. When tracking trends, do so using same-bureau comparisons.

Step 5) Regularly monitor your credit report, because inaccurate items and other problems can occur at any time. Get in the habit of checking your credit report from one single bureau every four months. Set up calendar reminders if your busy life demands such a reminder. Also perform a comprehensive review of reports from all three bureaus between 6 and 12 months ahead of any loan qualification, job application, or other credit needs you anticipate.





Activity:

Managing Your Credit

This activity helps you organize your strategy for addressing any errors, inaccurate or fraudulent information you encounter on your credit report; and prioritize the action steps you will take to improve your credit score.

Develop your action plan to address inaccuracies on your credit report and work toward improving your credit score by completing the following steps as indicated.

Activity: Managing Your Credit

1. List any fraudulent, suspicious, or inaccurate activity.

A) Lender Name _____

Letter to Send

ID Theft Form letter
Incorrectly reported info form letter
Credit agency form letter

Research Evidence to Support Claim

Account Statements
Identity theft report
Proof of residency
Proof of legal name
Written explanation as to why the charge was not authorized / correct

B) Lender Name _____

Letter to Send

ID Theft Form letter
Incorrectly reported info form letter
Credit agency form letter

Research Evidence to Support Claim

Account Statements
Identity theft report
Proof of residency
Proof of legal name
Written explanation as to why the charge was not authorized / correct

C) Lender Name _____

Letter to Send

ID Theft Form letter
Incorrectly reported info form letter
credit agency form letter

Research Evidence to Support Claim

Account Statements
Identity theft report
Proof of residency
Proof of legal name
Written explanation as to why the charge was not authorized / correct

Activity: Managing Your Credit

2. Prioritize accurate but damaging credit items on your report. Debts that are not in good standing but that are not yet in collections should take top priority; followed by small-balance items in collections, and lastly large-balance items in collections.

List your debts in order of priority here or mark them directly on your credit report.

A) _____

B) _____

C) _____

D) _____

E) _____

F) _____

G) _____

H) _____

3. Revise your budget. If you can negotiate additional payment options with creditors, what is an affordable amount for each debt? Where can you reduce expenses or increase income in your budget?





Activity: Being Prepared for Identity Theft

Being prepared to react if your accounts or information are compromised is the best way to protect yourself from identity theft. This activity guides you to develop a clear plan to protect your identity in the event you recognize suspicious activity.

Follow the suggestions in this document to prepare yourself or your family members to react quickly to potential identity theft.

Activity: Being Prepared for Identity Theft

Research Credit Monitoring Services.

These services monitor your credit history at defined intervals and notify you when any changes occur. Most such services are relatively affordable and increase your peace of mind; however, they are not absolutely necessary to secure yourself. They simply provide an added layer of security.

Prepare for Credit Freezes.

Prepare the online account or mailing address / form letter for each credit bureau to freeze your account, so that in the event of identity theft involving your credit you immediately know where to go and what information to provide.



[Visit: Equifax Credit Freeze](https://www.equifax.com/personal/credit-report-services/)

<https://www.equifax.com/personal/credit-report-services/>

Fraud Assistance Division

Fraud hotline: 1-800-525-6285

P.O. Box 740241, Atlanta, GA 30374-0241



[Visit: TransUnion Credit Freeze](https://www.transunion.com/credit-freeze)

<https://www.transunion.com/credit-freeze>

TransUnion: Fraud Victim Assistance

Fraud hotline: 1-800-680-7289

P.O. Box 6790, Fullerton, CA 92834-6790



[Visit: Experian Credit Freeze](https://www.experian.com/freeze/center.html)

<https://www.experian.com/freeze/center.html>

Experian: Fraud Victim Assistance

Fraud hotline: 1-888-EXPERIAN (397-3742)

P.O. Box 9332, Allen, TX 74013

Activity: Being Prepared for Identity Theft

Prepare for Quick Communications

In the event of any level of identity theft or fraudulent activity, you should know who to contact and how to contact them.

Create a file where you enter the lender or company name and contact information for all your accounts. A good way to start is to go through your wallet. If you lost your wallet, what companies would you need to contact to report a card as stolen and order a new one? From there, you can expand your list to include other major lenders such as your mortgage or vehicle loan company.

It is important to address suspicious matters urgently. You could face additional liability if you report the theft two days after you learn of the loss, or within 60 days after an account statement is sent.

You do not necessarily have to fill in all the information below. Enter just the information that will be useful to you. Do you prefer handling everything online? Setup online accounts (if possible) and review the services that can be completed online. Prefer to handle accounts over the phone? Call the main line and ask for the department number that would handle lost and stolen matters.

1) Name _____

Phone _____

Mailing Address _____

Website _____

What needs to be replaced / locked / canceled in the event it is lost or stolen?

Activity: Being Prepared for Identity Theft

1) Name _____

Phone _____

Mailing Address _____

Website _____

What needs to be replaced / locked / canceled in the event it is lost or stolen?

2) Name _____

Phone _____

Mailing Address _____

Website _____

What needs to be replaced / locked / canceled in the event it is lost or stolen?

3) Name _____

Phone _____

Mailing Address _____

Website _____

What needs to be replaced / locked / canceled in the event it is lost or stolen?

Activity: Being Prepared for Identity Theft

Prepare for Recovery

Especially in cases where credit or debit card accounts are compromised, list all services that would be affected by account cancelation. For example, is your vehicle loan payment or your electric bill set up to auto-pay with your debit card? If you have to replace your debit card, you will also need to update payment information with any companies or lenders that auto-deduct your payments.

1) Name _____

Phone _____

Mailing Address _____

Website _____

Purpose of this company / lender (e.g.: Car loan payment, electric company)

2) Name _____

Phone _____

Mailing Address _____

Website _____

Purpose of this company / lender (e.g.: Car loan payment, electric company)

Activity: Being Prepared for Identity Theft

3) Name _____

Phone _____

Mailing Address _____

Website _____

Purpose of this company / lender (e.g.: Car loan payment, electric company)

4) Name _____

Phone _____

Mailing Address _____

Website _____

Purpose of this company / lender (e.g.: Car loan payment, electric company)

5) Name _____

Phone _____

Mailing Address _____

Website _____

Purpose of this company / lender (e.g.: Car loan payment, electric company)

Form Letter to Credit Agency
Disputing Fraudulent or Incorrect Charges on Your Credit Report

[Date]

[Name of Company]

[Address]

[City, State, Zip Code]

RE: **[Your Name]**
 [Your Address]
 [Your City, State, Zip Code]

Dear Sir or Madam:

I write to dispute certain information in my file resulting from **[identity theft or incorrectly reported information]**. I have circled the items I dispute on the attached copy of my credit report. The items I have identified **[do not relate to any transactions that I made or authorized or have not been reported correctly]**.

Please remove or correct this information as soon as possible. I dispute the [name of source, like "Company" or "Court"] [name of item, like "account" or "judgment"] because [explain why the item is inaccurate]. As required by section 611 of the Fair Credit Reporting Act, I am requesting that the item[s] be removed [or request another specific change] to reflect the correct information.

[If possible] – I have enclosed copies of documents that support my dispute. Please investigate and correct the disputed item[s] as soon as possible.

Sincerely,

[Your Name]

**Form Letter to a Business or Lender
to Remove Fraudulent Charges from Your Account**

[Date]

[Name of Company]

[Fraud Department or Billing Inquiries]

[Address]

[City, State, Zip Code]

RE: **[Account Number (if known)] [Your Name]**
[Your Address]
[Your City, State, Zip Code]

Dear Sir or Madam:

I am writing to dispute **[a]** fraudulent charge**[s]** on my account in the amount**[s]** of **[\$_____]**, and posted on **[dates]**. I am a victim of identity theft, and I did not make **[this/these]** charge**[s]**. I request that you remove the fraudulent charge**[s]** and any related finance charges from my account. Please send me an updated and accurate statement and close the account (if applicable). I also request that you stop reporting this inaccurate information and report the correct information to all of the nationwide credit reporting companies (CRCs) to which you provided it.

Please remove or correct this information as soon as possible. I dispute the [name of source, like "Company" or "Court"] [name of item, like "account" or "judgment"] because [explain why the item is inaccurate]. As required by section 611 of the Fair Credit Reporting Act, I am requesting that the item**[s]** be removed [or request another specific change] to reflect the correct information.

[If possible] – I have enclosed copies of documents that support my dispute. Please investigate and correct the disputed item**[s]** as soon as possible.

Sincerely,

[Your Name]

All furnishers of consumer reports must comply with all applicable regulations, including regulations promulgated after this notice was first prescribed in 2004. Information about applicable regulations currently in effect can be found at the Consumer Financial Protection Bureau's website, consumerfinance.gov/learnmore.

NOTICE TO FURNISHERS OF INFORMATION: OBLIGATIONS OF FURNISHERS UNDER THE FCRA

The federal Fair Credit Reporting Act (FCRA), 15 U.S.C. § 1681-1681y, imposes responsibilities on all persons who furnish information to consumer reporting agencies (CRAs). These responsibilities are found in Section 623 of the FCRA, 15 U.S.C. § 1681s-2. State law may impose additional requirements on furnishers. All furnishers of information to CRAs should become familiar with the applicable laws and may want to consult with their counsel to ensure that they are in compliance. The text of the FCRA is set forth in full at the Bureau of Consumer Financial Protection's website at consumerfinance.gov/learnmore. A list of the sections of the FCRA cross-referenced to the U.S. Code is at the end of this document.

Section 623 imposes the following duties:

Accuracy Guidelines

The banking and credit union regulators and the CFPB will promulgate guidelines and regulations dealing with the accuracy of information provided to CRAs by furnishers. The regulations and guidelines issued by the CFPB will be available at consumerfinance.gov/learnmore when they are issued. Section 623(e).

General Prohibition on Reporting Inaccurate Information

The FCRA prohibits information furnishers from providing information to a CRA that they know or have reasonable cause to believe is inaccurate. However, the furnisher is not subject to this general prohibition if it clearly and conspicuously specifies an address to which consumers may write to notify the furnisher that certain information is inaccurate. Sections 623(a)(1)(A) and (a)(1)(C).

Duty to Correct and Update Information

If at any time a person who regularly and in the ordinary course of business furnishes information to one or more CRAs determines that the information provided is not complete or accurate, the furnisher must promptly provide complete and accurate information to the CRA. In addition, the furnisher must notify all CRAs that received the information of any corrections, and must thereafter report only the complete and accurate information. Section 623(a)(2).

Duties After Notice of Dispute from Consumer

If a consumer notifies a furnisher, at an address specified by the furnisher for such notices, that specific information is inaccurate, and the information is, in fact, inaccurate, the furnisher must thereafter report the correct information to CRAs. Section 623(a)(1)(B).

If a consumer notifies a furnisher that the consumer disputes the completeness or accuracy of any information reported by the furnisher, the furnisher may not subsequently report that information to a CRA without providing notice of the dispute. Section 623(a)(3).

The federal banking and credit union regulators and the CFPB will issue regulations that will identify when an information furnisher must investigate a dispute made directly to the furnisher by a consumer. Once these regulations are issued, furnishers must comply with them and complete an investigation within 30 days (or 45 days, if the consumer later provides relevant additional information) unless the dispute is frivolous or irrelevant or comes from a "credit repair organization." The CFPB regulations will be available at consumerfinance.gov. Section 623(a)(8).

Duties After Notice of Dispute from Consumer Reporting Agency

If a CRA notifies a furnisher that a consumer disputes the completeness or accuracy of information provided by the furnisher, the furnisher has a duty to follow certain procedures. The furnisher must:

- Conduct an investigation and review all relevant information provided by the CRA, including information given to the CRA by the consumer. Sections 623(b)(1)(A) and (b)(1)(B).
- Report the results to the CRA that referred the dispute, and, if the investigation establishes that the information was, in fact, incomplete or inaccurate, report the results to all CRAs to which the furnisher provided the information that compile and maintain files on a nationwide basis. Sections 623(b)(1)(C) and (b)(1)(D).
- Complete the above steps within 30 days from the date the CRA receives the dispute (or 45 days, if the consumer later provides relevant additional information to the CRA). Section 623(b)(2).
- Promptly modify or delete the information, or block its reporting. Section 623(b)(1)(E).

Activity: Being Prepared for Identity Theft

Duty to Report Voluntary Closing of Credit Accounts

If a consumer voluntarily closes a credit account, any person who regularly and in the ordinary course of business furnishes information to one or more CRAs must report this fact when it provides information to CRAs for the time period in which the account was closed. Section 623(a)(4).

Duty to Report Dates of Delinquencies

If a furnisher reports information concerning a delinquent account placed for collection, charged to profit or loss, or subject to any similar action, the furnisher must, within 90 days after reporting the information, provide the CRA with the month and the year of the commencement of the delinquency that immediately preceded the action, so that the agency will know how long to keep the information in the consumer's file. Section 623(a)(5).

Any person, such as a debt collector, that has acquired or is responsible for collecting delinquent accounts and that reports information to CRAs may comply with the requirements of Section 623(a)(5) (until there is a consumer dispute) by reporting the same delinquency date previously reported by the creditor. If the creditor did not report this date, they may comply with the FCRA by establishing reasonable procedures to obtain and report delinquency dates, or, if a delinquency date cannot be reasonably obtained, by following reasonable procedures to ensure that the date reported precedes the date when the account was placed for collection, charged to profit or loss, or subjected to any similar action. Section 623(a)(5).

Duties of Financial Institutions When Reporting Negative Information

Financial institutions that furnish information to "nationwide" consumer reporting agencies, as defined in Section 603(p), must notify consumers in writing if they may furnish or have furnished negative information to a CRA. Section 623(a)(7). The Consumer Financial Protection Bureau has prescribed model disclosures, 12 CFR Part 1022, App. B.

Duties When Furnishing Medical Information

A furnisher whose primary business is providing medical services, products, or devices (and such furnisher's agents or assignees) is a medical information furnisher for the purposes of the FCRA and must notify all CRAs to which it reports of this fact. Section 623(a)(9). This notice will enable CRAs to comply with their duties under Section 604(g) when reporting medical information.

Duties when ID Theft Occurs

All furnishers must have in place reasonable procedures to respond to notifications from CRAs that information furnished is the result of identity theft, and to prevent refurnishing the information in the future. A furnisher may not furnish information that a consumer has identified as resulting from identity theft unless the furnisher subsequently knows or is informed by the consumer that the information is correct. Section 623(a)(6). If a furnisher learns that it has furnished inaccurate information due to identity theft, it must notify each consumer reporting agency of the correct information and must thereafter report only complete and accurate information. Section 623(a)(2). When any furnisher of information is notified pursuant to the procedures set forth in Section 605B that a debt has resulted from identity theft, the furnisher may not sell, transfer, or place for collection the debt except in certain limited circumstances. Section 615(f).

The Consumer Financial Protection Bureau website, consumerfinance.gov/learnmore, has more information about the FCRA.

Citations for FCRA sections in the U.S. Code, 15 U.S.C. § 1681 et seq.:

	15 U.S.C. 1681	Section 615	15 U.S.C. 1681m
Section 603	15 U.S.C. 1681a	Section 616	15 U.S.C. 1681n
Section 604	15 U.S.C. 1681b	Section 617	15 U.S.C. 1681o
Section 605	15 U.S.C. 1681c	Section 618	15 U.S.C. 1681p
Section 605A	15 U.S.C. 1681c-1	Section 619	15 U.S.C. 1681q
Section 605B	15 U.S.C. 1681c-2	Section 620	15 U.S.C. 1681r
Section 606	15 U.S.C. 1681d	Section 621	15 U.S.C. 1681s
Section 607	15 U.S.C. 1681e	Section 622	15 U.S.C. 1681s-1
Section 608	15 U.S.C. 1681f	Section 623	15 U.S.C. 1681s-2
Section 609	15 U.S.C. 1681g	Section 624	15 U.S.C. 1681t
Section 610	15 U.S.C. 1681h	Section 625	15 U.S.C. 1681u
Section 611	15 U.S.C. 1681i	Section 626	15 U.S.C. 1681v
Section 612	15 U.S.C. 1681j	Section 627	15 U.S.C. 1681w
Section 613	15 U.S.C. 1681k	Section 628	15 U.S.C. 1681x
Section 614	15 U.S.C. 1681l	Section 629	15 U.S.C. 1681y



Credit Profile

Post-Education Case Study: Level – Financial Foundation & Growth

A case study is essentially a story – it provides an illustration of how financial lessons can be put into action by real people in real-world situations. Case studies are engaging and relatable, and offer solid evidence of the practical value financial education has to help people solve problems and make sound life decisions.

Financial Foundation & Growth

Post-education Case Study

Marla plans to buy her first house this summer. She has had the same job managing a breakfast diner in the suburbs of Chicago for the past eight years. After saving \$14,000, she thinks she has enough money to put 3% down and handle any renovation expenses if the home costs \$250,000 or less.

Marla realizes that her mortgage may be on the high end of what she can afford, so she plans to buy a home in a desirable neighborhood. This home has a basement with a separate entrance. She'll renovate that space during the first two months she lives in the house. Then she'll rent the basement out as an Airbnb. According to her calculations, the revenue from her rental should bring in enough money to completely cover the mortgage, interest, and property taxes on her home.

She consulted a few mortgage companies, and they all say that her debt-to-income ratio must be below 38% to get the loan. With a \$5,000 balance on one credit card and a \$15,000 car loan, Marla thinks her debt-to-income ratio is fine. Her car payment is \$535 per month and her credit card payment is \$65 per month. She brings home about \$4,000 per month after taxes. Her mortgage payments will be \$1,182 per month.

Marla keeps track of her credit score with a credit monitoring service that emails her every month with her Experian FICO score. She sees that her score has been dropping a bit lately but isn't sure why. It was in the high 650s but now sits at about 635. She knows that the mortgage companies she's talked with all require a minimum score of 620 for a conventional loan.

Until she gets approved for the mortgage, Marla is working a few nights each week at the bar down the street from her apartment to make extra money. She wants to have extra money to cover any surprise expenses associated with moving and getting a mortgage. She's looking forward to giving up her night job and moving on with her plans to buy a home and be an Airbnb host.

Although she hasn't looked at her full credit reports, Marla thinks they must be fine. She knows the mortgage company will pull all her credit reports when she officially files her application. Her credit score is all right for mortgage approval, so she doesn't worry about it too much.



1. What problems might Marla experience when she tries to get approved for a conventional mortgage?
2. If you were Marla's loan officer, would you approve her application?





Credit Profile

Post-Education Case Study: Level – Financial Challenges & Recovery

A case study is essentially a story – it provides an illustration of how financial lessons can be put into action by real people in real-world situations. Case studies are engaging and relatable, and offer solid evidence of the practical value financial education has to help people solve problems and make sound life decisions.

Financial Challenges & Recovery

Post-education Case Study

Marc and Erica have three children, ages 7, 6, and 5. Five years ago they decided to adopt a strict budget and pay off their debt. Erica's nursing job allows her to work overtime, and Marc's ability to work from home means they don't have to pay for daycare. They also have the benefit of his extra income.

The family has been debt-free for about six months, except for the mortgage on their home in Maine. They haven't used credit cards in a few years, and both of their vehicles are paid off. While they are proud of their financial accomplishments, the couple realizes that they will probably have to replace at least one of their vehicles in the next few months.

Marc's family lives in Texas, and they've been pressuring Marc to bring Erica and the kids down for a visit soon. It's too far to drive, so the couple knows that making the trip involves buying five round-trip plane tickets.

The couple has been so hyper-focused on paying off their credit card debts and personal loans that they haven't paid attention to their credit scores or credit profiles. As a result, they aren't sure if it's even possible to get a loan for a new car. They certainly don't want to charge plane tickets to a credit card and create new debt.

Erica does some research and finds out that they can each get a copy of their credit report for free. They order the reports only to find a long list of problems.

Erica's credit profile indicates that she defaulted on a credit card debt of \$10,000 eight years ago when she lived in Denver. It also shows a \$750 debt in collections from an apartment lease she had. The owners of the building indicate "damage to floor" in the account notes on Erica's credit report.

Marc's credit report has two entries for the same account that he closed eight years ago. Both indicate that he has an outstanding balance on a Capital One credit card account of \$3,463.

Marc and Erica are frustrated. They don't want to go back to their strict budget to pay old debts. They also don't want to get into trouble for ignoring the situation. If they don't fix these problems on their credit reports, they are afraid they won't be able to get a car loan or use a credit card if they need to do so in the future.



SECTION 6

...

INCOME



KĀLĀ CAPITAL PARTNERS

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Income

Lesson Warm-up: KWR & VIQQS



VIQQS

The VIQQS activity is designed to support various learning styles and gives you the freedom to activate your own existing knowledge in ways that work for you. The VIQQS acronym stands for Video, Image, Quote, Questions, Sounds. You are provided with each of these different cues and instructed to free-write, reflect, or participate in group activities to activate prior knowledge, laying the foundation to connect with the new information you're about to learn. The VIQQS method builds on the KWR strategy to continue the activation of prior knowledge; but has the added benefit of appealing to a variety of learning styles, including visual, auditory, reading, and kinesthetic.



Video



Image



Quote

“

If you have earned money by doing the work you love, you don't feel the need to buy your joys and pleasures with your income since your job itself is a source of joy for you.


- Awdhesh Singh, author, *31 Ways to Happiness*

”

Question

?


Why (and how) does earning income doing something we enjoy contribute to our holistic health?

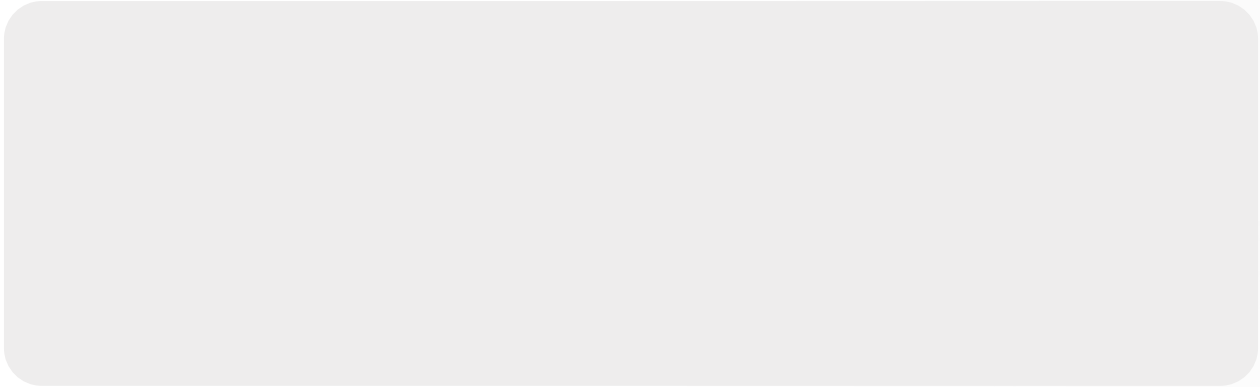


Sound

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KWR

The purpose of a KWR chart is to help you organize your thoughts about information. A KWR chart provides you with a method to organize and simplify your thoughts when reading complex information.

Education Reason – Research shows that, when you connect existing knowledge about a topic to a new topic you are learning, it is easier to pick up the new concept and increase your knowledge about the subject matter. By connecting previous experiences to new information as you learn it, it becomes easier to recall and retain the information you have learned.

How a KWR Works – Using a KWR chart will help you organize and clarify your thoughts. Let's dig deeper into how this type of chart works.

K stands for what you already know about a subject or topic. One way to approach using this column is to brainstorm any words, terms, or phrases you have heard or associate with that topic. For example, you might think about the term “finance” and associate words like money, wealth, happiness, rich, or vacation when you hear that term. This activity can be expanded by choosing a word that you wrote down, such as money, and asking yourself “What made me think of that word, and why do I associate it with wealth?” This activity can be extensive, and you should be open to writing down as much information as possible without worrying about whether it is right or wrong.

W stands for what you want to learn about a topic. Always be sure to remember that no question is stupid, so write down anything that comes to mind. Thinking about the term finance, you may have questions such as “What makes someone wealthy?” or “How do I start a savings account?” The list of questions could be endless, and that's ok. Each question will help strengthen your understanding of the topic and expand your knowledge.

Another great question to ask yourself is “What would I like to learn more about regarding this idea?” This way of thinking helps change your perspective and approach to the question.

Finally, **R** stands for how this information relates to your life. This column helps you sort your thoughts about how you can take information and immediately apply it to your life. For example, you may realize that you associate wealth with being bad or that being wealthy means others will suffer. These thoughts could then lead you to start thinking about how you approach money and why you are hesitant to make more money or appear wealthy to others. The R column allows you to expand on the first two columns, while making deeper connections to your current life status.

Instructions – Using the chart provided below, you will complete your KWR chart by listing what you currently know about this topic, what you want to know, and how this topic relates to your life. There are no right or wrong answers. Just reflect on the topic and write down whatever comes to mind for each question.

K

What I Know. Think about what you already know about this topic and make a list that includes all these ideas. Don't worry about whether it's right or wrong; give yourself the freedom to write whatever comes to your mind about the topic.

W

What I Want to Know. What questions do you have about this topic, and what do you want to know more about? List all your questions. Also, note any areas about which you may be unsure and that you would like to learn more about.

R

How It Relates to My Life. How does this topic relate to your life? List the ways in which you think this topic may affect your life and the personal reasons you have for picking up the information.

Share Additional Insight

Once you complete the lesson, answer the following questions.

1. What is one thing you learned about this topic that surprised you?
2. How could you share this knowledge to help others learn more about this topic?
3. What topic or idea do you feel you didn't learn enough about and would like to expand your knowledge on further?
4. What is one habit or change you would like to make in your life, given the information you just learned?

5. How did learning about this information make you feel?

6. How will this information change your life in a more positive way?

7. How can I expand your learning once this class is done?

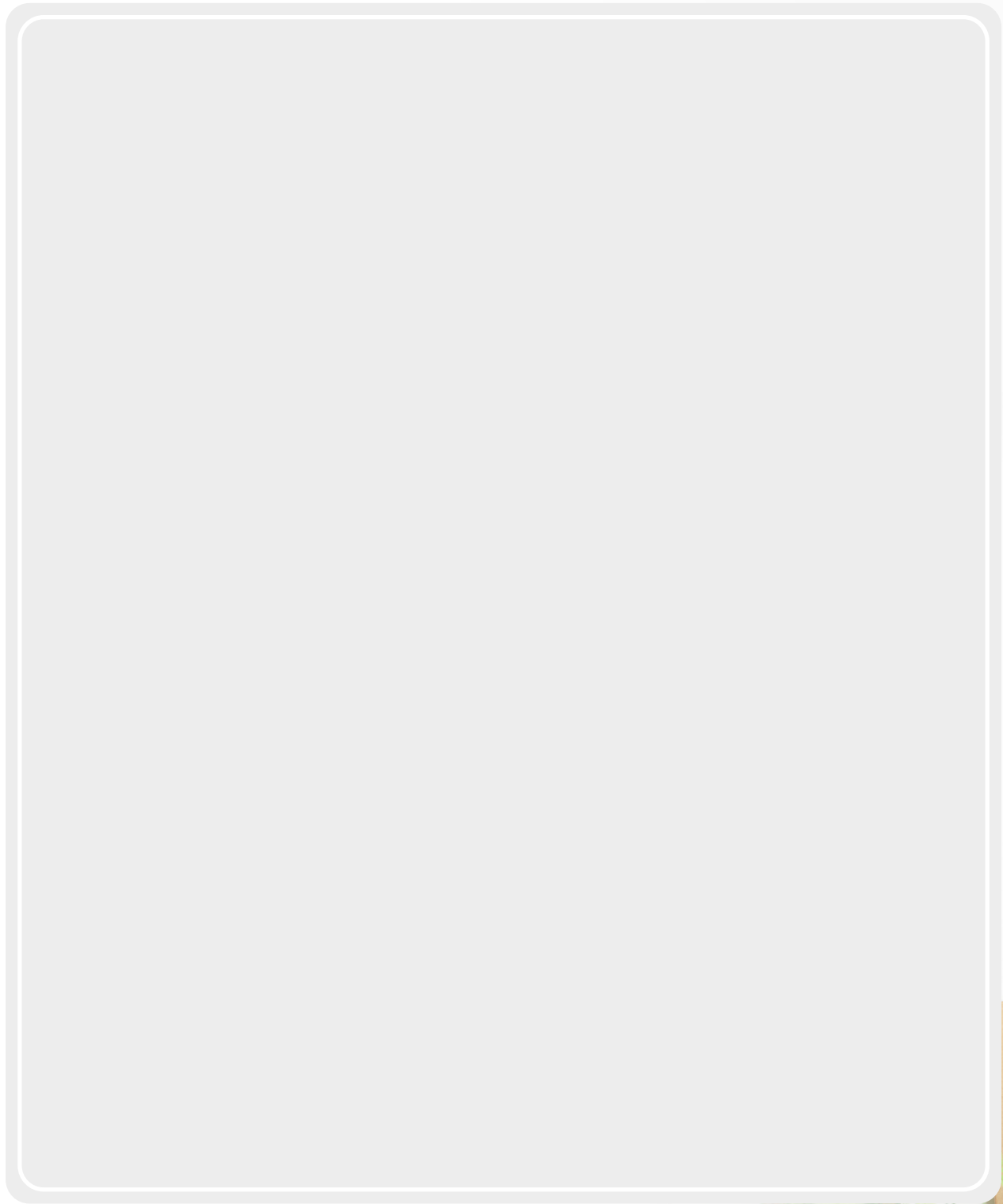
After completing this activity, rate your level of experience, on a scale of 1-10, about your understanding of this topic.

Rate:

1 – I understand little about this topic

10 – I feel confident in the content I have learned and would be able to share my knowledge with other

Next, make a list of all the topics or ideas about which you would be interested in learning more.





Reasons to Learn Income: Benefits & Imagery

To start the topic, we're going to walk you through an activity designed to help you get into a productive state of mind for learning. The activity is a story about a person or people who are experiencing certain life events. As you go through the story, just let your mind go. The idea is to feel whatever emotions you feel when you hear the characters' story, and then those emotions can translate into motivation to learn and take positive action.

Dominic Gets Downsized

Dominic has been working as a security guard for a protection firm for nearly two decades. He's looking forward to staying in this stable position until he's able to retire in 15 years.

One day when Dominic arrives at work, he's surprised to see a new contraption being installed – a facial recognition machine.

Later that day, when he's getting ready to punch out, Dominic's supervisor meets him and calls him into the office. The supervisor tells Dominic that the company will be downsizing. Since most of the guards are being replaced by the new technology, Dominic will be laid off in two months.

Dominic is dumbfounded and dazed. How could this happen? He doesn't know what to do. He's been a security guard for so long! What can he do now? What other job would he qualify for? Dominic feels lost and confused.

Clear Your Mind Transition

OK, that probably didn't feel very good. But many people face scenarios like this at some point in their lives. Now just take a moment to clear your mind.

Shake out your body. Take a nice, deep breath. Roll your shoulders a couple of times.

Stand up, then sit back down. Take another deep breath.

Dominic Branches Out

Dominic has been working as a security guard for a protection firm for nearly two decades. He'll be eligible to retire in 15 years. But Dominic knows his position is far from secure. The security industry is evolving rapidly, with new technology being introduced all the time.

To get ready for these inevitable changes, Dominic has been studying part-time to become a forensic scientist. Two years ago, he completed his Bachelor's degree in criminal justice, and now he's just a few months away from getting his Masters in forensic science. He has a friend who works as a technician at the municipal crime lab, and Dominic is pursuing an opportunity to do some volunteer work at the lab. Dominic also does handyman work around town on the weekends to earn some side income.

One day when Dominic arrives at work, he sees a new contraption being installed – a facial recognition machine.



Later that day, when he's getting ready to punch out, Dominic's supervisor meets him and calls him into the office. The supervisor tells Dominic that the company will be downsizing. Since most of the guards are being replaced by the new technology, Dominic will be laid off in two months.

Dominic feels prepared to meet this challenge head-on. He has interviewed with another security company that is hiring guards for a temporary assignment, and they're ready to bring him on. Dominic will complete his forensic science degree by the time the new security assignment winds up. He will apply for several forensic positions in the meantime, and hope to have a position lined up before the temporary job ends.

Reflection

Increased globalization and advances in technology are quickly changing today's work environment. That means knowing how to diversify income sources and preparing to address threats to job security – like Dominic did in the example – are essential tools in your personal finance toolkit. Learning about various ways to generate income and maximize your earning potential has multiple benefits to help you meet the demands of the ever-changing workplace.



Reasons to Learn Income: Benefits & Imagery


Your motivation for learning about money plays an important role in your financial success. Gaining money management skills supports both your motivation and your ability to achieve your financial goals. In this activity, you're going to use a sales strategy called the "Ben Franklin Close." It's a valuable technique that salespeople use to close a sale. The "Ben Franklin Close" helps you logically evaluate the pros and cons of any action you want to take.

On the left side of the "T" chart below, write your **reasons for** learning about income. Then on the right side of the "T" chart, write your **reasons against** learning about income.

Evaluate your answers. Do your "reasons for" outweigh your "reasons against" learning about income?

Reasons For	Reasons Against





Preview Activities: Crib Notes & T.H.I.E.V.E.S. for Income

This student guide will support you as you complete the T.H.I.E.V.E.S. pre-reading exercise. Using this guide, you will employ a reading preview model to preview the section, activate your prior knowledge about the topic, and set a purpose for doing the reading. Crib notes also are provided; this student resource provides a summary review of the content of this lesson and also allows you to complete the T.H.I.E.V.E.S. pre-reading exercise: “Summary of What the T.H.I.E.V.E.S. activity is.”

Income Crib Notes

You'll spend about one-third of your life working, so aligning your job with your passions is one of the best things you can do for yourself. First, identify what your passions are. What do you enjoy doing? What are you good at? What are your interests? Then find occupations that offer opportunity to earn money doing what you love. Focus on building skills centered around those passions. Consider your ideal work environment, schedule, and geographic location. It may take time to get your "dream job," but it can elevate your health and overall life happiness.

Rapid changes in globalization and technology have increased threats to job security in many fields. Committing yourself to lifelong learning and constantly expanding your skill sets is essential to avoid losing your income source. Continually assess where your job stands in terms of technological advances and potential automation or outsourcing. Always be learning more and expand your skills. Keep up-to-date on economic and industry trends so you are aware of future prospects and how to locate the best, highest-paying opportunities in your field.

We all want to attain the maximum compensation for the work we do. First it's important to learn whether we are paid below, at, or above the market. We should consider all forms of compensation beyond salary and wages, including benefits like health insurance, retirement plans, sick leave, and vacation pay. Many online tools like [glassdoor.com](https://www.glassdoor.com) and [CareerBuilder.com](https://www.careerbuilder.com) are available to help you evaluate your worth to an employer. You can check the most desired and most lacking skills for a position and gain those skills to put you in position to negotiate higher compensation.

There are two ways to maximize your earning potential: get a raise from your current employer, or seek a new position. Increase your value to your employer by showing a good ROI: show up on time every day, be a good team member, stay positive, and make yourself a valuable employee. Ask for a raise by choosing good timing, prepare to sell yourself, and state your specific individual contributions to the company's bottom line. To find a new job, use online resources like [monster.com](https://www.monster.com), hire a professional headhunter, and/or attend industry events. Keep your résumé polished and up-to-date, do some self-marketing, and read up on how to master job interviews.

Many people seek additional income streams beyond their primary jobs. You might get a second part-time job, do freelance/contract work, or start a business. There are three types of income: active (earning money for work), passive (earning without working, like rental income), and investment income.

Preview Activities: Crib Notes & T.H.I.E.V.E.S. for Income

To land a second part-time job, start by searching what's available and pursue positions with flexible hours that work around your full-time schedule. Freelance websites like upwork.com offer opportunity to bid on jobs that meet your criteria. To start a business, commit a certain amount of time per week to research and write your business plan.



Reason / Purpose

Scanning what you are about to read can help you understand the big picture and recognize important areas you will be covering. We use the THIEVES model to maximize your ability to tap into prior knowledge, determine what you will learn from the lesson, and create a plan for your learning. The T.H.I.E.V.E.S. acronym stands for elements of the text:

- Title,
- Heading,
- Introduction,
- Every first sentence,
- Visual and vocabulary,
- End of chapter questions, and
- Summary.

The THIEVES model will help you learn the reading process. Before reading, you will use each element within the acronym (T.H.I.E.V.E.S.) to write or think about each question that is associated with the letters of the acronym of the model. Essentially, THIEVES is a three step process that first enables you to preview the text prior to reading it, then explain the different elements of the text through the evaluation of each letter of the acronym, and finally facilitate your learning by modeling how to use this strategy until you are comfortable with the steps in the process.

You may choose to complete the THIEVES activity in its entirety, responding in the space provided for each letter in the acronym. Or, if you have limited time, you may choose to review the crib notes version of the lesson and then skip directly to the “Summary” section (the “S” in “THIEVES”) and type in your answer based on the crib notes.



Instructions

Follow the THIEVES model guidelines and complete the chart. On the next two pages is a table of seven sections or columns (T.H.I.E.V.E.S.). Read the instructions for each section, respond to the instructions for each column, and then type the response in the space provided. Or, if time is limited, review the crib notes for this lesson, then skip directly to the “Summary” section (the “S” in “THIEVES”) and type in your response based on the crib notes.



THIEVES Model	Your Answers
T: Title – Look at the overall title of the lesson. What does the title tell you about what you can expect to learn in this lesson?	
H: Headings – Look at all of the headings and subheadings in this lesson. What do the subheadings tell you about what you can expect to learn in this lesson?	
I: Introduction – Read the introductory paragraph. What two or three topics does it tell you the lesson will talk about?	
E: Every first sentence in a paragraph – Read the first (topic) sentences of each paragraph. What are the topics of each paragraph?	

THIEVES Model	Your Answers
V: Visuals and Vocabulary – Look at all the images and vocabulary terms. What topics do they indicate are important?	
E: End-of-Chapter questions – Look at the review questions at the end of the section. What topics are they asking you to review?	
S: Summary – Read the summary of the lesson. What does it say are the key topics you should have learned?	





Income

Pre-Education Case Study: Level – Financial Foundation & Growth

A case study is essentially a story – it provides an illustration of how financial lessons can be put into action by real people in real-world situations. Case studies are engaging and relatable, and offer solid evidence of the practical value financial education has to help people solve problems and make sound life decisions.

Financial Foundation & Growth

Pre-education Case Study

Bill is recently divorced. He is having problems transitioning from a two-income to a one-income household. His former spouse made \$75,000 per year when they were together. Bill makes \$60,000 per year. Bill decided to remain in the family home and is now responsible for the entire mortgage as well as the costs associated with living in a house.

Other than his mortgage, Bill is debt-free. After inheriting a sum of money from his grandmother's estate, he and his former spouse were able to pay off their credit cards, a small personal loan, and both of their vehicles.

As part of the divorce settlement, Bill received a one-time lump-sum payment of \$15,000 in lieu of future alimony. If he uses this money to supplement his income, he can continue to live comfortably in the home for the next two years.

Bill realizes that this isn't a great long-term plan, but he isn't sure if he wants to sell the home and move. His other option is to seek employment with a higher salary. Currently, Bill works as the director and manager of a theater company. A local college has offered him a position as an adjunct professor, which would add \$5,000 to \$7,000 per year to his total income.

A large theater in a nearby town wants to hire a marketing director. Bill's background in non-profit management and marketing makes him a strong candidate for this position. He doesn't want to leave his current job, but understands that it may not be in his best interests long-term to stay.

The marketing position pays \$72,000 per year with full benefits. If he stays in his home and transitions to this new job, he could afford to stay where he is. If he keeps his current job, he knows he'll eventually have to sell his home and move somewhere less expensive.



1. How serious is Bill's financial situation right now?

2. What's Bill's main problem?





Income

Pre-Education Case Study: Level – Financial Challenges & Recovery

A case study is essentially a story – it provides an illustration of how financial lessons can be put into action by real people in real-world situations. Case studies are engaging and relatable, and offer solid evidence of the practical value financial education has to help people solve problems and make sound life decisions.

Financial Challenges & Recovery

Pre-education Case Study

Lauren is a sales representative for Xerox in Manhattan. She started as an entry-level sales assistant 10 years ago and worked her way up to a senior sales position. Her in-demand skill set has allowed her to make a comfortable living doing what she enjoys. She has a long list of loyal clients and truly enjoys her day-to-day workflow.

A few months ago the company restructured their workforce and several people in upper management, including the sales manager of her division, were fired. As a result, Lauren served as stand-in sales manager in her office for a few months.

Her sales goals, which are set by higher-ups in the corporate office, rise each year. Lauren has never missed a set of goals. For this reason, she's one of the highest-earning salespeople in the company.

The cost of living in Manhattan is notoriously high, and Lauren isn't comfortable spending large amounts of money on rent. She currently lives about 45 minutes from her office in a comfortable and spacious apartment.

Lauren's company recently offered her the position of sales manager, which was thrilling. However, without her sales commission and bonuses, the promotion came with a sizable pay cut. She took the job without thinking it through, and her smaller paychecks are starting to take a toll on her lifestyle.

Normally, she spends the holidays on the west coast with family, but this year she had to cut her trip short for work and because of a lack of funds. She also skipped an overseas trip with friends that had become an annual tradition.

Lauren doesn't want to complain about the promotion, but the cost of living, even in her quieter neighborhood, is high enough that the lack of commission and bonuses makes it difficult to get by on her current salary. She finds herself wondering whether she should have passed on the promotion. Lauren is now wondering if she could get her old job back, but is afraid to ask for fear it will put her employment in jeopardy.



1. What are some possible consequences to Lauren's income if she asks to return to her old job?
2. If Lauren were your friend, what advice would you give her about what to do next?





Activity: Finding a Fulfilling Income Source

This activity poses a series of questions designed to help you identify your passions and an income source that would fulfill those passions.

Activity: Finding a Fulfilling Income Source

Answer the questions below to identify a type of work that you would find fulfilling.

What type of work environment do you like?

What is your preferred work schedule?

In what location or region of the country would you like to work?

What are you passionate about?

Activity: Finding a Fulfilling Income Source

What are a few activities you enjoy doing in your spare time?

What are you good at – what are your best skills?

What are your greatest interests in life?

Reflect on your answers to those questions and, keeping those answers in mind, answer the following:

What industries are you interested in?

Activity: Finding a Fulfilling Income Source

What features of those industries attract you to them?

What types of daily tasks would you enjoy doing?

What would be your ideal work schedule, including days of the week, hours of the day, and number of hours?

Where would your dream job be located? Consider the distance of the workplace from your home, and/or whether there is another location where you would like to move.

Activity: Finding a Fulfilling Income Source

List any specific companies you think working for would be fulfilling.

What skills would you need to develop to get your dream job?

Who do you currently know who is already working in your dream job?



Activity:

Reducing Your Industry Risks

In this activity, you will research where your current industry stands in terms of income security. Then you will answer a series of questions regarding your level of risk of losing income security, and create a plan for improving your worth and reducing your risk of unemployment.

Activity: Reducing Your Industry Risks

Research your industry, or the industry you want to enter, on the Bureau of Labor Statistics website. Then use the information you gathered to answer the following questions.



[Visit: Bureau of Labor Statistics](https://www.bls.gov/)

<https://www.bls.gov/>

Is your industry growing or shrinking?

What current skills are required to do your job?

Given your current skill sets, are you at risk of having your job automated or outsourced?

What skills do lateral positions (positions similar in rank and responsibility to yours) and upward positions (positions like your supervisor's or your boss's boss) require?

Activity: Reducing Your Industry Risks

Would gaining these skills improve your worth and reduce your risk of unemployment in the industry?

What skills do you need to develop to ensure that your position or desired position is secure?

How will you obtain the skills you need to remain relevant in your industry?

Activity: Reducing Your Industry Risks

When will you acquire these skills? Build a detailed timeline with start/end dates for each skill.

Skill	Start Date	Hours per Week Dedicated to Skill Development	Start Date



Activity:

Income & Skills Assessment

This activity is designed to guide your research into where you stand in terms of compensation and skill levels in the job market for your current position. Use this information to evaluate steps you may take to increase your earning potential.

Activity: Income & Skills Assessment

Follow the steps below and fill in the form to research and document where you currently stand in terms of your value in the job market.

Finding Out Where You Stand in the Current Job Market

Here's a helpful exercise you can do to determine your worth in your current job position, see how you compare with your professional peers, and formulate a plan to reach the top of your profession and thereby maximize your income.

Step 1 – Research the Compensation for Your Job

Through websites such as Salary.com and Glassdoor.com, you can easily find out what people are paid to do the job you're currently doing. Salary.com will even give you a high, low, and average salary for the specific area of the country where you work.

Write the numbers down so you don't forget them and can refer to them later. (What if, down the road a bit, your boss offered you a raise to \$75,000 a year? Wouldn't it be helpful to know whether \$75k is pretty much the top-end salary anyone with your job title makes? – Or, alternatively, to know that it's nowhere near the top, and that plenty of people doing your job make a lot more? So write those numbers down, because later on you don't want to be trying to remember whether \$75k was the average or the high figure.)

Write down the "Low," "Average," and "High" of the salary range, and then write in your current salary wherever it falls on that scale.

You might go a step further and check the salary range for your job in different areas of the country. That will give you an idea whether you live in an area where your skills are in high demand.

Low Salary _____

Average Salary _____

High Salary _____

Activity: Income & Skills Assessment

Step 2 – Check Your Skill Set Against that of Your Peers

The next step in evaluating your position in the job market is to check your skill set against the skills held by others with the same job title.

The easiest way to do this, once again, is through online research. In addition to Salary.com and Glassdoor.com, thebalancecareers.com offers detailed information on the skills required for various jobs. For example, for the job of Financial Analyst, it describes the primary skills needed as accounting skills, analytical thought, technical skills, and written and verbal communication skills. It goes further to identify key skills within each category, such as “creating financial models in Excel” under the “technical skills” category.

You can create a simple checklist of skills, noting whether you already have each skill, or need to acquire (or improve) it.

Skill 1	<input type="radio"/> I Have It	<input type="radio"/> I Need It
Skill 2	<input type="radio"/> I Have It	<input type="radio"/> I Need It
Skill 3	<input type="radio"/> I Have It	<input type="radio"/> I Need It

and so on...

Here's an easy sample worksheet:

Skill 1 _____	I Have It	I Need It
Skill 2 _____	I Have It	I Need It
Skill 3 _____	I Have It	I Need It
Skill 4 _____	I Have It	I Need It
Skill 5 _____	I Have It	I Need It
Skill 6 _____	I Have It	I Need It
Skill 7 _____	I Have It	I Need It
Skill 8 _____	I Have It	I Need It
Skill 9 _____	I Have It	I Need It
Skill 10 _____	I Have It	I Need It

Activity: Income & Skills Assessment

Prioritize the list, putting the most important skills first. For each skill you list, circle “I Have It” or “I Need It.” When you’re done, a quick glance at your list should be sufficient to tell you whether or not you’re among the most skilled individuals holding your job title.

Don’t forget to include educational and professional credentials as part of your skills list.

Next, make note of the most important “I Need It” skills that you can work on improving through additional formal education, online learning, or on-the-job training.

Step 3 – Set a New Salary Goal and Outline How to Attain It

The goal is to identify where you stand in the job market for your current position so that you can maximize your income. Having assessed your salary position and skill set, you can now apply your efforts in one of three directions:

If you're already at the "top of the food chain" salary-wise, making very near the high-end salary for your job title, the best way to increase your income may be to look toward getting a promotion to a position that offers significantly higher compensation. In that case, it's time to look at available moves up the corporate ladder and re-examine your skill set to see how ready you are – or how to get yourself ready – to transition to a new, higher-paying job.

If you're on the high end of the skills list, but more toward the lower end in salary, you may want to think about putting together a plan to ask for a raise. Come to such a meeting armed with your research, so that, for example, you can confidently state that, "I'm being paid \$10,000 a year below what the average (job title) makes in this area of the country – but, in fact, I've got more skills than most people in this business." (Be prepared to provide details.)

If you find that you're in the upper salary range but low on the skill set list, be thankful for the moment that you're being overpaid. Your next wise move is likely to begin working diligently to raise your skill level to match your income level, and hope that in the meantime your boss doesn't realize how much he's overcompensating you.

The knowledge you obtain by thoroughly researching your job and its corresponding skill sets will put you ahead of many of your peers, just by giving you a clear picture of exactly where you stand in the job market. Having a firm grasp of your value as an employee, and specifically what makes you valuable, is the first big step toward ensuring that you're properly compensated for what you bring to the table.



Activity:

Prepare for & Identify Income Opportunities

This activity guides you through some steps to develop a solid plan for identifying and preparing to pursue employment opportunities that will help maximize your income.

Activity: Prepare for & Identify Income Opportunities

Follow the steps and complete the forms below to create a plan for maximizing your income.

Let's outline the steps you can take right now to set yourself toward accomplishing one of two possible goals:

Either:

1. Create a plan to get a raise (or a promotion that carries a raise) with your current employer;
- or
2. Create a plan to get a new, better-paying job with a different employer.

Creating a Plan to Get a Raise

Let's start with the first goal – getting a raise. The key to successfully getting a raise is having a solid, detailed plan in place for how you're going to go about asking for one. Here's your "Getting a Raise Checklist," complete with instructions:

1. Pick a good time to ask for a raise. A number of occasions can offer good opportunities to ask for a raise. Consider these occasions and decide which one you want to go with – most likely the one with which you're most comfortable. This list of "good times to ask for a raise" isn't exhaustive, but it does offer a few options:
 - Either right after you've received some personal recognition at work or made a major accomplishment, or right after the company has had a major success (such as record profits for the quarter).
 - When you have your regularly scheduled employee review. This can work for you or against you. Your boss may come to such a meeting either already prepared to offer you a raise, or resolved not to, no matter what. You've just got to know your boss to understand his usual approach.
 - Other possibly favorable times are at the start of a new fiscal year for the company, when the company has received an influx of cash, or – if your boss is the sentimental type – just before Christmas.

Possible Opportune Times for Me to Ask for a Raise

Activity: Prepare for & Identify Income Opportunities

2. Prepare for the discussion. Don't show up to an "ask for a raise" meeting without a clear idea of how you're going to go about it and what you're going to say. Prepare and REHEARSE what you're going to say. First, have the right mental attitude: don't come prepared to beg – come prepared to persuade. WRITE OUT a list of all the reasons you deserve a raise. If you can point to a specific thing you did that measurably increased the company's bottom line, that makes a strong case. But you can make your case effectively even without such a tangible incidence to point out. Perhaps you've expanded your skill set by getting your MBA degree. Be sure to note the parts of your job that you do exceptionally well. That's the sort of thing that makes you look irreplaceable – for example, the fact that nobody else can put together a trade show seminar as well as you do.

Reasons I Deserve a Raise

3. Don't just ask for something. Offer something, too. One of the best ways to go about asking for a raise, and a method not too many people think to use, is to mention in the conversation with your boss what you plan to do "next year" to improve operations or help the company grow and be more profitable. Having future plans attaches value to your job performance and shows off your skill set. For example, if you're a star at organization and budgeting, you might mention something like, "After the first of the year, I plan to do a rigorous examination of our shipping procedures – I think that, with a little smart reorganization, we can cut our shipping costs by 20%." And – voilà! – you've just shown your boss how he can pay for giving you a raise.

Things I Plan to Do to be More Valuable to the Company

Activity: Prepare for & Identify Income Opportunities

4. Have a number in mind. Don't be stumped into silence by your boss asking you how much more money you want. The number should make sense, which again means doing your homework – looking at sites such as Salary.com or Payscale.com – so that you can provide concrete information for your boss to consider, such as, “According to Payscale.com, I'm not even making the average salary for my job. I think, all modesty aside, that I do an above-average job here – wouldn't you agree?” (Of course, don't ask that question unless you know your boss is going to agree with you.)

Ask for a bit more than you reasonably expect to get. You just might get it. Even if you don't, it gives you room to negotiate. You don't want to open the negotiation with the lowest number you're willing to accept, because the nature of negotiation means that your boss is likely to make a counter-offer.

How Much More Money am I Looking For?

5. Have a back-up plan. Be prepared for your boss to say “no” – and that means being prepared to answer his “no” with further negotiation. If, for example, he says it's just not a good time, then ask him straight out when you can revisit the issue and nail down a follow-up meeting as best you can. Use a question like, “All right, so March is a good time for us to get back together and talk about a raise for me?”

If your boss says he just doesn't think you merit a raise right now, then ask him to tell you specifically what you can do that would merit a raise.

My Back-up Plan

Creating a Plan to Find a New, Higher-Paying Job

If you've determined that opportunities for making more money with your current employer are extremely limited, then it may be time to start looking elsewhere. Here are some simple, preliminary steps you can take to get your new job search going in the right direction.

1. Dust off your resume. Particularly if you've been with your current employer for several years, your resume is likely to be at least a bit out of date. It may have stopped listing your employment history two or three job titles ago. In any event, review and update it, paying special attention to including any new skills you've acquired, such as a professional designation like Certified Professional Accountant (CPA).

Resume Check

Jobs _____

Skills _____

Certifications/Awards _____

Professional Organizations _____

2. Keep your job search narrow and focused. Job sites like Monster.com or Indeed.com have tens of thousands of listings. You can spend your time most efficiently by making your job search as specific as possible, and by using advanced search options – for example, limiting your search to certain areas of the country. Also, don't neglect the advantage of using industry-specific job search sites if such sites exist for the industry in which you work.

Options to Narrow my Job Search

3. Think about getting some help. Do you want to make use of the services of a headhunter? Consider having at least one meeting with a career counselor who may be able to help you decide exactly the best way to approach looking for new job opportunities.

Activity: Prepare for & Identify Income Opportunities

4. Don't necessarily just think about your dream job. Think also, if appropriate, about whether there's a "dream company" for which you'd really like to work. Sometimes getting hired by the right company can be more rewarding in the long run than getting a specific job. So perhaps be open to taking a different kind of job than you're doing now, if such flexibility may help you land in the ideal corporate situation.

Companies for Which I'd Love to Work

5. Alert your network. Touch base with members of both your personal and professional networks and let them know you're on the lookout for new opportunities.

Network Contacts with Whom to Get in Touch

Activity: Prepare for & Identify Income Opportunities

6. Market yourself publicly. Sometimes it helps just to “get your name out there” as much as possible. Consider writing a guest blog article about a subject in which you have expertise. If nothing else, become a little more active on social media – tweet a little more often, post more interesting items on Facebook, LinkedIn, or YouTube. By putting yourself out there, you may not even have to look for a job – a job (or an employer) may come looking for you.

Self-publicity Opportunities

Whether your plan is to pursue making more money where you are, or finding a new place to make more money, the important thing is to start crafting a plan. Get started! You’re not likely to reach your desired destination if you don’t at least turn the car on.



Activity:

Exploring Additional Revenue Streams

This activity presents a framework and guides you to analyze possibilities for creating revenue streams in addition to your primary job.

Activity: Exploring Additional Revenue Streams

Read through each section below and complete the forms to begin developing a plan for pursuing a second income source. This analysis framework is designed to help you identify which additional revenue stream is best suited to you, in light of both your current situation and your personal goals.

Some of the angles to consider when analyzing second income stream opportunities include hours, money, opportunities, and investment.

1. Picking a Second Job Based on Hours and Scheduling

The first angle from which to view potential second jobs is the work schedule and hours required at your primary job. If your primary job involves working a regular schedule of fixed hours (e.g. a normal 8-5 or 9-5 job), then getting a second, part-time job may be the most suitable option for you. You can look for a position that offers a set number of hours per week that you can fairly easily schedule around your primary job. For example, if your primary job hours are 8-5, Monday through Friday, look for companies seeking part-time weekend help.

On the other hand, if your primary job hours are changeable and unpredictable – i.e. you work swing shifts or variable days of the week – it may be difficult to find part-time work that you can easily schedule around your primary job. In that case, freelancing, where you have greater flexibility in choosing work hours, may be a more suitable option.

Current Working Hours	Available Hours for Second Job
Monday:	Monday:
Tuesday:	Tuesday:
Wednesday:	Wednesday:
Thursday:	Thursday:
Friday:	Friday:
Saturday:	Saturday:
Sunday:	Sunday:

2. Picking Your Second Job Based on Money

The specific reasons that drive you to seek additional income may also be the deciding factor in determining the additional revenue stream you pursue. Are you looking for a second job for the simple reason that you need additional money right now? Or can you get by fine on the income from your primary job, and are looking for a second income stream more as a means to open up potential long-term opportunities, either for extra financial security or to pursue long-term career goals? For example, maybe you have a career dream to be a writer, but have not yet found a way to earn a full-time living by writing. Getting started as a part-time freelance writer may offer a path to gradually transition from your current primary occupation to full-time writing. If that's the sort of scenario that primarily motivates you to seek an additional revenue stream – and you're not in immediate need of extra income – then either freelancing or starting your own business may be the second income path that suits you best.

But if your main reason to take on extra work is because you need a minimum amount of additional income right now, then the surest path is probably a regular, part-time second job. For example, perhaps your wife is taking time off after having a baby, and you need to generate extra income until she returns to work.

That doesn't mean you can't eventually pursue other kinds of second income. You might get a regular, part-time job now, when you need a certain level of extra income – but transition into freelancing or starting your own business when temporary monetary pressures have eased.

Primary Motivation for Second Income _____

Secondary Motivation for Second Income _____

3. Picking Your Second Job Based on Opportunities

In addition to extra income, second jobs can offer a wealth of opportunities with potential long-term value. For some people, those opportunities make pursuing a particular additional revenue stream most attractive. For instance, a second job may offer you opportunity to learn additional job skills you don't currently have, but wish to pick up to obtain your long-term career goals. For example, you might take a job in the food service or restaurant industry because you dream of opening your own restaurant one day. Your motivation for taking the job may rest more on the opportunity to learn than on the immediate, additional income it provides.

Opportunities a Second Job Might Open up for Me

4. Picking Your Second Job as an Investment

The final viewing angle, or motivation, for choosing an additional revenue stream applies primarily to those individuals who favor starting their own business. You've had a dream of starting your own business for some time, but you need to work at your current primary job in order to support yourself and your family. You're relatively financially secure, at least to the point that you don't need immediate income from a second job.

You see starting your business as a time investment you can make now, to create an opportunity to earn substantial financial gains sometime in the future.

Businesses I Might Want to Start

Activity: Exploring Additional Revenue Streams

There are virtually limitless opportunities to choose from in selecting an additional revenue stream. To pick the one best suited to you, you should first consider your work situation at your primary income source; and second, your motivation to seek an additional revenue stream. Work hours, specific monetary needs, opportunities, and investment goals may all play a part in helping you find an ideal second income source – the one that’s right for you.

SECTION 7

...

ECONOMIC & GOVERNMENT INFLUENCES



KĀLĀ CAPITAL PARTNERS

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Economic & Government Influences

Lesson Warm-up: KWR & VIQQS



VIQQS

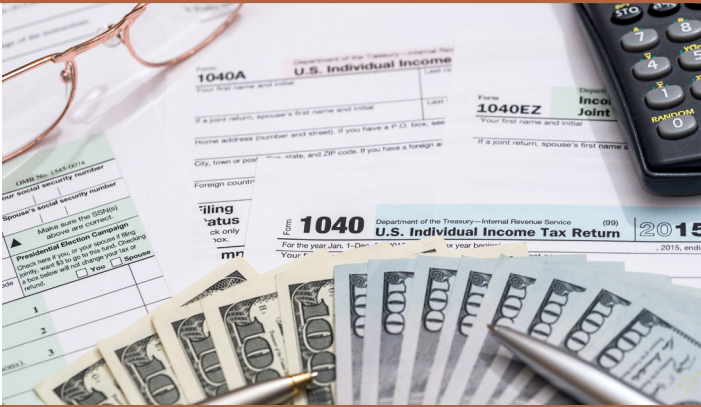
The VIQQS activity is designed to support various learning styles and gives you the freedom to activate your own existing knowledge in ways that work for you. The VIQQS acronym stands for Video, Image, Quote, Questions, Sounds. You are provided with each of these different cues and instructed to free-write, reflect, or participate in group activities to activate prior knowledge, laying the foundation to connect with the new information you're about to learn. The VIQQS method builds on the KWR strategy to continue the activation of prior knowledge; but has the added benefit of appealing to a variety of learning styles, including visual, auditory, reading, and kinesthetic.



Video



Image



Quote

“

Taxes, are the dues that we pay for the privileges
of membership in an organized society.


- Franklin D. Roosevelt, 32nd president of the United States

”

Question

?


How do taxes shape, as well as reflect,
our overall financial situations?

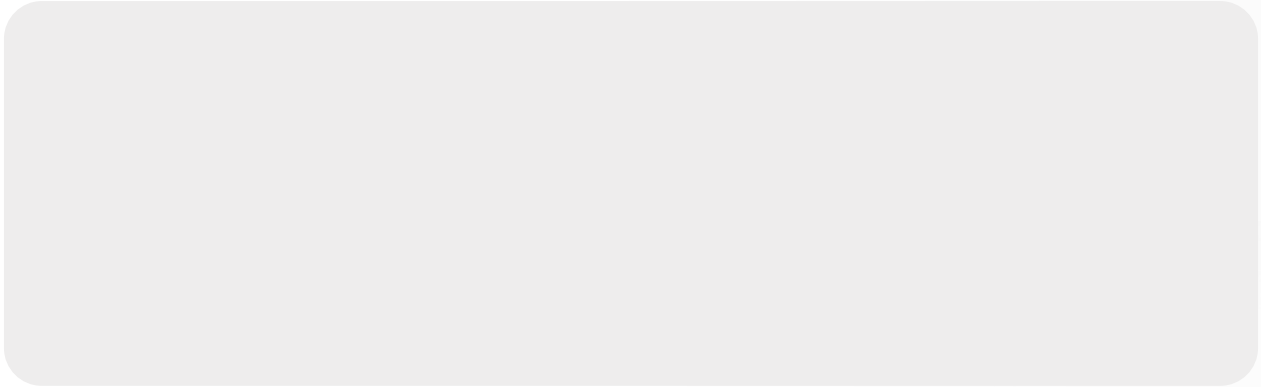


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KWR

The purpose of a KWR chart is to help you organize your thoughts about information. A KWR chart provides you with a method to organize and simplify your thoughts when reading complex information.

Education Reason – Research shows that, when you connect existing knowledge about a topic to a new topic you are learning, it is easier to pick up the new concept and increase your knowledge about the subject matter. By connecting previous experiences to new information as you learn it, it becomes easier to recall and retain the information you have learned.

How a KWR Works – Using a KWR chart will help you organize and clarify your thoughts. Let's dig deeper into how this type of chart works.

K stands for what you already know about a subject or topic. One way to approach using this column is to brainstorm any words, terms, or phrases you have heard or associate with that topic. For example, you might think about the term “finance” and associate words like money, wealth, happiness, rich, or vacation when you hear that term. This activity can be expanded by choosing a word that you wrote down, such as money, and asking yourself “What made me think of that word, and why do I associate it with wealth?” This activity can be extensive, and you should be open to writing down as much information as possible without worrying about whether it is right or wrong.

W stands for what you want to learn about a topic. Always be sure to remember that no question is stupid, so write down anything that comes to mind. Thinking about the term finance, you may have questions such as “What makes someone wealthy?” or “How do I start a savings account?” The list of questions could be endless, and that's ok. Each question will help strengthen your understanding of the topic and expand your knowledge.

Another great question to ask yourself is “What would I like to learn more about regarding this idea?” This way of thinking helps change your perspective and approach to the question.

Finally, **R** stands for how this information relates to your life. This column helps you sort your thoughts about how you can take information and immediately apply it to your life. For example, you may realize that you associate wealth with being bad or that being wealthy means others will suffer. These thoughts could then lead you to start thinking about how you approach money and why you are hesitant to make more money or appear wealthy to others. The R column allows you to expand on the first two columns, while making deeper connections to your current life status.

Instructions – Using the chart provided below, you will complete your KWR chart by listing what you currently know about this topic, what you want to know, and how this topic relates to your life. There are no right or wrong answers. Just reflect on the topic and write down whatever comes to mind for each question.

K

What I Know. Think about what you already know about this topic and make a list that includes all these ideas. Don't worry about whether it's right or wrong; give yourself the freedom to write whatever comes to your mind about the topic.

W

What I Want to Know. What questions do you have about this topic, and what do you want to know more about? List all your questions. Also, note any areas about which you may be unsure and that you would like to learn more about.

R

How It Relates to My Life. How does this topic relate to your life? List the ways in which you think this topic may affect your life and the personal reasons you have for picking up the information.

Share Additional Insight

Once you complete the lesson, answer the following questions.

1. What is one thing you learned about this topic that surprised you?
2. How could you share this knowledge to help others learn more about this topic?
3. What topic or idea do you feel you didn't learn enough about and would like to expand your knowledge on further?
4. What is one habit or change you would like to make in your life, given the information you just learned?

5. How did learning about this information make you feel?

6. How will this information change your life in a more positive way?

7. How can I expand your learning once this class is done?

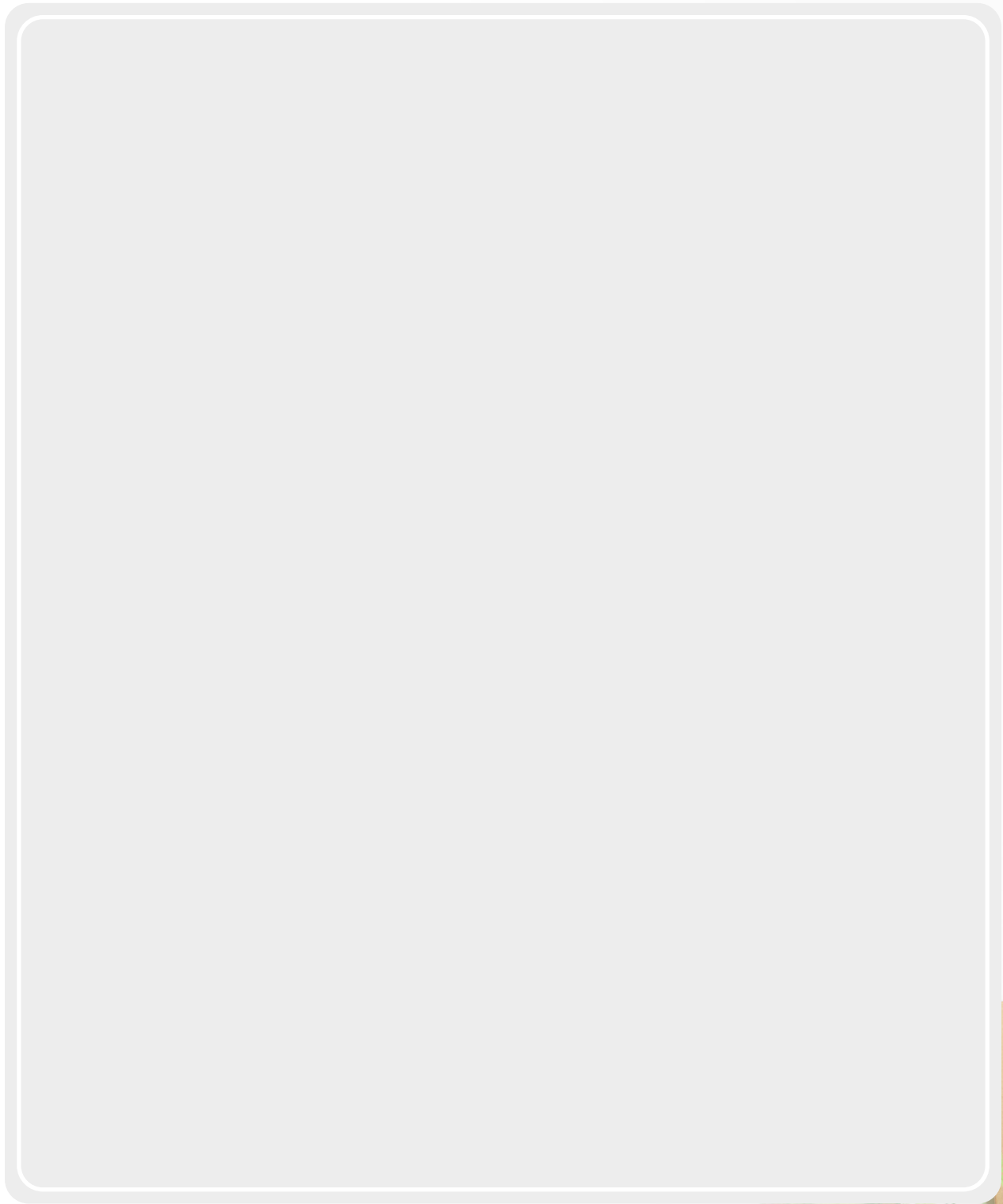
After completing this activity, rate your level of experience, on a scale of 1-10, about your understanding of this topic.

Rate:

1 – I understand little about this topic

10 – I feel confident in the content I have learned and would be able to share my knowledge with other

Next, make a list of all the topics or ideas about which you would be interested in learning more.





Reasons to Learn Economic & Government Influences: Benefits & Imagery

To start the topic, we're going to walk you through an activity designed to help you get into a productive state of mind for learning. The activity is a story about a person or people who are experiencing certain life events. As you go through the story, just let your mind go. The idea is to feel whatever emotions you feel when you hear the characters' story, and then those emotions can translate into motivation to learn and take positive action.

Susan and Eric Get Audited

Susan and Eric are a married couple in their late 40s. They've been filing their own tax returns for years. This year they requested an extension from the IRS, but now the extension is expiring soon, so they need to file their returns. Susan and Eric feel pressured and rushed to get their returns done. They hastily fill out the forms and send them in.

Unfortunately, Eric neglects to include a 1099 form he received for some independent contractor work he did last year. As a result, their declared income is \$5,000 less than it should be.

Eight months later, Eric and Susan receive a certified letter stating that their last year's taxes are under audit by the IRS. They are told they must submit all their receipts and documents within four weeks.

Susan and Eric are frantic. They don't know what to do. They stay up late into the night, digging up receipts, rummaging for all the documents they should've submitted with the return. They've heard horror stories about the IRS selling off people's cars, furniture, and jewelry. They're panicked.

Clear Your Mind Transition

OK, that probably didn't feel very good. But many people face scenarios like this at some point in their lives. Now just take a moment to clear your mind.

Shake out your body. Take a nice, deep breath. Roll your shoulders a couple of times.

Stand up, then sit back down. Take another deep breath.

Susan and Eric Handle an Audit

Susan and Eric are a married couple in their late 40s. They have an organized filing system for storing all the documents they need to complete their tax returns. In December each year, they get their files in order and take them to an annual planning meeting with their licensed tax preparer. The tax preparer reviews their situation and advises them whether they need to take any action prior to the end of the fiscal year to maximize their deductions.

In April, the tax preparer completes Susan and Eric's returns and has them review and sign the returns. Then the returns are electronically filed with the IRS.

One year, Eric and Susan receive a certified letter stating that their last year's taxes were



randomly selected for audit by the IRS. They are told they must submit all their receipts and documents within four weeks.

Susan and Eric calmly contact their tax preparer, who advises them that she has all the information and will handle compliance with the audit request. The tax preparer submits all the necessary documents to the IRS and sends a copy of the letter to Eric and Susan. Eight weeks later, the IRS contacts them to let them know that the audit has been completed and is being closed without action. Susan and Eric go to bed that night relieved and satisfied. They rest assured that their tax situation is handled competently by a licensed professional.

Later that day, when he's getting ready to punch out, Dominic's supervisor meets him and calls him into the office. The supervisor tells Dominic that the company will be downsizing. Since most of the guards are being replaced by the new technology, Dominic will be laid off in two months.

Dominic feels prepared to meet this challenge head-on. He has interviewed with another security company that is hiring guards for a temporary assignment, and they're ready to bring him on. Dominic will complete his forensic science degree by the time the new security assignment winds up. He will apply for several forensic positions in the meantime, and hope to have a position lined up before the temporary job ends.

Reflection

Taxes are one of the most significant government influences on our personal finances. Given the complexity of and frequent changes to the tax code, it's extremely helpful to retain a licensed tax professional to complete your tax returns. Knowledge and the guidance of a trusted professional are the keys to handling economic and governmental influences to our best advantage. That's what Susan and Eric found out when they had to deal with an IRS audit.



Reasons to Learn Economic & Government Influences: Benefits & Imagery

Your motivation for learning about money plays an important role in your financial success. Gaining money management skills supports both your motivation and your ability to achieve your financial goals. In this activity, you're going to use a sales strategy called the "Ben Franklin Close." It's a valuable technique that salespeople use to close a sale. The "Ben Franklin Close" helps you logically evaluate the pros and cons of any action you want to take.

On the left side of the "T" chart below, write your **reasons for** learning about economic and government influences. Then on the right side of the "T" chart, write your **reasons against** learning about economic and government influences.

Evaluate your answers. Do your "reasons for" outweigh your "reasons against" learning about economic and government influences?

Reasons For	Reasons Against





Preview Activities: Crib Notes & T.H.I.E.V.E.S. for Economic & Government Influences

This student guide will support you as you complete the T.H.I.E.V.E.S. pre-reading exercise. Using this guide, you will employ a reading preview model to preview the section, activate your prior knowledge about the topic, and set a purpose for doing the reading. Crib notes also are provided; this student resource provides a summary review of the content of this lesson and also allows you to complete the T.H.I.E.V.E.S. pre-reading exercise: “Summary of What the T.H.I.E.V.E.S. activity is.”

Economic & Government Influences Crib Notes

Taxes are one of the biggest items in your budget. You may pay a variety of taxes including income, Social Security/Medicare, investment, sales, property, and excise taxes. The tax code is extremely complex, so consulting with a tax planner or CPA is essential to your personal finance plan. Each year you must complete and submit a tax return and file it with the Internal Revenue Service (IRS) by April 15. There are severe penalties for failing to file or filing an incorrect return. A tax professional can help you determine how to reduce your tax liability through tax credits and deductions. Missed filing deadlines, poor record-keeping, lacking funds to pay tax liabilities, wage garnishments, and tax liens are examples of tax problems people get into.

Federal, state, and local governments all have different calculations they use to determine the taxes you pay. The federal government uses your tax dollars to fund mandatory spending, discretionary spending, and interest on the national debt.

Income taxes are imposed by the federal and most state governments. On your paystub you will see different deductions including federal income, state income, Social Security, and Medicare taxes; and any employer deductions for benefits. Federal income tax is charged at a percentage based on your salary range ("bracket"). All but seven U.S. states also charge income tax at a percentage. Each time you start a new job, you must complete a W4 form to indicate how many deductions you can claim. If you enter in a larger number of deductions than you're entitled to, you will owe the IRS money at the end of the year. If you earn money as a contractor outside your regular job, you will be issued a 1099 form documenting those earnings. You must report all your income to the IRS and pay taxes on it at the end of the year.

Consumption taxes are levied by state and local governments on goods or services you buy. These can be retail sales, excise, and value added taxes; tariffs or import duties. Different states set consumption taxes at different percentage rates. These taxes are borne by consumers, who pay a higher amount at the time of a purchase.

Your investments also are subject to taxation. Investment taxes include interest, capital gains, real estate, dividend, property, and estate taxes. You must consider these taxes when making investment decisions and creating your retirement plan. The assistance of a tax professional is vital.

Inflation is a macroeconomic concept meaning broad increases in the prices of goods and services that are sustained over time. Simply put, inflation occurs when too much money is chasing too few goods/services, driving up or “inflating” prices. Most items in your personal budget are affected by inflation, so you must factor inflation into your budget, income needs, investment returns, and retirement plans. Although inflation rates vary over time, the Bureau of Labor Statistics estimates that inflation has averaged about 3% per year since 1913.



Reason / Purpose

Scanning what you are about to read can help you understand the big picture and recognize important areas you will be covering. We use the THIEVES model to maximize your ability to tap into prior knowledge, determine what you will learn from the lesson, and create a plan for your learning. The T.H.I.E.V.E.S. acronym stands for elements of the text:

- Title,
- Heading,
- Introduction,
- Every first sentence,
- Visual and vocabulary,
- End of chapter questions, and
- Summary.

The THIEVES model will help you learn the reading process. Before reading, you will use each element within the acronym (T.H.I.E.V.E.S.) to write or think about each question that is associated with the letters of the acronym of the model. Essentially, THIEVES is a three step process that first enables you to preview the text prior to reading it, then explain the different elements of the text through the evaluation of each letter of the acronym, and finally facilitate your learning by modeling how to use this strategy until you are comfortable with the steps in the process.

You may choose to complete the THIEVES activity in its entirety, responding in the space provided for each letter in the acronym. Or, if you have limited time, you may choose to review the crib notes version of the lesson and then skip directly to the “Summary” section (the “S” in “THIEVES”) and type in your answer based on the crib notes.



Instructions

Follow the THIEVES model guidelines and complete the chart. On the next two pages is a table of seven sections or columns (T.H.I.E.V.E.S.). Read the instructions for each section, respond to the instructions for each column, and then type the response in the space provided. Or, if time is limited, review the crib notes for this lesson, then skip directly to the “Summary” section (the “S” in “THIEVES”) and type in your response based on the crib notes.



THIEVES Model	Your Answers
T: Title – Look at the overall title of the lesson. What does the title tell you about what you can expect to learn in this lesson?	
H: Headings – Look at all of the headings and subheadings in this lesson. What do the subheadings tell you about what you can expect to learn in this lesson?	
I: Introduction – Read the introductory paragraph. What two or three topics does it tell you the lesson will talk about?	
E: Every first sentence in a paragraph – Read the first (topic) sentences of each paragraph. What are the topics of each paragraph?	

THIEVES Model	Your Answers
V: Visuals and Vocabulary – Look at all the images and vocabulary terms. What topics do they indicate are important?	
E: End-of-Chapter questions – Look at the review questions at the end of the section. What topics are they asking you to review?	
S: Summary – Read the summary of the lesson. What does it say are the key topics you should have learned?	





Economic & Government Influences

Pre-Education Case Study:

Level – Financial Foundation & Growth

A case study is essentially a story – it provides an illustration of how financial lessons can be put into action by real people in real-world situations. Case studies are engaging and relatable, and offer solid evidence of the practical value financial education has to help people solve problems and make sound life decisions.

Financial Foundation & Growth

Pre-education Case Study

Robert has an income of \$26,000 per year fixing cars at an auto repair shop. He and his girlfriend, Tammy, decided to get married last month. She's a nurse with a salary of \$46,000 per year. They decided to sell Robert's house, which he inherited from his grandmother's estate, and put the money toward a down payment on a home where they'll live together.

Robert's friends at work told him that he'll have to pay taxes on the money he gets from the sale of his house. He talked with a real estate agent who said that, because the house is worth about \$75,000 and Robert has lived there for the past six years, he shouldn't worry about paying taxes when the house sells.

His new wife is worried, though. She says they should hire an accountant to help them with taxes now that they are married. Neither of them has much experience handling money. She's been a nurse for two years and has a lot of credit card debt.

Robert thinks Tammy may be right about hiring a professional. They both have health insurance through their employers, but his is twice as expensive as her plan. He's not sure if he should switch to her plan now that they are married. He's also worried that they'll have a big tax bill at the end of the year, because their combined income is so much more than he made on his own. His mom says they should file separately because of his wife's credit card debt. She doesn't want Robert's finances tied up with someone who is in debt.

Starting a new relationship with money worries makes everything difficult. Robert and Tammy are confused by all the well-meant advice they receive from friends and family. Neither of them wants to face a big tax bill and they aren't sure how to proceed.



1. What should Robert and Tammy do next?

2. If you were friends with Robert and Tammy, what advice would you offer?





Economic & Government Influences

Pre-Education Case Study: Level – Financial Challenges & Recovery

A case study is essentially a story – it provides an illustration of how financial lessons can be put into action by real people in real-world situations. Case studies are engaging and relatable, and offer solid evidence of the practical value financial education has to help people solve problems and make sound life decisions.

Financial Challenges & Recovery

Pre-education Case Study

Melanie hasn't filed her taxes in more than 10 years. She didn't think she was required to do so because of her small income. She typically makes between \$8,000 and \$11,000 per year. Her waitressing job pays \$4.50 per hour plus tips. In the past, she hasn't felt the need to claim the tips. Her employer implemented a new pay system last year that requires all the servers to share tips. While this meant an increase in pay for Melanie, it also put her tips on the record for tax purposes.

She thinks she'll have to claim about \$15,000 from her job and she believes her taxes will amount to about \$1,500. Her employer always took out a little bit of money for taxes, so she thought she was following the rules and didn't have to file tax returns. Now, she's worried that filing will trigger an audit for the past 10 years.

This year she will file taxes for the first time in a decade. She's terrified that she'll owe a large amount of money to the IRS. She hears ads on the radio offering help to people who owe back taxes, saying that they can bargain with the federal government and pay less than the amount they owe.

Melanie confided in a friend, who told her that not only will she probably not have to pay taxes, she may get a refund. And she might be able to file for the past few years and get refunds for the taxes her employer took out of her check for those time periods, as well.

Melanie hasn't ever been in any type of financial trouble, though. She doesn't know what to expect and isn't looking forward to visiting with a tax professional about her situation.



1. How serious is Melanie's situation?

2. Why do you think Melanie is scared to file her taxes?

3. What should she do next?





Activity: Your Trusted Tax Professional & Tax Plan

This activity is designed to help you get a clear idea of your current tax situation, and develop a plan to handle your taxes in a way that aligns with your long-term financial goals.

Activity: Your Trusted Tax Professional & Tax Plan

Complete each of the following sections to create an individualized tax plan.

First, use the following checklist to vet the qualifications of a tax professional (when you're searching for a new one, or refreshing information about the one you have):

How many years of individual tax experience do you have?

Do you have expertise in areas relevant to my situation?

What are your fees and how do you get paid?

What license(s) and credentials do you have?

Do you have an advanced degree?

What other services do you offer?

Will you represent me if I am audited?

Are you available year-round for questions?

Next, take stock of your current tax situation by answering the following questions:

Do you have any current tax problems with the federal or state government?

Yes No

If yes, mark which problems you are facing and enter the information below:

Tax Extension Filed. Due Date: _____

Did not File Taxes. Years not Filed: _____

Back Taxes Owed. Amount: \$ _____

Payment Plan. Monthly Payment: \$ _____

Wage Garnishments. Amount Garnished per Month: \$ _____

IRS Judgments. Details:

Tax Levies. Details:

Tax Liens. Details:

Activity: Your Trusted Tax Professional & Tax Plan

How involved have you been in filing your previous tax returns?

Very: lots of planning, preparation, and strategies with tax professional

Somewhat: met with tax professional once per year and provided detailed information

None: just gave them papers and they filed

Do you know if you will take a standard deduction, or your own calculated deductions this tax year?

standard deduction

my own deductions

not sure/don't know

Keep Accurate Tax Records

Follow the steps below to make a plan for maintaining and organizing accurate tax records and documentation.

Step 1: Meet with your tax planner and find out what records you should keep.

Scheduled meeting on _____ [date].

Records advised to keep:

Step 2: Create a record-keeping system. Your system should include a way to store information online, as well as file hard copies. Set up a schedule to review and process your documents monthly or quarterly.

Planned Reviews on:

_____ [date]

_____ [date]

_____ [date]

Activity: Your Trusted Tax Professional & Tax Plan

Step 3: Keep your records in a safe space and update them as needed. Identifying a method of collecting and storing “backups” is important as well.

Primary records stored: _____ [location]

Backup records stored as hard copies digitally at _____ [location]



Activity:

Paychecks, W2s, and W4s

This activity asks you to review an example paystub and check your understanding of what each type of deduction represents.

Activity: Paychecks, W2s, and W4s

Paychecks, This activity asks you to review an example paystub and check your understanding of what each type of deduction represents.

W2s, and W4s

This activity asks you to review an example paystub and check your understanding of what each type of deduction represents.

As you review the sample paycheck below, enter the letter for each item in the list on the sides of the example paycheck and then match the corresponding item on the paycheck.

Required Deductions		
<input checked="" type="radio"/> A Federal Income Tax	00.00	00.00
<input type="radio"/> FICA – Medicare	06.08	12.16
<input type="radio"/> State Income tax	00.00	00.00
<input checked="" type="radio"/> B FICA – Social Security	25.92	51.84

Activity: Paychecks, W2s, and W4s

Example Paycheck

123 – John R. Doe Pay Period:				Required Deductions	This Period	YTD
Earnings				<input type="text"/> Federal Income Tax	00.00	00.00
				<input type="text"/> FICA – Medicare	06.08	12.16
				<input type="text"/> State Income tax	00.00	00.00
				<input type="text"/> FICA – Social Security	25.92	51.84
Hours	Rate	This Period	YTD			
50	9.00	450.00	900.00			
Gross Pay		<input type="text"/> 450.00	<input type="text"/> 900.00	<input type="text"/> Other Deductions		
				Health Insurance	00.00	00.00
				401K	52.00	104.00
				Parking	4.00	8.00
				NET PAY	\$362.00	\$724.00

Your Employer

1234 Some Street

Milwaukee, WI ZIPCODE

Check Number: XXXXXX

Pay Date:

Pay *** Three hundred sixty-two dollars and 00 cents*****\$362.00

To the Order of

John R Doe

555 Some Street

Milwaukee, WI ZIPCODE

- A. SSI deductions
- B. Federal tax deductions
- C. State tax deductions
- D. Medicare deductions
- E. Other payroll deductions
- F. Net income
- G. Gross income
- H. YTD income
- I. YTD total deductions



Activity:

Calculating Sales Tax

This activity guides you to calculate the sales taxes you'll pay on large purchases you plan to make in the near future, so you can include a realistic figure in your budget and savings plan.

Activity: Calculating Sales Tax

Follow the steps below to estimate sales tax on large purchases you expect to make in the near future. Use the example shown below the table to guide your calculations.

List a few larger purchases you intend to purchase in the next year or two and need to add into your budget. A new computer? New furniture? New television?

Then look up your state's sales tax rate and the rate of any local sales tax, and add them together.

Enter the item total, then enter the tax rate. Then calculate the total cost of your future purchase.

Item Description	State Tax Rate	Total Sales Tax Rate	Total Cost of Purchase

Activity: Calculating Sales Tax

How to Calculate

Calculating the total after taxes doesn't require a degree in mathematics! Once you know the total estimated cost of your purchase, multiply that total by 1 + the decimal form of your state's sales tax. Changing a percentage figure into its decimal form is as simple as moving the decimal point in the percentage figure two spots to the left, like so:

9.00% becomes 0.09 4.15% becomes 0.0415 7.05% becomes 0.0705 10.2% becomes 0.102

Once you have your percentage figure in decimal form, just add 1 to your decimal.

$$1 + 0.09 = 1.09$$

$$1 + 0.0415 = 1.0415$$

$$1 + 0.0705 = 1.0705$$

$$1 + 0.102 = 1.102$$

Now take that number and multiply it by your item's total. For example, say you are purchasing a \$1,200 computer and the tax rate is 5.15%.

Turn the percentage figure into a decimal figure by moving the decimal over 2 spots: 0.0515

Add 1 to the decimal figure: $1 + 0.0515 = 1.0515$

Multiply that number by the cost of the computer: $1.0515 \times 1200 = \$1,261.80$

So on the \$1,200 computer purchase in this example, you would pay an additional \$61.80 in taxes, bringing your total purchase price to \$1,261.80.



Activity:

Impact of Tax on Your Investments

In this activity, you will create a list of all your investments and the taxes that are likely to apply to each type. This process will yield a useful tool that you can review with your tax planner to make informed decisions.

Activity: Impact of Tax on Your Investments

List all your investments using the forms below and indicate the tax that applies to each investment type.

Identify the different taxes that will have impact on your investments. Once you've listed each investment, meet with your tax planner to discuss options.

Investment Name _____

Investment Type (ex. Real Estate, Mutual Fund) _____

Is this investment held in a tax benefit plan? Yes No

If yes, what type of plan: Tax-Deferred Tax-Deductible Tax-Free

List the tax implications (ex. percentage you will pay and when) _____

Investment Name _____

Investment Type (ex. Real Estate, Mutual Fund) _____

Is this investment held in a tax benefit plan? Yes No

If yes, what type of plan: Tax-Deferred Tax-Deductible Tax-Free

List the tax implications (ex. percentage you will pay and when) _____

Investment Name _____

Investment Type (ex. Real Estate, Mutual Fund) _____

Is this investment held in a tax benefit plan? Yes No

If yes, what type of plan: Tax-Deferred Tax-Deductible Tax-Free

List the tax implications (ex. percentage you will pay and when) _____



Activity:

Inflation & Investing

This activity measures your grasp of the principle of inflation and its effects on purchasing power and investment returns.

Activity: Inflation & Investing

Answer the following questions to gauge your understanding of the concept of inflation. Then check your answers using the answer key on the next page.

1. If you have money in a savings account earning 1% interest and inflation is at 3% for the year, are you able to purchase more or less with that money next year?

2. What if you had a stock market investment that was earning 7% and inflation was at 3% for the year? Would you be able to purchase more or less with that money next year?

3. What if your bank offered you a CD at 4% annual interest, but you had to keep your money in the CD for 5 years? What average inflation rate over those same 5 years would result in a loss of purchasing power?

4. If you earned a 4% return from a fixed annuity in a year, and the inflation rate was 3%, would that give you more or less purchasing power?

5. Using the example in Question #4, if inflation jumped to 8% in the second year, would that investment still make sense for you?



Economic & Government Influences

Post-Education Case Study:

Level – Financial Foundation & Growth

A case study is essentially a story – it provides an illustration of how financial lessons can be put into action by real people in real-world situations. Case studies are engaging and relatable, and offer solid evidence of the practical value financial education has to help people solve problems and make sound life decisions.

Financial Foundation & Growth

Post-education Case Study

Michelle just started her job as a civil engineer in Milwaukee. As a college student, she doesn't think much about taxes. Now her employer withholds nearly one-third of her paycheck for state and federal taxes.

Since Michelle is single, doesn't own a home, and doesn't have children, she won't get the most common tax breaks. She makes \$25.50 per hour and doesn't work overtime. She is also a resident of the state of Wisconsin, which means she will pay \$1,126.28 plus 6.27% of her income in state taxes for the year. She'll pay the federal government \$4,453.50 plus 20% of her income over \$38,701.

With a salary of \$53,081, Michelle isn't sure about her options for minimizing her tax burden. Her employer offers a 401(k) plan with a 50% match up to 6%. Here's how she's been spending her money each month since she started her new job:

Approximate after-tax monthly income: \$3,090

- Rent (includes electricity, heat, water, and trash services): \$900
- Car payment: \$450
- Cell phone: \$75
- Groceries: \$250
- Gasoline/maintenance: \$150
- Auto and renter's insurance: \$45
- Entertainment/eating out: \$200
- Stuff for her condo: \$250
- Lunches for work: \$100
- Clothing: \$300
- Health Insurance: \$75
- Credit card (outstanding balance of \$6,500): \$150

Michelle feels fortunate that her employer offers an affordable health insurance policy. However, it does have a high deductible. She'll need to save money throughout the year to make sure she has enough to cover regular medical checkups and prescription costs.



Right now, she doesn't feel like she has much money left over at the end of each month. If she starts contributing to her company 401(k) in a few weeks when she becomes eligible, she'll dedicate 6% of her salary to retirement savings. She could also open an IRA and save up to \$6,000 per year to receive an additional tax break.

Michelle's sister thinks she shouldn't worry about taxes and saving so much right now. However, Michelle worries about making the wrong choices and spending too much of her hard-earned money on taxes when she could be saving for her future.

1. If you were Michelle's financial advisor, what would you tell her to do?
2. How serious is Michelle's situation right now?
3. What can she do to ease her mind about the amount of taxes she pays without sacrificing the fun and excitement of having a full-time income?





Economic & Government Influences

Post-Education Case Study: Level – Financial Challenges & Recovery

A case study is essentially a story – it provides an illustration of how financial lessons can be put into action by real people in real-world situations. Case studies are engaging and relatable, and offer solid evidence of the practical value financial education has to help people solve problems and make sound life decisions.

Financial Challenges & Recovery

Post-education Case Study

William lays tile for a large company that specializes in new construction. He works in homes and businesses as the guy in charge of detail work and repairs. Last year, he bought a new truck for work, but it turned out to be a much more expensive investment than he had originally planned.

He took out a loan from a finance company through the dealership. Although his interest rate was high at 9% because of his poor credit rating, he took the longest possible finance terms because he planned to pay off the truck at a much faster rate than was outlined in the loan paperwork.

In fact, he didn't worry about the payments or the loan terms at all. He knew the truck would serve as a tax deduction because he planned to use it for work. However, not long after he purchased the truck, his wife's car required major repairs. They decided to buy her a new car, as well.

To meet the demands of the family budget with a new truck payment and a new car payment, William took on some side work for an independent contractor. He worked throughout the spring and summer on smaller residential projects when he had free time.

Since he was paid in cash by the second job and he works fast, he made an extra \$16,000 in just three months. When another contractor approached him about doing some side jobs, he gladly accepted.

William ended up making a total of \$37,000 more during 2018 than he did during 2017. This extra income allowed him to pay off his truck and put a new roof on his house. He and his wife usually get back between \$4,000 and \$6,000 at tax time in the form of a refund. This year, they planned to use the money to pay down her car loan and take a long road trip to the Grand Canyon with the kids.

When they got their taxes done, they learned that they would not receive a refund this year. In fact, they owed more than \$7,000 to the federal government. William and his wife were shocked. They thought they had had a great year, financially.

William can't pay the tax bill without draining his family's emergency savings. His tax preparer says he should have been paying quarterly tax estimates because of the large volume of side work he did for independent contractors.



Not only do William and his wife have to come up with \$7,000 to pay their 2018 federal income taxes, they'll have to send in quarterly tax estimates from now on to prevent owing taxes and penalties next year.

William's wife thinks the tax preparer made a mistake. She wonders whether William is eligible for more tax deductions, which would lower the bill from his side work.

1. Evaluate the situation as if you were a financial advisor. What should William and his wife do?

2. What steps would you suggest William and his wife take to fix their 2018 tax situation and avoid repeating the same mistakes in 2019?



SECTION 8

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RISK MANAGEMENT & INSURANCE



KĀLĀ CAPITAL PARTNERS

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Risk Management & Insurance

Lesson Warm-up: KWR & VIQQS

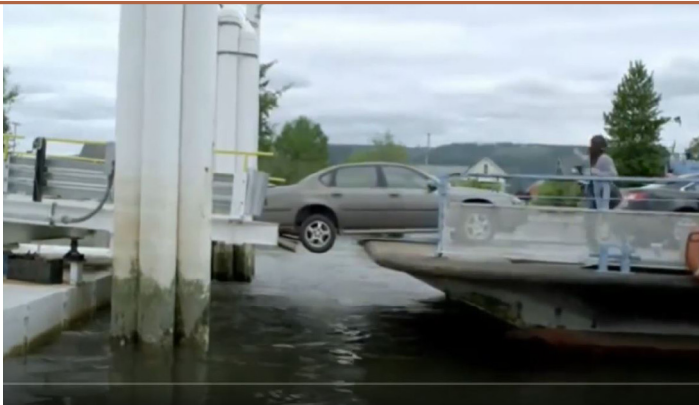


VIQQS

The VIQQS activity is designed to support various learning styles and gives you the freedom to activate your own existing knowledge in ways that work for you. The VIQQS acronym stands for Video, Image, Quote, Questions, Sounds. You are provided with each of these different cues and instructed to free-write, reflect, or participate in group activities to activate prior knowledge, laying the foundation to connect with the new information you're about to learn. The VIQQS method builds on the KWR strategy to continue the activation of prior knowledge; but has the added benefit of appealing to a variety of learning styles, including visual, auditory, reading, and kinesthetic.



Video



Image



Quote

“

I detest life-insurance agents: they always argue that
I shall someday die, which is not so.


- Stephen Butler Leacock, Canadian political scientist, writer, and humorist

”

Question

?


What risks are we likely to encounter in our daily lives,
and what can we do to mitigate them?

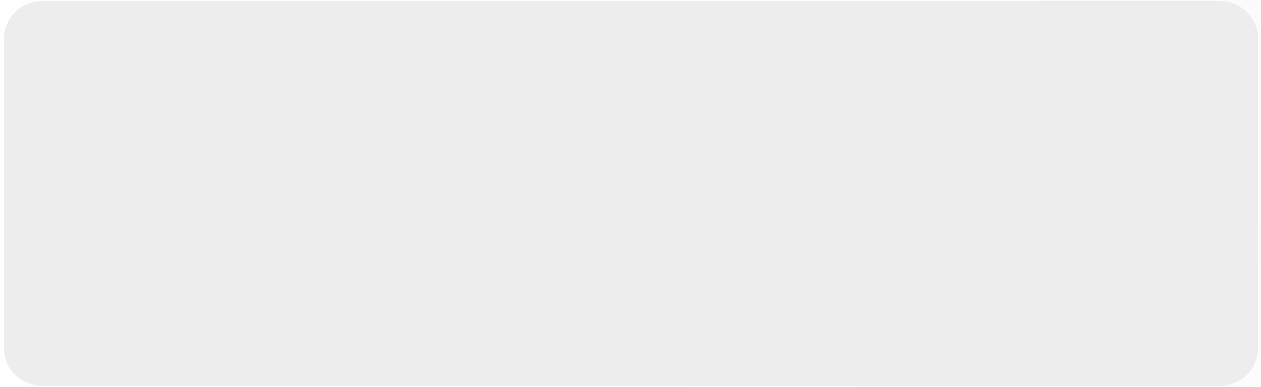


Sound

▶ 0:00 / 0:24

🔊 ⋮





KWR

The purpose of a KWR chart is to help you organize your thoughts about information. A KWR chart provides you with a method to organize and simplify your thoughts when reading complex information.

Education Reason – Research shows that, when you connect existing knowledge about a topic to a new topic you are learning, it is easier to pick up the new concept and increase your knowledge about the subject matter. By connecting previous experiences to new information as you learn it, it becomes easier to recall and retain the information you have learned.

How a KWR Works – Using a KWR chart will help you organize and clarify your thoughts. Let's dig deeper into how this type of chart works.

K stands for what you already know about a subject or topic. One way to approach using this column is to brainstorm any words, terms, or phrases you have heard or associate with that topic. For example, you might think about the term “finance” and associate words like money, wealth, happiness, rich, or vacation when you hear that term. This activity can be expanded by choosing a word that you wrote down, such as money, and asking yourself “What made me think of that word, and why do I associate it with wealth?” This activity can be extensive, and you should be open to writing down as much information as possible without worrying about whether it is right or wrong.

W stands for what you want to learn about a topic. Always be sure to remember that no question is stupid, so write down anything that comes to mind. Thinking about the term finance, you may have questions such as “What makes someone wealthy?” or “How do I start a savings account?” The list of questions could be endless, and that's ok. Each question will help strengthen your understanding of the topic and expand your knowledge.

Another great question to ask yourself is “What would I like to learn more about regarding this idea?” This way of thinking helps change your perspective and approach to the question.

Finally, **R** stands for how this information relates to your life. This column helps you sort your thoughts about how you can take information and immediately apply it to your life. For example, you may realize that you associate wealth with being bad or that being wealthy means others will suffer. These thoughts could then lead you to start thinking about how you approach money and why you are hesitant to make more money or appear wealthy to others. The R column allows you to expand on the first two columns, while making deeper connections to your current life status.

Instructions – Using the chart provided below, you will complete your KWR chart by listing what you currently know about this topic, what you want to know, and how this topic relates to your life. There are no right or wrong answers. Just reflect on the topic and write down whatever comes to mind for each question.

K

What I Know. Think about what you already know about this topic and make a list that includes all these ideas. Don't worry about whether it's right or wrong; give yourself the freedom to write whatever comes to your mind about the topic.

W

What I Want to Know. What questions do you have about this topic, and what do you want to know more about? List all your questions. Also, note any areas about which you may be unsure and that you would like to learn more about.

R

How It Relates to My Life. How does this topic relate to your life? List the ways in which you think this topic may affect your life and the personal reasons you have for picking up the information.

Share Additional Insight

Once you complete the lesson, answer the following questions.

1. What is one thing you learned about this topic that surprised you?
2. How could you share this knowledge to help others learn more about this topic?
3. What topic or idea do you feel you didn't learn enough about and would like to expand your knowledge on further?
4. What is one habit or change you would like to make in your life, given the information you just learned?

5. How did learning about this information make you feel?

6. How will this information change your life in a more positive way?

7. How can I expand your learning once this class is done?

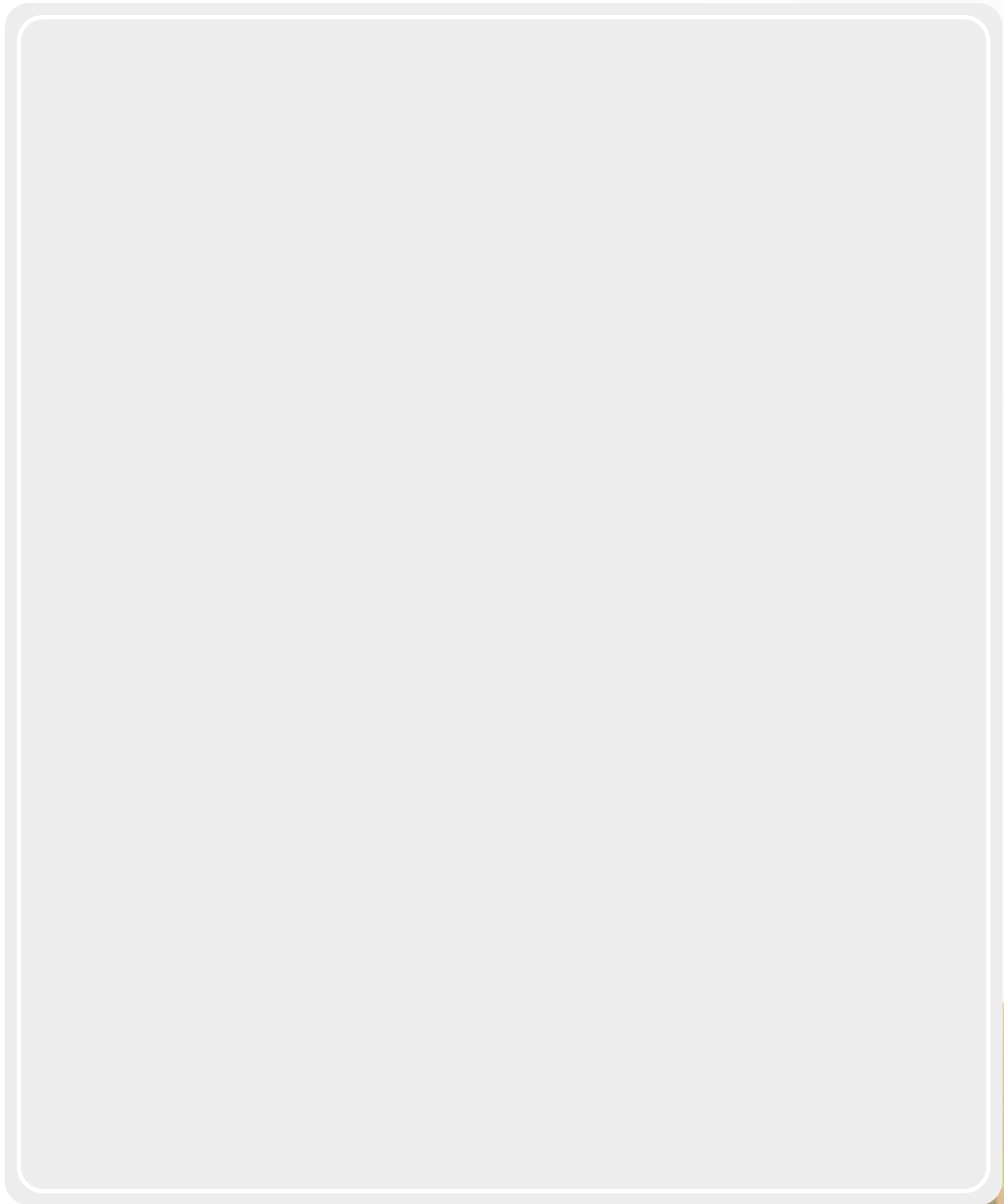
After completing this activity, rate your level of experience, on a scale of 1-10, about your understanding of this topic.

Rate:

1 – I understand little about this topic

10 – I feel confident in the content I have learned and would be able to share my knowledge with other

Next, make a list of all the topics or ideas about which you would be interested in learning more.





Reasons to Learn Risk Management & Insurance: Benefits & Imagery

To start the topic, we're going to walk you through an activity designed to help you get into a productive state of mind for learning. The activity is a story about a person or people who are experiencing certain life events. As you go through the story, just let your mind go. The idea is to feel whatever emotions you feel when you hear the characters' story, and then those emotions can translate into motivation to learn and take positive action.

Ignacio Has an Accident

Ignacio is an avid snowboarder. He loves to go up to the mountains every chance he gets during the season and snowboard with his friends.

Ignacio is young and healthy, so he doesn't see much need to carry health insurance. So he has just the amount of insurance required by law, with a huge deductible and minimal coverage.

Then during one outing, Ignacio takes a huge fall and breaks two bones in his leg. His friends help him get down the mountain and an ambulance takes Ignacio to the emergency room at the nearest hospital. He's put in a cast and sent home on crutches.

Two months later, Ignacio gets the bills for the out-of-town ambulance ride, the ER visit, and the follow-up visits to his own doctor. His insurance only covers a tiny portion of the costs. Including his \$1,000 deductible, Ignacio owes almost \$40,000! Ignacio is shocked and scared. His savings won't even cover a tenth of that amount. Ignacio panics!

Clear Your Mind Transition

OK, that probably didn't feel very good. But many people face scenarios like this at some point in their lives. Now just take a moment to clear your mind.

Shake out your body. Take a nice, deep breath. Roll your shoulders a couple of times.

Stand up, then sit back down. Take another deep breath.

Ignacio is Prepared for the Risk

Ignacio is an avid snowboarder. He loves to go up to the mountains every chance he gets during the season and snowboard with his friends.

Ignacio is young and healthy, but he knows that his favorite pastime is risky, and that even young, healthy people can get sick or have accidents. So he decides to take out a health insurance policy with a low deductible that amply covers all possibilities for injury or illness. The policy costs him \$350 a month, but he feels it's worth the price to help him avoid having to pay for an accident out-of-pocket.

Then during one outing, Ignacio takes a huge fall and breaks two bones in his leg. His friends help him get down the mountain and an ambulance takes Ignacio to the emergency room at the nearest hospital. He's put in a cast and sent home on crutches.



Two months later, Ignacio gets the bills for the out-of-town ambulance ride, the ER visit, and the follow-up visits to his own doctor. He reads all the information and is pleased to see that his health insurance has covered nearly all the charges except for his deductible and a portion of the ambulance transport. In all, he owes \$427 in health care costs, for which he has enough in savings to cover.

Ignacio feels better knowing he did the right thing by taking out a good insurance policy. Now he can concentrate his energies on healing.

Reflection

There's no way to avoid encountering some risk in life, but there are ways to prepare to meet risks head-on. Insurance is one of the most important forms of risk management. Ignacio's story provides one example of how insurance helps us avoid potential negative consequences to our finances, but it's only one example. Learning about insurance and how it helps you manage life's inevitable risks has protective value in a variety of circumstances.



Reasons to Learn Risk Management & Insurance: Benefits & Imagery

Your motivation for learning about money plays an important role in your financial success. Gaining money management skills supports both your motivation and your ability to achieve your financial goals. In this activity, you're going to use a sales strategy called the "Ben Franklin Close." It's a valuable technique that salespeople use to close a sale. The "Ben Franklin Close" helps you logically evaluate the pros and cons of any action you want to take.

On the left side of the "T" chart below, write your **reasons for** learning about risk management and insurance. Then on the right side of the "T" chart, write your **reasons against** learning about risk management and insurance.

Evaluate your answers. Do your "reasons for" outweigh your "reasons against" learning about risk management and insurance?

Reasons For	Reasons Against





Preview Activities: Crib Notes & T.H.I.E.V.E.S. for Risk Management & Insurance

This student guide will support you as you complete the T.H.I.E.V.E.S. pre-reading exercise. Using this guide, you will employ a reading preview model to preview the section, activate your prior knowledge about the topic, and set a purpose for doing the reading. Crib notes also are provided; this student resource provides a summary review of the content of this lesson and also allows you to complete the T.H.I.E.V.E.S. pre-reading exercise: “Summary of What the T.H.I.E.V.E.S. activity is.”

Risk Management & Insurance Crib Notes

There are four potential ways to manage risk: risk retention, risk avoidance, risk reduction, and risk sharing. Minimize potential risks by recognizing them before they occur and planning your response. Insurance is a product that reduces financial risk. When you buy an insurance policy, you pay a relatively small amount (premium) to the insurance company in exchange for protection against large, unpredictable expenses. Insurance policies have deductibles (amounts you pay out-of-pocket before the insurance takes over); and coverage limits (maximum amounts the insurance company will pay on a claim). Insurance pricing is risk-based, i.e. companies evaluate how much risk you pose to determine your premium on a given policy.

There are four basic types of insurance: liability, property, health, and life. Liability insurance protects you from damages or injuries caused to others. Property insurance covers loss or damage to your home. Health insurance protects you from unpredictable healthcare costs. Life insurance provides for your loved ones if you die. Auto insurance is divided into three categories: liability, collision, and comprehensive coverage. Liability covers damages to others. Collision covers direct damage to your own vehicle. Comprehensive covers damage or destruction to your vehicle that is not the result of a collision (e.g. theft, weather, vandalism).

Homeowner's insurance covers damage to your personal residence, garage, outbuildings, and their contents; and bodily injury and property damage you may cause to others through negligence or accidents on your property. Individuals who are not homeowners can buy renter's insurance to cover their belongings in a rental home. Some events (e.g. earthquakes, hurricanes) are commonly excluded, so it's important to know what your policy covers.

Individual health insurance typically covers doctor bills, hospital/urgent care visits, and often prescription drugs. It usually does not cover nursing home care, long-term care, assisted living, or lost income due to illness. The most common health insurance plans are HMOs, EPOs, PPOs, POSs, HDHPs, and HSAs. Medicare is a federal health insurance program for people aged 65 and older. Disability insurance helps replace your income if you are sick or injured and can't work. Long-term care insurance covers costs of nursing homes or assisted living. Umbrella policies provide coverage for liabilities that exceed limits on your other policies. When shopping for insurance, it's important to select a secure, reputable insurance company and a qualified agent.

An estate plan outlines how your assets will be distributed when you die. The pieces of an estate plan include a will, power of attorney, medical directives, beneficiary directives, life insurance, and a living trust. Many of these components rely on state-specific laws.

Preview Activities: Crib Notes & T.H.I.E.V.E.S. for Risk Management & Insurance

Natural and man-made disasters occur more frequently today, and it's important to prepare for contingencies. You should know the disaster risks in your area and prepare by storing water, food, first aid, medicine, protective gear, communication needs, tools, cash, and critical documents. Resources are available online to provide you with a checklist of supplies.



Reason / Purpose

Scanning what you are about to read can help you understand the big picture and recognize important areas you will be covering. We use the THIEVES model to maximize your ability to tap into prior knowledge, determine what you will learn from the lesson, and create a plan for your learning. The T.H.I.E.V.E.S. acronym stands for elements of the text:

- Title,
- Heading,
- Introduction,
- Every first sentence,
- Visual and vocabulary,
- End of chapter questions, and
- Summary.

The THIEVES model will help you learn the reading process. Before reading, you will use each element within the acronym (T.H.I.E.V.E.S.) to write or think about each question that is associated with the letters of the acronym of the model. Essentially, THIEVES is a three step process that first enables you to preview the text prior to reading it, then explain the different elements of the text through the evaluation of each letter of the acronym, and finally facilitate your learning by modeling how to use this strategy until you are comfortable with the steps in the process.

You may choose to complete the THIEVES activity in its entirety, responding in the space provided for each letter in the acronym. Or, if you have limited time, you may choose to review the crib notes version of the lesson and then skip directly to the “Summary” section (the “S” in “THIEVES”) and type in your answer based on the crib notes.



Instructions

Follow the THIEVES model guidelines and complete the chart. On the next two pages is a table of seven sections or columns (T.H.I.E.V.E.S.). Read the instructions for each section, respond to the instructions for each column, and then type the response in the space provided. Or, if time is limited, review the crib notes for this lesson, then skip directly to the “Summary” section (the “S” in “THIEVES”) and type in your response based on the crib notes.



THIEVES Model	Your Answers
T: Title – Look at the overall title of the lesson. What does the title tell you about what you can expect to learn in this lesson?	
H: Headings – Look at all of the headings and subheadings in this lesson. What do the subheadings tell you about what you can expect to learn in this lesson?	
I: Introduction – Read the introductory paragraph. What two or three topics does it tell you the lesson will talk about?	
E: Every first sentence in a paragraph – Read the first (topic) sentences of each paragraph. What are the topics of each paragraph?	

THIEVES Model	Your Answers
V: Visuals and Vocabulary – Look at all the images and vocabulary terms. What topics do they indicate are important?	
E: End-of-Chapter questions – Look at the review questions at the end of the section. What topics are they asking you to review?	
S: Summary – Read the summary of the lesson. What does it say are the key topics you should have learned?	





Risk Management & Insurance

Pre-Education Case Study:

Level – Financial Foundation & Growth

A case study is essentially a story – it provides an illustration of how financial lessons can be put into action by real people in real-world situations. Case studies are engaging and relatable, and offer solid evidence of the practical value financial education has to help people solve problems and make sound life decisions.

Financial Foundation & Growth

Pre-education Case Study

Yevka, age 26, has just come out of a significant life challenge. For the past three years, Yevka has worked as a safety inspector for a food production company where she earns \$50,000. Ironically, while on vacation at a ski resort, Yevka had an accident: she slipped off the ski lift and plunged several meters to the ground. She was immediately rushed to the hospital, where the doctors found she had two broken legs and a partially injured spine.

The doctors informed Yevka that she would need to take six months off for healing and physical therapy. She also would be unable to work at this time. The good news: her company provided her with sick leave and disability insurance. The bad news: her disability insurance is only short-term – exactly 45 days. After the 45 days, she will have to pay out-of-pocket for her medical bills.

This proved a bitter pill for Yevka to swallow. Her parents were willing to shoulder her medical expenses, but she couldn't help but feel she had let them down by relying on them for financial aid when they are not wealthy. Three years ago she was offered long-term disability insurance, but turned it down thinking that her short-term disability was enough. She realized, too late, that she had nothing to fall back on for serious injuries lasting longer than a month and a half. Swallowing her shame, Yevka realized she needed to take control of her finances.

Now, six months later, Yevka is back on her feet and working again. One of the first things she does is look up long-term disability insurance. Sadly, she discovers that, given the amount of time that has passed, her premiums are now 10% more expensive than the last time the coverage was offered. She wonders whether it is best to take it anyway, rather than keep delaying and hoping another accident doesn't happen.



1. In your opinion, how much disability coverage should Yevka have had when the accident occurred?
2. How would you feel if you had to rely on someone else's money because you did not have a large enough financial safety net?
3. When is the best time for a person to get long-term insurance?
4. What advice can you give Yevka when it comes to planning insurance coverage?





Risk Management & Insurance

Pre-Education Case Study:

Level – Financial Challenges & Recovery

A case study is essentially a story – it provides an illustration of how financial lessons can be put into action by real people in real-world situations. Case studies are engaging and relatable, and offer solid evidence of the practical value financial education has to help people solve problems and make sound life decisions.

Financial Challenges & Recovery

Pre-education Case Study

When Sam graduated from law school, his father, who is also a lawyer, asked to meet with him at their legal office. As they sat together, his father told him the story of his most difficult legal case.

Their office is currently handling the troubles with the Chin family's estate. Mr. Chin was a shipping magnate who owned a business empire and various properties. His family was part of his business and he ruled them absolutely. He had the final say on all major decisions, and chose the roles of each of his children.

Eleven years ago, Mr. Chin died of a heart attack at the age of 58. When he passed, he left his entire business and all his properties to his children. However, the will did not explain how the properties were to be divided. Therefore, all his adult children got an equal share in each of the properties.

Because of this arrangement, fighting broke out among the family members. None of the siblings could agree on what to do with their late father's assets. Since no one had a majority share, none of them could move forward with a decision.

To resolve the deadlock, the two eldest children decided to buy the others out from the properties. Since this required a large sum of cash, which they did not have, they decided to check their father's files for a life insurance policy. Sure enough, he had a policy with his children as beneficiaries, but it had not been updated for many years. Its current amount of \$20,000 was far too low to be of any real use – it was not even enough to pay their attorney fees.

As a result, many of the assets were left idle for years, unable to move due to the escalating sibling war. Lawsuit after lawsuit was filed as each member of the Chin family fought for their share of the crumbling empire. Given this deadlock, very little money was being made on any side.

After his father finished his story, Sam asked him why he told it. His father replied, "Because this case, which has been going on for more than 11 years, is how I paid your way through law school."



1. How could Mr. Chin have avoided creating these financial problems for his family?
2. Discuss the importance of updating your life insurance as your net worth grows.
3. How can life insurance be used as a tool to balance one's inheritance?





Risk Management & Insurance

Pre-Education Case Study: Level – Positioning & Maintenance

A case study is essentially a story – it provides an illustration of how financial lessons can be put into action by real people in real-world situations. Case studies are engaging and relatable, and offer solid evidence of the practical value financial education has to help people solve problems and make sound life decisions.

Positioning & Maintenance

Pre-education Case Study

Lars and Eva Hendersson, both 35, live an urban life with their teenaged son Alex. Having recently achieved success with their winery, Lars and Eva have just moved into the wealthier district of the city to be closer to their clientele. They are enjoying their new status and have started making friends with their new neighbors.

One night, Lars and Eva are awoken by a terrible noise. As it turned out, Alex had crashed their car into their next-door neighbor's vehicle after falling asleep at the wheel. Alex himself escaped with minor injuries, but both the Hendersson's and their neighbor's vehicles require significant repairs.

The two parties exchange insurance information and agree upon a settlement. A couple of weeks later, however, the Henderssons discover that they are being sued for an additional \$13,000. Apparently, their insurance was able to cover the damage to the vehicles, but could not cover the damage done to the neighbor's front lawn. The neighbor claims he must also be compensated for the handmade art decorations that were trampled during the crash. Thus Lars and Eva discover that litigation is a favorite pastime of the rich.

Rather than go to court, their lawyer asks them if they have umbrella insurance coverage. Lars checks their documents and finds they had in fact bought such a policy a few years ago, although it had completely slipped their minds. The umbrella insurance can cover most of the amount of the lawsuit, much to their relief.

This case sparks Eva's interest. Now that they have more assets, she realizes that they may have more insurance needs. She decides to look up their policy online and compare it with offers from other companies.

To her surprise, she finds that if they had paid more attention to their umbrella insurance, they could have had double the coverage, higher limits of liability for asset protection, better auto coverage, and still save nearly \$500 a year.



1. Why does one need to regularly check their insurance needs?
2. What could the Henderssons have done differently to gain better coverage?
3. Discuss the value of evaluating your insurance coverage based on: your net worth; the area where you live, and your family members.
4. What do you recommend that the Henderssons do next?





Activity:

Identifying Risk Strategies

In this activity, you will test your comprehension of the four types of risk management strategies and examples of how they work.

Activity: Identifying Risk Strategies

Following is a list of terms related to risk management and then a set of statements. You will be asked to match each of the risk terms with its corresponding definition or example scenario from among the statements.

Match the risk terms to the appropriate definitions and scenarios below.

- ☐ Risk Reduction Example
- ☐ Risk Sharing Example
- ☐ Risk Avoidance Definition
- ☐ Risk Reduction Definition
- ☐ Risk Sharing Definition
- ☐ Risk Avoidance Example
- ☐ Risk Retention Definition
- ☐ Risk Retention Example

1. Jenny got a flat tire in a dangerous neighborhood on her way home from work. Luckily, she had a service where she pays a yearly rate of \$55 and they will come out and change her tire for no additional cost.
2. To avoid becoming involved or to withhold from a situation to avoid risk.
3. We were snowed in for almost two weeks and unable to leave our cabin. Fortunately, my mom had enough emergency supplies to last a month so we didn't have to worry.
4. To take measures to reduce your overall risk in a given situation.
5. I rented a beach cruiser during a three-day weekend trip to the beach but it was stolen. I didn't purchase insurance for the rental because the insurance would have cost \$50 per day and I only had to pay \$100 to replace the stolen bike.
6. To take measures to share your risk with another, through insurance or risk transfer.
7. Joel loves to ride his dirt bikes. When he was invited to take a particularly dangerous ride, he declined the invitation.
8. To accept a given risk and budget to prepare for that risk.



Activity:

Personal Risk Assessment

This activity represents an evaluation of the personal risks you are currently facing in your life. By listing your risks and answering questions about how serious they are and how best to manage them, you can potentially develop a risk management plan that aligns with your personal financial goals.

Activity: Personal Risk Assessment

Conduct an assessment of your current personal risk situation. For each of the following sections, list a risk you face now and then answer the questions to gauge its impact and how best to manage the risk.

List a risk you face in your life:

How often does this type of risk occur?

Rate the seriousness of the consequences:

1	2	3	4	5
Not Serious			Very Serious	

What are you doing to reduce the risk?

Do you think you should make plans to reduce the risk more in the future?

Which risk management strategy would be best suited to mitigating this risk?

Activity: Personal Risk Assessment

List a risk you face in your life:

How often does this type of risk occur?

Rate the seriousness of the consequences:

1	2	3	4	5
Not Serious			Very Serious	

What are you doing to reduce the risk?

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Activity: Personal Risk Assessment

List a risk you face in your life:

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1	2	3	4	5
Not Serious			Very Serious	

What are you doing to reduce the risk?

Do you think you should make plans to reduce the risk more in the future?

Which risk management strategy would be best suited to mitigating this risk?



Activity:

Understanding the Basics

This activity gauges your understanding of the basic concepts of insurance by asking you to fill in the blanks with the appropriate insurance-related term for each scenario.

Activity: Understanding the Basics

Using the definitions below as reference, fill in the blank in each sentence with the appropriate term.

Insurance policy

A contract that describes the terms and conditions of insurance, including type and amount of coverage, premiums, and deductibles.

Insurance premium

The payment made to an insurance company in exchange for an insurance policy guaranteeing protection or coverage on the insured item.

Deductible

The amount of loss you pay out-of-pocket to the insurance company for a damaged item.

Coverage limits

The maximum amount paid by the insurance company on a given claim.

1. Mary shopped around online to find the lowest _____ available to get coverage for her new car.
2. Bob checked his _____ to determine how much coverage he had for emergency medical transportation.
3. Elena reviewed her homeowner's policy and discovered that the _____ were \$300,000 for any single incident where someone was injured on her property.
4. Sally got into a minor accident while driving downtown. She contacted her insurance agent and learned that her damages would be covered; however, she would have to pay the \$250 _____.
5. Eric's health care plan had an annual _____ of \$185 which he had to pay before the coverage kicked in.
6. Sam recently purchased a home, and immediately got in touch with his agent to review what type of _____ he needed to protect his new property.
7. Nancy's renter's insurance had total _____ of \$60,000 in case of theft, fire, or water damage.
8. Bruce paid an _____ of \$72 per month to get full coverage on his Chevrolet Suburban.



Activity:

Personal Insurance Assessment

In this activity, you will review all your current insurance policies and think through whether you are sufficiently covered, or whether you need to reconsider your coverage levels.

Activity: Personal Insurance Assessment

To complete the activity, review each insurance listed below and determine whether it's coverage you should consider and whether you have enough coverage now.

For insurance areas that you determined you should have, mark whether you currently have it; then consider whether you are sufficiently covered for the foreseeable future.

	Should I have?	Do I have?	Do I have enough?
Auto Insurance	Yes No Not Sure	Yes No Not Sure	Yes No Not Sure
Renter's Insurance	Yes No Not Sure	Yes No Not Sure	Yes No Not Sure
Homeowner's	Yes No Not Sure	Yes No Not Sure	Yes No Not Sure
Homeowner's Natural Disaster Coverage	Yes No Not Sure	Yes No Not Sure	Yes No Not Sure
Health Coverage	Yes No Not Sure	Yes No Not Sure	Yes No Not Sure
Dental Coverage	Yes No Not Sure	Yes No Not Sure	Yes No Not Sure
Life Insurance	Yes No Not Sure	Yes No Not Sure	Yes No Not Sure
Disability Insurance	Yes No Not Sure	Yes No Not Sure	Yes No Not Sure
Long-term Care Insurance	Yes No Not Sure	Yes No Not Sure	Yes No Not Sure
Umbrella Policy	Yes No Not Sure	Yes No Not Sure	Yes No Not Sure



Activity: Personal Insurance Checklist

This activity presents a checklist to help you evaluate how well your personal insurance coverage meets your and your family's needs for risk management.

Activity: Personal Insurance Checklist

The following is a checklist for assessing your personal insurance needs. It's a good idea to go through this list at least once every three years, or every time your family situation changes, with a qualified insurance professional. Even better, have the checklist with you when you meet with your personal or property/casualty insurance agent for an annual insurance and risk management checkup, and go over it step-by-step.

Life Insurance Checklist

I have updated all beneficiaries on my life insurance policy.

I have created trusts or elected a UGMA or UTMA trust, and appointed a trustee for each beneficiary under the age of 18.

My spouse, beneficiaries, attorney, and/or executors know where to locate my policies.

I have accounted for all my desired beneficiaries, including any step-children and children I have from former partners.

My current spouse or partner is listed as a beneficiary, and former partners removed if appropriate.

I own enough life insurance to replace my income and support my family for _____ years.

If I have quit smoking for at least a year, lost weight, improved my a1c levels, cholesterol levels, or have otherwise significantly improved my health, I have asked my carrier to consider me for a better risk classification in order to lower my premiums.

I have applied for additional life insurance to cover my income as it increases.

We have life insurance on a non-working spouse or primary childrearer to account for the cost of having to pay for services he or she provides in the home.

I have updated my address so that policy notices and updates are sent to the right place.

I am paying the premiums needed to keep all life insurance policies in force.

None of my life insurance policies need “rescuing,” or an immediate infusion of premium in order to prevent them from lapsing.

I know when my term life insurance expires, and I have a plan for taking care of my family after my death once the term expires.

Activity: Personal Insurance Checklist

I am taking advantage of guaranteed insurability riders.

I am not paying for life insurance I no longer need or want (note: discuss non-forfeiture options and the right to roll life insurance cash values into an annuity using a Section 1035 Exchange with your agent).

Homeowner's Insurance Checklist

I have completed an inventory of my property and stored it online and/or off-site.

I have updated my contents coverage to reflect the value of my property, accounting for valuable collections, jewelry, and anything else of unusual value.

I understand the difference between fair market value and replacement cost insurance. If I don't own replacement cost coverage, I understand how any settlement from my insurance company may be reduced for depreciation and have sufficient savings to repair or replace my home with the reduced settlement.

My home is adequately insured. I have discussed coinsurance requirements with my agent and updated my coverage appropriately as my home value increases.

I have obtained separate flood insurance through the National Flood Insurance Program, or have determined that I do not need this coverage.

I have earthquake, hurricane, and/or catastrophic earth movement insurance on my home(s) as appropriate.

My homeowner's insurance will/will not cover my children attending school away from home.

I know what causes of loss (hazards) are not covered.

My liability insurance from my homeowner's insurance will pay for legal fees and defense costs if I am sued.

My investment properties have a landlord's insurance policy on them, not a straight homeowner's insurance policy.

I have accounted for detached structures – including storage sheds, gazebos, barns, carports, stables, and garages – with my agent.

I have additional liability and business insurance to cover any home-based business activities, inventory, and equipment.

I know whether my personal property (contents) coverage is for replacement value or actual cash value (after depreciation), and understand that any settlement may be reduced if I have an actual cash value policy. My agent tells me upgrading from an actual cash value policy to a replacement cost policy for personal property will cost _____.

Activity: Personal Insurance Checklist

I have discussed any special construction materials, artisanal construction techniques, and any other unique aspects of my home's construction with my agent, and purchased appropriate levels of insurance to reflect the higher cost of replacing or repairing my home with similar materials and artisanal construction techniques.

If I have to replace my home, my insurance will be adequate to rebuild with current, up-to-code wiring, plumbing, wind resistance, and fire resistance techniques.

My policy's 'loss of use' provisions will provide me with a place to live in the event my home becomes uninhabitable for a time, or I have made other arrangements.

The liability insurance limit on my homeowner's insurance policy adequately protects my net worth, or I have purchased additional coverage or an umbrella policy.

My homeowner's insurance will cover medical expenses of people injured on my property, or injured by a family member or family pet.

My homeowner's insurance does not exclude any dog breed that I own from liability coverage, or I have purchased separate liability insurance to cover my dog.

I understand my policy's coverage limit for special categories (i.e., jewelry, musical instruments, cash and coins, rugs, business property, collectibles, art, etc.) and have purchased additional coverage as appropriate.

I have updated my homeowner's insurance to reflect home price appreciation and the appreciation of any valuables I own.

I have water/sewer backup coverage.

I have vacant home coverage on any homes I own that are vacant.

I have updated my homeowner's insurance to reflect additional purchases, acquisitions, or inheritances.

If I live in an HOA, I have assessment loss coverage to protect me against my share of potential liability from my homeowner's association, in case my HOA gets sued.

If I own a pool or hot tub, I have discussed coverage with my insurance agent.

I have discussed how my insurance covers mold and termite damage with my agent and taken appropriate protective measures.

Activity: Personal Insurance Checklist

I have asked for and taken advantage of possible premium discounts, including:

- Age of home discounts
- Non-smoker discounts
- Multiple line discounts
- Home alarm discounts
- Neighborhood Watch discounts
- Discounts for having a Class 4 roof
- Discounts for recent remodeling, new furnaces, new pipes, wiring, or chimneys
- Discounts for installing water, gas leak, and smoke sensors
- Loyalty/long-time customer discounts
- Discounts for multi-generation customers with a single insurance company
- Discounts for fire prevention and mitigation
- Senior citizen discounts
- Deadbolt locks
- Fire extinguishers

Disability Insurance Checklist

I have long-term disability insurance and not just short-term.

I understand whether my disability insurance is own occupation or any occupation.

I have purchased enough disability insurance, when combined with employer-purchased coverage, to pay for my basic living expenses, including food, clothing, housing, transportation, student loan payments, and medical insurance costs.

My disability insurance is both non-cancellable and guaranteed renewable.

My disability insurance will survive even if my employer fails or cancels an employer-paid disability insurance policy.

I have disability insurance on my spouse so I will have enough income to pay a caregiver or assistant so I will not have to stop working to be a full-time caregiver.

My benefit will increase to keep up with inflation.

My benefit will last at least until retirement age.

I will have disability insurance if I quit my job or get fired.

I have purchased a guaranteed insurability/future purchase rider that guarantees me the right to purchase additional disability insurance regardless of my medical condition, even if I am already disabled.

I am taking advantage of each opportunity to purchase disability insurance under my guaranteed insurability rider, and I know when my next “option” to buy additional protection comes up.

I have purchased additional disability insurance protection each time my income goes up.

I understand benefits from employer-paid disability insurance policies are taxable as ordinary income.

I understand the waiting period on my policy and have savings that will see me through the waiting period until the policy begins to pay income benefits.

I have reviewed my disability coverage with my agent every 1-3 years.

If I believe I need to file a claim, I will speak with an attorney, so I do not make a serious mistake in filing the claim that could result in an unjust denial or reduction of my benefit.

Health Insurance Checklist

My health insurance includes my spouse and children, or they are covered under my spouse's workplace plan or the Children's Health Insurance Program (CHIP).

My preferred doctors and health care facilities are still in my plan's network of providers, if applicable.

My health insurance policy covers prescription drugs.

My preferred drugs or the drugs I know my family is likely to need this year are included in the plan's formulary – or the list of drugs the policy will cover.

I understand my deductible, co-insurance and co-pays.

I have taken advantage of free preventive care visits covered in my policy, such as check-ups, pap smears, prostate exams, breast exams, and vaccinations, as appropriate.

My plan covers dental and/or vision, or I would rather pay these costs out-of-pocket.

If I have dental coverage, I have taken advantage of preventive visits, such as cleanings and oral checkups.

My children have dental insurance and are receiving the care they need.

If I have vision insurance, I have taken advantage of free or reduced-price eye exams and eyeglass prescriptions over time.

I know whether I am eligible for an income-based subsidy via the ACA exchanges and have compared my options there for the year.

I know when open enrollment is (November 1 through December 15 in most states).

If I am turning 65 within the next 12 months, I have discussed what I need to do to enroll in Medicare with my health insurance agent.

If I have quit smoking for a year or longer, I have asked my agent to recommend switching me to lower non-smoking rates.

Auto Insurance Checklist

All the licensed drivers in my household are listed on my policy as authorized drivers.

The liability insurance component on my auto insurance policy meets my state minimum requirement.

I understand that the state minimum requirement is often inadequate.

I have an auto insurance policy for each of the cars I own.

I have informed my agent if I am using a car for business purposes.

I have informed my agent if I am using my car to drive for Uber/Lyft or other ride sharing/delivery platforms.

My children between ages 16-24 who are full-time students with GPAs of 3.0 or better are receiving a “good student” premium discount.

I’m getting discounts for anti-lock brakes, daytime running lamps, air bags, automatic seat belts, anti-theft devices and systems, and other safety equipment and features.

I have included non-factory-installed features such as high-end sound systems, navigational systems, and other features in my coverage.

I am not paying for collision/comprehensive coverage I don’t need.

My policy covers medical costs for my passengers if I am involved in an accident.

I can afford my deductible.

I have uninsured/underinsured motorist coverage.

If I am “upside down” on my car loan (I owe more on the loan than the car is worth), I can pay off the loan if my car is totaled in a wreck, or I have “gap” insurance to cover the difference.

My auto insurance covers a rental car until I get my permanent car back.

The bodily injury and property liability limits on my policy are sufficient to protect my personal assets.

My auto insurance policy does/does not cover towing.

Activity: Personal Insurance Checklist

My auto insurance policy includes/does not include roadside assistance

My auto insurance basic medical coverage is sufficient – especially if I don't have medical insurance.

Increasing the deductible will reduce my premium by \$ _____.

Long-term Care Insurance Checklist

I have a plan to pay for long-term nursing home care or assisted living for myself and/or my spouse/partner.

My long-term care insurance policy has inflation protection.

I understand my right to purchase additional long-term care insurance at regular intervals under the policy, and I am taking advantage of those opportunities.

I am deducting the premiums from personally-owned long-term care insurance on my personal income tax return.

My long-term care policy qualifies for my state's long-term care partnership program.

My total long-term care insurance benefit is equal to or greater than the value of my home or my net worth.

I understand the criteria my policy uses to trigger benefits.

I understand the difference between "hands-on" and "standby" assistance as used in the policy, and understand that a policy that uses a "hands-on" definition is less likely to pay a claim than a policy that uses a "standby" definition.

My policy does/does not cover in-home care, community-based services, and/or home modification expenses.

My policy does/does not cover case management, medical equipment, care coordination services, or housekeeping/cooking assistance.

I have explored the possibility of shared benefits with myself and my spouse/partner.

I can afford to pay my bills and long-term care costs for the entire waiting period or "elimination period" on my policy.

I understand the length of benefit period for nursing home care and home/community-based care.

I can afford the premiums, and am not a likely Medicaid candidate.

My policy will waive premiums while I am on claim. That is, if I'm in a nursing home and qualify for benefits, my policy will not require me to keep paying premiums, and will remain in force as long as I am on claim.

Activity: Personal Insurance Checklist

My long-term care insurance company has strong ratings from A.M. Best, Fitch, and/or Standard & Poor's, and is therefore likely to be able to pay promised benefits even if I have a claim many years in the future.

My agent has explained to me that long-term care policies sometimes raise rates on in-force policies.

I have checked with my agent, financial advisor, or tax professional to find out if my state has deductions, state tax credits, or other incentives to purchase long-term care insurance.

If I have substantial cash savings or cash value in permanent life insurance and in good health, I have discussed the possibility of converting some of that cash savings or life insurance cash value into a hybrid life/long-term care insurance policy.

- I am getting the discounts I am qualified for, including:
- Professional organization/affiliation discounts
- Multiple policy discounts
- Discounts for being in excellent health



Activity: Starting Your Estate Planning

This activity is designed to help you begin the estate planning process.

Activity: Starting Your Estate Planning

This activity is designed to help you begin the estate planning process. Go through each of the eight steps below to build the fundamental foundation of your estate plan.

Although ultimately you need to consult with one or more professionals, such as a financial advisor; and get an attorney to properly draft and execute your estate plan, there are several easy steps you can take to start creating your personal estate plan. These steps are outlined below. Most of the preliminary steps for preparing an estate plan just involve doing a bit of thinking about exactly how you want your estate handled.

Step 1 – Get an estimate of your net worth. The first step in creating an estate plan is to determine your net worth so that you have a solid idea of the size of your estate. First, add up the totals of all your assets including bank accounts, cash, investments, real estate, and personal property such as cars and jewelry. Don't forget to include the value of items such as pensions, retirement plans, and life insurance. Then simply subtract from that total all your outstanding liabilities, such as mortgages and credit card debt. This process will give you a good rough estimate of the size of your estate.

Asset Name	Estimated Value
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
Total	\$

Activity: Starting Your Estate Planning

Liability Name	Estimated Cost
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
Total	\$

Asset Total

\$ _____

Liability Total

\$ _____

Net Worth

\$ _____

Activity: Starting Your Estate Planning

Step 2 – Think about and write down the basics of your will. To begin preparing your will, just think about and then write down approximately how you want your estate divided between your family or other beneficiaries. For example: 50% to spouse, 25% to first child, and 25% to second child. You can also make notes about specific items of property that you want to go to a specific individual (for example, if you want to leave your coin collection to your granddaughter).

Since you need to appoint an executor to handle the implementation of your will, consider who you want to appoint to that position. You may select your attorney, another professional, your spouse, your adult child, or someone else. The important thing is that you choose someone you trust implicitly to follow the instructions provided in your will and to do right by your surviving beneficiaries.

Another element to consider is the appointment of a guardian for any minor children you may have at the time of your death. This decision is especially important if you are a single parent.

Beneficiary Name	Estate Inheritance Percentage	Special Instructions / Notes

Step 3 – Consider a living will. A living will is a document designed to carry out your desires regarding your medical care if you are unable to make medical decisions yourself. You should think about and write down such decisions as the type of life-prolonging medical care you do or do not want in the event that you become physically incapacitated or terminally ill. These decisions may be difficult for some people to think about, but consider how difficult they would be for your loved ones to have to make.

Advanced Medical Directives

Activity: Starting Your Estate Planning

Step 4 – Decide on someone to whom you want to give general power of attorney. This person will be granted the legal power to handle all your finances in the event that you become unable to do so, for medical or other reasons. You may choose your spouse, a sibling, a child, your primary attorney, or someone else. Again, the critical deciding element is that you should select someone you trust to act as you would if you were still able to manage your finances yourself.

Individual to Grant Power of Attorney _____

Step 5 – Think about whether you want to establish a living trust. The aspects and implementation of a trust can be complicated, so it's best to discuss the details with an attorney and/or financial advisor. But you can at least begin considering whether or not you may want to establish a trust to handle some portion of your assets.

Step 6 – Make sure your life insurance policies are in order. This step is a simple one that just involves reviewing your insurance policies and checking with your insurance agent to make certain your designated beneficiaries are in line with your wishes. If necessary, you can easily make changes.

Insurance is in order. No changes needed.

Insurance may need adjustments / I'm not sure

Identify insurance you may need to review, adjust, or obtain:

Step 7 – Decide on end-of-life arrangements. This step involves writing out your wishes for how your body should be handled after your death, such as organ donations and whether you wish to be cremated or buried.

Step 8 – Organize your financial records. Part of Step 1, calculating your net worth, should have involved pulling together the records of your assets and liabilities. You may need to create some new asset documentation – for example, getting the appraised value of jewelry or collectibles. Once you have all these documents together, it's a good idea to organize them into one or more files and then store them in a safe, convenient location, for example a safe or safe deposit box. Be sure to communicate these files' location(s) to the individual to whom you assign power of attorney.

After you've taken the preliminary steps outlined above to create your estate plan, it's time to consult with legal and financial professionals and have them begin drafting all the necessary legal documents to put your estate plan in place.



Activity:

Disaster Preparedness

This activity provides an emergency checklist to help you set aside supplies to prepare your household and gauge its readiness to cope with a disaster.

Activity: Disaster Preparedness

Review the emergency checklist below and check where your household falls in terms of setting aside each category of emergency supplies. Then complete the assessment rating to evaluate your current level of disaster readiness.

Emergency Checklist

Water

Drinking water (3-day supply)

No supplies	Less than 1 month	1-2 months	2-4 months
4-12 months	+1 year	Do not need this supply	

Water purification systems/chemicals

No supplies	Less than 1 month	1-2 months	2-4 months
4-12 months	+1 year	Do not need this supply	

Water storage containers

No supplies	Less than 1 month	1-2 months	2-4 months
4-12 months	+1 year	Do not need this supply	

Food and Food Prep

Canned goods (tuna, soup, beans, fruit)

No supplies	Less than 1 month	1-2 months	2-4 months
4-12 months	+1 year	Do not need this supply	

High-protein bars or snacks

No supplies	Less than 1 month	1-2 months	2-4 months
4-12 months	+1 year	Do not need this supply	

Powdered milk

No supplies	Less than 1 month	1-2 months	2-4 months
4-12 months	+1 year	Do not need this supply	

Activity: Disaster Preparedness

Dry cereal

No supplies	Less than 1 month	1-2 months	2-4 months
4-12 months	+1 year	Do not need this supply	

Special foods – for any family members with special dietary needs

No supplies	Less than 1 month	1-2 months	2-4 months
4-12 months	+1 year	Do not need this supply	

Portable stove and fuel

No supplies	Less than 1 month	1-2 months	2-4 months
4-12 months	+1 year	Do not need this supply	

Cooking pots/pans

No supplies	Less than 1 month	1-2 months	2-4 months
4-12 months	+1 year	Do not need this supply	

Plates and utensils

No supplies	Less than 1 month	1-2 months	2-4 months
4-12 months	+1 year	Do not need this supply	

Dishwashing supplies

No supplies	Less than 1 month	1-2 months	2-4 months
4-12 months	+1 year	Do not need this supply	

Garbage bags

No supplies	Less than 1 month	1-2 months	2-4 months
4-12 months	+1 year	Do not need this supply	

Activity: Disaster Preparedness

Paper towels

No supplies	Less than 1 month	1-2 months	2-4 months
4-12 months	+1 year	Do not need this supply	

Nonelectric can opener

No supplies	Less than 1 month	1-2 months	2-4 months
4-12 months	+1 year	Do not need this supply	

Shelter/Protection

Shelter suited to the area (underground shelter, basement, tent, etc.)

No supplies	Less than 1 month	1-2 months	2-4 months
4-12 months	+1 year	Do not need this supply	

Thermal blankets

No supplies	Less than 1 month	1-2 months	2-4 months
4-12 months	+1 year	Do not need this supply	

Sleeping bags

No supplies	Less than 1 month	1-2 months	2-4 months
4-12 months	+1 year	Do not need this supply	

Sleeping pads/air mattresses

No supplies	Less than 1 month	1-2 months	2-4 months
4-12 months	+1 year	Do not need this supply	

Dust masks

No supplies	Less than 1 month	1-2 months	2-4 months
4-12 months	+1 year	Do not need this supply	

Activity: Disaster Preparedness

Heat source (heater, firewood, etc.)

No supplies	Less than 1 month	1-2 months	2-4 months
4-12 months	+1 year	Do not need this supply	

Flashlights/lamps/candles

No supplies	Less than 1 month	1-2 months	2-4 months
4-12 months	+1 year	Do not need this supply	

Matches

No supplies	Less than 1 month	1-2 months	2-4 months
4-12 months	+1 year	Do not need this supply	

Electronics/Power/Communications

Cell phone with long-life battery

No supplies	Less than 1 month	1-2 months	2-4 months
4-12 months	+1 year	Do not need this supply	

Battery power packs/chargers

No supplies	Less than 1 month	1-2 months	2-4 months
4-12 months	+1 year	Do not need this supply	

Batteries

No supplies	Less than 1 month	1-2 months	2-4 months
4-12 months	+1 year	Do not need this supply	

Portable generator

No supplies	Less than 1 month	1-2 months	2-4 months
4-12 months	+1 year	Do not need this supply	

Activity: Disaster Preparedness

Battery or hand-crank radio

No supplies	Less than 1 month	1-2 months	2-4 months
4-12 months	+1 year	Do not need this supply	

First Aid Kit

Antiseptic spray (e.g. Bactine)

No supplies	Less than 1 month	1-2 months	2-4 months
4-12 months	+1 year	Do not need this supply	

Antibiotic cream or ointment (e.g. Neosporin)

No supplies	Less than 1 month	1-2 months	2-4 months
4-12 months	+1 year	Do not need this supply	

Insect repellent

No supplies	Less than 1 month	1-2 months	2-4 months
4-12 months	+1 year	Do not need this supply	

Bandages/gauze

No supplies	Less than 1 month	1-2 months	2-4 months
4-12 months	+1 year	Do not need this supply	

Ace bandages

No supplies	Less than 1 month	1-2 months	2-4 months
4-12 months	+1 year	Do not need this supply	

Adhesive tape

No supplies	Less than 1 month	1-2 months	2-4 months
4-12 months	+1 year	Do not need this supply	

Activity: Disaster Preparedness

Scissors

No supplies	Less than 1 month	1-2 months	2-4 months
4-12 months	+1 year	Do not need this supply	

CPR mask

No supplies	Less than 1 month	1-2 months	2-4 months
4-12 months	+1 year	Do not need this supply	

Prescription medications as needed (minimum 3-day supply)

No supplies	Less than 1 month	1-2 months	2-4 months
4-12 months	+1 year	Do not need this supply	

Hygiene and Sanitation

Toothbrush

No supplies	Less than 1 month	1-2 months	2-4 months
4-12 months	+1 year	Do not need this supply	

Toothpaste

No supplies	Less than 1 month	1-2 months	2-4 months
4-12 months	+1 year	Do not need this supply	

Dental floss

No supplies	Less than 1 month	1-2 months	2-4 months
4-12 months	+1 year	Do not need this supply	

Hand sanitizer

No supplies	Less than 1 month	1-2 months	2-4 months
4-12 months	+1 year	Do not need this supply	

Activity: Disaster Preparedness

Soap

No supplies	Less than 1 month	1-2 months	2-4 months
4-12 months	+1 year	Do not need this supply	

Shampoo

No supplies	Less than 1 month	1-2 months	2-4 months
4-12 months	+1 year	Do not need this supply	

Comb

No supplies	Less than 1 month	1-2 months	2-4 months
4-12 months	+1 year	Do not need this supply	

Deodorant

No supplies	Less than 1 month	1-2 months	2-4 months
4-12 months	+1 year	Do not need this supply	

Wet wipes

No supplies	Less than 1 month	1-2 months	2-4 months
4-12 months	+1 year	Do not need this supply	

Feminine hygiene products

No supplies	Less than 1 month	1-2 months	2-4 months
4-12 months	+1 year	Do not need this supply	

Toilet paper

No supplies	Less than 1 month	1-2 months	2-4 months
4-12 months	+1 year	Do not need this supply	

Activity: Disaster Preparedness

Plastic bags

No supplies	Less than 1 month	1-2 months	2-4 months
4-12 months	+1 year	Do not need this supply	

Clothing

2 changes of clothes

No supplies	Less than 1 month	1-2 months	2-4 months
4-12 months	+1 year	Do not need this supply	

Underwear

No supplies	Less than 1 month	1-2 months	2-4 months
4-12 months	+1 year	Do not need this supply	

Socks

No supplies	Less than 1 month	1-2 months	2-4 months
4-12 months	+1 year	Do not need this supply	

Warm coat/sweater

No supplies	Less than 1 month	1-2 months	2-4 months
4-12 months	+1 year	Do not need this supply	

Hat

No supplies	Less than 1 month	1-2 months	2-4 months
4-12 months	+1 year	Do not need this supply	

Gloves

No supplies	Less than 1 month	1-2 months	2-4 months
4-12 months	+1 year	Do not need this supply	

Activity: Disaster Preparedness

Durable shoes/boots

No supplies	Less than 1 month	1-2 months	2-4 months
4-12 months	+1 year	Do not need this supply	

Tools

Hammer

No supplies	Less than 1 month	1-2 months	2-4 months
4-12 months	+1 year	Do not need this supply	

Wrench

No supplies	Less than 1 month	1-2 months	2-4 months
4-12 months	+1 year	Do not need this supply	

Pliers

No supplies	Less than 1 month	1-2 months	2-4 months
4-12 months	+1 year	Do not need this supply	

Multipurpose tool

No supplies	Less than 1 month	1-2 months	2-4 months
4-12 months	+1 year	Do not need this supply	

Rope

No supplies	Less than 1 month	1-2 months	2-4 months
4-12 months	+1 year	Do not need this supply	

Duct tape

No supplies	Less than 1 month	1-2 months	2-4 months
4-12 months	+1 year	Do not need this supply	

Activity: Disaster Preparedness

Small shovel

No supplies	Less than 1 month	1-2 months	2-4 months
4-12 months	+1 year	Do not need this supply	

Fire extinguisher

No supplies	Less than 1 month	1-2 months	2-4 months
4-12 months	+1 year	Do not need this supply	

Important Documents

Driver's license

No supplies	Less than 1 month	1-2 months	2-4 months
4-12 months	+1 year	Do not need this supply	

Birth certificate

No supplies	Less than 1 month	1-2 months	2-4 months
4-12 months	+1 year	Do not need this supply	

Passport

No supplies	Less than 1 month	1-2 months	2-4 months
4-12 months	+1 year	Do not need this supply	

Emergency contacts

No supplies	Less than 1 month	1-2 months	2-4 months
4-12 months	+1 year	Do not need this supply	

Marriage/adoption/naturalization papers

No supplies	Less than 1 month	1-2 months	2-4 months
4-12 months	+1 year	Do not need this supply	

Activity: Disaster Preparedness

Credit card/ATM information

No supplies	Less than 1 month	1-2 months	2-4 months
4-12 months	+1 year	Do not need this supply	

Proof of insurance

No supplies	Less than 1 month	1-2 months	2-4 months
4-12 months	+1 year	Do not need this supply	

Cash

No supplies	Less than 1 month	1-2 months	2-4 months
4-12 months	+1 year	Do not need this supply	

Assessing Your Emergency Preparedness

- A household with less than a month's supply of the items listed in the checklist is critically underprepared for disaster. Such households should make it a high priority to allocate money to stock up on items in the checklist immediately for their own safety and security.
- Households with reserves that would last 1-2 months should also consider building a larger stock of essential items while also formulating emergency plans.
- Households with 2-4 months of supplies may have a further need to stockpile additional supplies and coordinate emergency and communication plans.
- Households with 4-12 month of supplies are well-protected, but still require planning and organization. They might build up cash reserves and invest in technology to reduce disaster impact.
- Households with over a year's worth of supplies simply need to maintain this safety net and check it annually to replace any perishable items.

Where your household ranks along this assessment rating can have high impact on your ability to deal with a disaster. Taking action is the first step toward protection and peace of mind.



Risk Management & Insurance

Post-Education Case Study:

Level – Financial Foundation & Growth

A case study is essentially a story – it provides an illustration of how financial lessons can be put into action by real people in real-world situations. Case studies are engaging and relatable, and offer solid evidence of the practical value financial education has to help people solve problems and make sound life decisions.

Financial Foundation & Growth

Post-education Case Study

Theo, 24, has just left her old job at an IT company to work as a freelance consultant for a corporate training agency.

Theo has been in a long-term relationship, but is not married, nor does she have children. She currently lives with her parents, who have not yet retired, and helps pay their bills in return. She recently bought a second-hand car to travel around the city and get to work.

One day, Theo's boyfriend, Hiro, is rushed to the hospital after fainting at work. He is diagnosed with a rare blood condition and needs a transfusion as well as several months of medication. Thankfully, Hiro's family has enough medical insurance to cover most of his expenses. He is also able to pay his bills due to some illness riders in his insurance policy.

Hiro advises Theo to get insurance for herself as well, particularly since she is still young and her rates would be relatively low. Having seen what happened to Hiro, and listening to his advice, Theo agrees. As a beginner in personal finance, she finds herself faced with some difficulty in choosing the right kind of coverage for her needs.

The first thing she looks at is car insurance. After shopping around online, she finds a policy that will cover her car for \$2,000 at a cost of \$110 a year.

Next, she looks at insuring herself. She doesn't want to take any chances and decides she wants to get a life insurance policy with her parents as beneficiaries. The first plan she finds attractive is a variable unit-linked policy. It will have an annual premium of \$449, and will cover her with an assured sum of \$50,000. This plan will also provide coverage for disability and critical illness, and place a portion of her premium into a linked managed fund so it can earn interest. Optionally, she could get a term insurance policy with similar coverage for a premium of only \$181 a year.

Finally, she also looks at medical insurance. For an annual premium of \$289, she can get a policy with coverage of \$10,000 per illness, per year.



If possible, Theo wants to purchase all these policies now while she is still healthy and young and her premiums are cheap. That said, as a freelancer, her income tends to fluctuate, so her budget is:

Monthly salary
\$ 2,450.00

Expenses	
Groceries	\$300.00
Credit card fees	\$78.00
Gasoline	\$300.00
Entertainment	\$350.00
Charitable causes	\$50.00
Utilities	\$220.00
Car payment	\$500.00
Loan payments	\$400.00
Retirement savings	\$200.00



1. What mix of insurance would you recommend that Theo buy, and why?
2. How do life stages factor into the kind of life insurance one should buy?
3. What other advice can you give Theo to improve her financial standing?





Risk Management & Insurance

Post-Education Case Study:

Level – Financial Challenges & Recovery

A case study is essentially a story – it provides an illustration of how financial lessons can be put into action by real people in real-world situations. Case studies are engaging and relatable, and offer solid evidence of the practical value financial education has to help people solve problems and make sound life decisions.

Financial Challenges & Recovery

Post-education Case Study

After years of saving, Joel, 38, finally purchased his own home. Moving his family into the 1,000 square foot two-story house in the suburbs was one of the proudest moments of his life. Over the years, he promised himself to make his house even more beautiful as he and his family made wonderful memories in it.

Part of protecting his home was buying the right home insurance. When he bought the house in 2007, he was provided a choice regarding what kind of insurance to get. The actual cash value of his house stood at \$100,000, while the replacement cost was \$85,000. Given that the figure was higher, Joel decided to base his home insurance on the actual cash value.

Joel thought no more about the insurance for 11 years. However, one night in early December, tragedy struck his family. Joel woke up to the sound of the fire alarm and the pungent smell of smoke coming from his living room. Faulty wiring in some lights had caused their Christmas tree to catch fire. He quickly rushed his family out of the blaze as he called the fire department.

Thankfully, the fire trucks arrived and put out the flames before his entire house was burned down. That said, the fire did major damage to the living room, the kitchen, and the downstairs bathroom. Roughly one-third of his home had been burned away. Until repairs were done, Joel's house was uninhabitable.

Despite his anguish, Joel had little choice but to move his family to his brother's place for the duration. The next day, he called up his insurance company to make a claim. He also started scouting around for a construction company to help rebuild his house.

When the insurance company sent their assessment several days later, Joel received the shock of his life. The amount he was going to receive was far below what he was expecting, based on the actual cash value of his home years ago.

Item	Original Value	Insurance Coverage
Wiring	\$800	\$624
Walls and Ceiling	\$4,100	\$3,198
Flooring	\$1010	\$789
Plumbing	\$1320	\$1030

To make matters worse, the insurer would not cover some items because Joel had no proof that they existed. Items not included were:

- A carpet worth \$500
- Bath accessories worth \$499
- Cabinets worth \$3,212

Joel had no choice but to accept these terms and swallow the cost of rebuilding his home. It took the better part of a year, but after a lot of overtime work and some help from his family, he was finally able to complete the repairs to his house and move his family back in. After that, he swore he would buy the correct coverage for this home.

To help, he did a complete survey of his home replacement costs, as shown below.

Item	Materials	Labor	Equipment	Total
Interior Wall Finish	2,343	3,287	-	5,630
Lighting Fixtures	1,060	306	-	1,366
Painting	1,392	2,981	-	4,373
Carpet, Flooring	3,039	2,040	-	5,079
Bath Accessories	499	288	-	787
Shower & Tub Enclosures	325	250	-	575
Plumbing Fixtures	2,930	1,314	-	4,244
Plumbing Rough-in	1,454	3,341	-	4,795
Wiring	1,437	2,446	-	3,883
Built In Appliances	1,563	200	-	1,763
Cabinets	3,212	925	-	4,137
Countertops	977	750	-	1,727
Central Heating and Cooling	1,543	2,669	-	4,212
Garage Door	141	81	-	222
Subtotal direct job cost	\$48,751	\$49,506	\$2,254	\$100,511



Item	Materials	Labor	Equipment	Total
Others				
Final Cleanup	-	774	-	774
Insurance	3,880	-	-	3,880
Permits & Utilities	2,744	-	-	2,744
Design & Engineering	1,276	-	-	1,276
Subtotal indirect job cost	\$7,900	\$774	-	\$8,674
Contractor Markup	\$14,072	-	-	\$14,072



1. At what rate does Joel's home's actual cash value depreciate every year?
2. If one follows the general rule that one's home and possessions should be insured for 80% of the replacement cost, what is the minimum amount of home insurance that Joel should have?
3. Moving forward, what advice can you give Joel to reduce the risk and plan for a better insurance policy?





Risk Management & Insurance

Post-Education Case Study: Level – Positioning & Maintenance

A case study is essentially a story – it provides an illustration of how financial lessons can be put into action by real people in real-world situations. Case studies are engaging and relatable, and offer solid evidence of the practical value financial education has to help people solve problems and make sound life decisions.

Positioning & Maintenance

Post-education Case Study

Mr. Gomez, 56, is a hotel and resort businessman who has lived a good, wealthy life. A self-made man who owns resorts and islands, he is also a caring father who looks after the welfare of his family.

After many years of running his businesses, Mr. Gomez decides it is time to retire. As he is preparing his papers, however, he receives word that one of his good friends, Mr. Yan, has died suddenly from a brain aneurysm. Mr. Gomez drops everything and takes his family to the Yan's family home, where the funeral is being held.

He takes some time to sit with the grieving Mrs. Yan. He then finds out something truly distressing: Mr. Yan has left behind a wealth of valuable but non-liquid assets, vast properties that would take months to sell. However, the state has given the family a deadline of only four months to settle Mr. Yan's estate tax, which amounts to millions. As they do not have that amount on hand, they are forced to sell their properties at heavily discounted prices to raise the required funds.

The Yans' situation makes Mr. Gomez think. He too possesses a considerable amount of wealth, thanks to his successful business. When he dies, he will leave behind a substantial sum that is vulnerable to estate taxes. At his bracket, his tax rate upon his death would be a whopping 25%.

Mr. Gomez swore he would save his family from the burden of having to pay that amount. Consulting with his financial advisor, he quickly discovered a useful financial tool: purchase a life insurance policy that would cover the needed amount upon his death.

Mr. Gomez and his advisor sit down to assess his estate. He already has a life insurance policy with a face value of \$1,000,000. His tax deductible will be \$200,000 upon his death. Since his children are fully grown, they no longer factor into planning his life insurance needs.

As for his taxable assets, they are calculated as follows:

Property values

Hotel	\$15,000,000	Beachside resort	\$20,000,000
Tropical island	\$7,500,000	Office building	\$2,000,000
Undeveloped island	\$2,500,000	Other Assets	\$2,500,000



1. What is the minimum amount of life insurance Mr. Gomez needs to cover his estate tax?
2. What should be his next step?
3. What do you think his family would have done, if they had been in the same circumstances as the Yans – i.e. he had insufficient life insurance?
4. Discuss the value of using life insurance as a tool for settling financial matters upon one's death.



SECTION 9

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INVESTING & PERSONAL FINANCIAL PLANNING



KĀLĀ CAPITAL PARTNERS

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Investing & Personal Financial Planning

Lesson Warm-up: KWR & VIQQS



VIQQS

The VIQQS activity is designed to support various learning styles and gives you the freedom to activate your own existing knowledge in ways that work for you. The VIQQS acronym stands for Video, Image, Quote, Questions, Sounds. You are provided with each of these different cues and instructed to free-write, reflect, or participate in group activities to activate prior knowledge, laying the foundation to connect with the new information you're about to learn. The VIQQS method builds on the KWR strategy to continue the activation of prior knowledge; but has the added benefit of appealing to a variety of learning styles, including visual, auditory, reading, and kinesthetic.



Video



Image



Quote

“

The safe way to double your money is to fold it over
once and put it in your pocket.


- Frank 'Kin' Hubbard, American humorist and financial cartoonist

”

Question

?


What personal qualities do you have that may have
an effect on the investment strategies you choose?

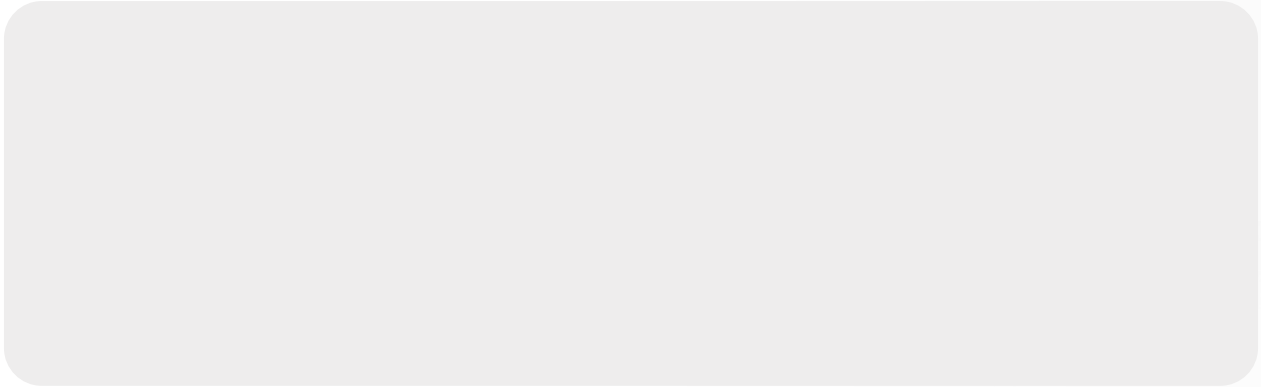


Sound

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KWR

The purpose of a KWR chart is to help you organize your thoughts about information. A KWR chart provides you with a method to organize and simplify your thoughts when reading complex information.

Education Reason – Research shows that, when you connect existing knowledge about a topic to a new topic you are learning, it is easier to pick up the new concept and increase your knowledge about the subject matter. By connecting previous experiences to new information as you learn it, it becomes easier to recall and retain the information you have learned.

How a KWR Works – Using a KWR chart will help you organize and clarify your thoughts. Let's dig deeper into how this type of chart works.

K stands for what you already know about a subject or topic. One way to approach using this column is to brainstorm any words, terms, or phrases you have heard or associate with that topic. For example, you might think about the term “finance” and associate words like money, wealth, happiness, rich, or vacation when you hear that term. This activity can be expanded by choosing a word that you wrote down, such as money, and asking yourself “What made me think of that word, and why do I associate it with wealth?” This activity can be extensive, and you should be open to writing down as much information as possible without worrying about whether it is right or wrong.

W stands for what you want to learn about a topic. Always be sure to remember that no question is stupid, so write down anything that comes to mind. Thinking about the term finance, you may have questions such as “What makes someone wealthy?” or “How do I start a savings account?” The list of questions could be endless, and that's ok. Each question will help strengthen your understanding of the topic and expand your knowledge.

Another great question to ask yourself is “What would I like to learn more about regarding this idea?” This way of thinking helps change your perspective and approach to the question.

Finally, **R** stands for how this information relates to your life. This column helps you sort your thoughts about how you can take information and immediately apply it to your life. For example, you may realize that you associate wealth with being bad or that being wealthy means others will suffer. These thoughts could then lead you to start thinking about how you approach money and why you are hesitant to make more money or appear wealthy to others. The R column allows you to expand on the first two columns, while making deeper connections to your current life status.

Instructions – Using the chart provided below, you will complete your KWR chart by listing what you currently know about this topic, what you want to know, and how this topic relates to your life. There are no right or wrong answers. Just reflect on the topic and write down whatever comes to mind for each question.

K

What I Know. Think about what you already know about this topic and make a list that includes all these ideas. Don't worry about whether it's right or wrong; give yourself the freedom to write whatever comes to your mind about the topic.

W

What I Want to Know. What questions do you have about this topic, and what do you want to know more about? List all your questions. Also, note any areas about which you may be unsure and that you would like to learn more about.

R

How It Relates to My Life. How does this topic relate to your life? List the ways in which you think this topic may affect your life and the personal reasons you have for picking up the information.

Share Additional Insight

Once you complete the lesson, answer the following questions.

1. What is one thing you learned about this topic that surprised you?
2. How could you share this knowledge to help others learn more about this topic?
3. What topic or idea do you feel you didn't learn enough about and would like to expand your knowledge on further?
4. What is one habit or change you would like to make in your life, given the information you just learned?

5. How did learning about this information make you feel?

6. How will this information change your life in a more positive way?

7. How can I expand your learning once this class is done?

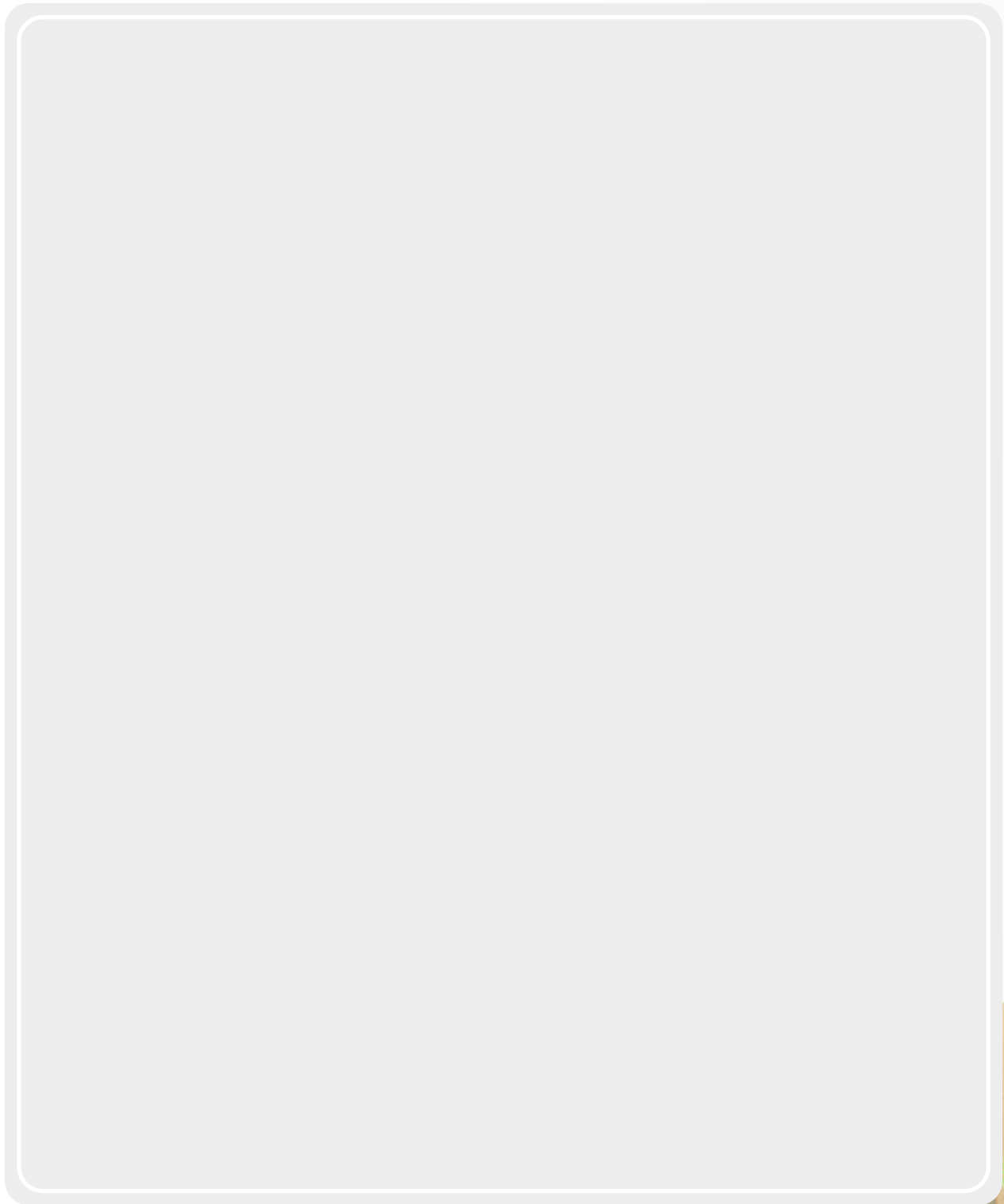
After completing this activity, rate your level of experience, on a scale of 1-10, about your understanding of this topic.

Rate:

1 – I understand little about this topic

10 – I feel confident in the content I have learned and would be able to share my knowledge with other

Next, make a list of all the topics or ideas about which you would be interested in learning more.





Reasons to Learn Investments & Personal Financial Planning: Benefits & Imagery

To start the topic, we're going to walk you through an activity designed to help you get into a productive state of mind for learning. The activity is a story about a person or people who are experiencing certain life events. As you go through the story, just let your mind go. The idea is to feel whatever emotions you feel when you hear the characters' story, and then those emotions can translate into motivation to learn and take positive action.

Charlene Loses Big

Charlene is in her mid-50s and recently realized that she should be investing some of her savings in order to get a better return than she earns through her savings account. Charlene doesn't know anything about investing, so she asks a friend for advice.

Her friend tells her about an energy company whose stock has been steadily growing. The friend has invested in this company and earned a solid 8% return for the past 10 years. Charlene feels excited and thinks the stock sounds like a safe bet, so she decides to invest half her savings in the energy company.

Two months later, there's a big fire at the company's headquarters. Charlene's investment drops by 50% overnight. Charlene freaks out. She didn't have a plan for this! In a panic, she sells the stock for half its original value, feeling that she needs to cut her losses before it's too late.

Clear Your Mind Transition

OK, that probably didn't feel very good. But many people face scenarios like this at some point in their lives. Now just take a moment to clear your mind.

Shake out your body. Take a nice, deep breath. Roll your shoulders a couple of times.

Stand up, then sit back down. Take another deep breath.

Charlene Stays the Course

Charlene is in her mid-50s and recently realized that she should be investing some of her savings in order to get a better return than she earns through her savings account. Charlene doesn't know anything about investing, so she sets out to learn more.

First Charlene reads up on basic investment and economic principles. She develops a budget for her future needs in retirement, taking inflation into account, to set a target for her investment strategy. She determines her risk tolerance so she understands how much risk she's willing to take with her money. She builds up her emergency fund to serve as a buffer against any losses she may encounter. She locates a tax planner, a financial advisor, and a bank representative whom she trusts to be on her team of advisors.

Then Charlene studies various investment vehicles including Individual Retirement Accounts, annuities, 401(k)s, CDs, the stock market, bonds, mutual funds, and exchange traded funds. After a lot of research and consultation with her advising team, Charlene selects two mutual funds in which to invest her money. She sets an exit strategy to review the funds and consider selling or



moving her money when the margin of gain reaches 12%.

Charlene monitors her investments regularly. During one economic downturn, the funds drop by 13%. Charlene stays calm. She refuses to panic; she knows she's in these investments for the long haul. She decides to stay the course and wait to see if the funds bounce back.

Reflection

Gaining knowledge is the first and most important preparatory step for beginning to invest. It's crucial to keep your emotions out of the equation when developing an investment strategy. When you jump into an investment based on unqualified advice, like Charlene did in the first scenario, you risk not only your money, but also your peace of mind and your future. But when you take the proper steps to get fully prepared to take the investment plunge, like Charlene in the second scenario, you set up balances against the risks so you can feel safer and more confident in taking them.



Reasons to Learn Investments & Personal Financial Planning: Benefits & Imagery

Your motivation for learning about money plays an important role in your financial success. Gaining money management skills supports both your motivation and your ability to achieve your financial goals. In this activity, you're going to use a sales strategy called the "Ben Franklin Close." It's a valuable technique that salespeople use to close a sale. The "Ben Franklin Close" helps you logically evaluate the pros and cons of any action you want to take.

On the left side of the "T" chart below, write your **reasons for** learning about investments and personal financial planning. Then on the right side of the "T" chart, write your **reasons against** learning about investments and personal financial planning.

Evaluate your answers. Do your "reasons for" outweigh your "reasons against" learning about investments and personal financial planning?

Reasons For	Reasons Against





Preview Activities: Crib Notes & T.H.I.E.V.E.S. for Investing & Personal Financial Planning

This student guide will support you as you complete the T.H.I.E.V.E.S. pre-reading exercise. Using this guide, you will employ a reading preview model to preview the section, activate your prior knowledge about the topic, and set a purpose for doing the reading. Crib notes also are provided; this student resource provides a summary review of the content of this lesson and also allows you to complete the T.H.I.E.V.E.S. pre-reading exercise: “Summary of What the T.H.I.E.V.E.S. activity is.”

Investing & Personal Financial Planning Crib Notes

To achieve your personal lifestyle goals, you must be able to save money and possess the knowledge to make informed investment decisions. Investing gets your money working for you. People often decide to learn about investing to achieve financial security and freedom. You should determine your risk tolerance level, identify risks, and measure risk versus potential rewards when considering any investment. When you invest, higher risk usually is associated with higher potential returns.

Net worth gives a snapshot of where you are in relation to your goals and helps you monitor progress. Calculate net worth by subtracting total liabilities (debt obligations) from total assets (items of worth that you own). To determine your investment goals and savings rate, it's important to develop a budget for your future needs by estimating future income, planning savings, and outlining future expenses. Be sure to account for inflation. Preparing to invest requires knowledge, trusted team, personal financial plan, minimal high-interest debt, risk capital, due diligence, exit plan, and consistent strategy.

Individual Retirement Accounts (IRAs) come in two forms. Traditional IRAs are funded with pre-tax income and are taxed upon withdrawal. Roth IRAs are funded with taxed income and withdrawals are not taxed. Employers often sponsor retirement plans for employees, with two main types: non-qualified and qualified. Non-qualified plans are ineligible for tax-deferral benefits. Qualified plans offer tax benefits by reducing taxable income by the amount you contribute, and have two main categories: defined contribution and defined benefit. Defined contribution plans base your retirement benefit on the amount you contributed. Defined benefit plans ensure that you receive a specified monthly benefit at retirement.

Fundamental principles of investing include: 1) risk and reward; 2) leverage – ability to control large value with a comparatively small investment; 3) liquidity – how fast you can turn an asset into cash; 4) diversification – putting money into different types of investments; 5) cash flow – money left over once all costs are deducted; and 6) capital appreciation – increase in value of an asset. Return on investment (ROI) helps investors compare returns offered by different investments. Calculate ROI by dividing an investment's expected yield by its cost. Compounding interest is interest you earn not only on the principal balance, but also on prior interest earned.

Investment plans should consider opportunity cost, time horizon, goals, and risk tolerance. The most common investment vehicles are Certificates of Deposit (CDs), annuities, stocks, mutual funds and exchange traded funds (ETFs), bonds, real estate, commodities, Forex (foreign exchange market), private equity/hedge funds, and cryptocurrencies.

Preview Activities: Crib Notes & T.H.I.E.V.E.S. for Investing & Personal Financial Planning

People participate in the stock market in different ways based on their goals and circumstances. Investing in bonds can offer a steady stream of income and help diversify your asset classes. There are three types of annuities – fixed, variable, and equity-indexed. Real estate represents one of the most common investments people include in their long-term plans.



Reason / Purpose

Scanning what you are about to read can help you understand the big picture and recognize important areas you will be covering. We use the THIEVES model to maximize your ability to tap into prior knowledge, determine what you will learn from the lesson, and create a plan for your learning. The T.H.I.E.V.E.S. acronym stands for elements of the text:

- Title,
- Heading,
- Introduction,
- Every first sentence,
- Visual and vocabulary,
- End of chapter questions, and
- Summary.

The THIEVES model will help you learn the reading process. Before reading, you will use each element within the acronym (T.H.I.E.V.E.S.) to write or think about each question that is associated with the letters of the acronym of the model. Essentially, THIEVES is a three step process that first enables you to preview the text prior to reading it, then explain the different elements of the text through the evaluation of each letter of the acronym, and finally facilitate your learning by modeling how to use this strategy until you are comfortable with the steps in the process.

You may choose to complete the THIEVES activity in its entirety, responding in the space provided for each letter in the acronym. Or, if you have limited time, you may choose to review the crib notes version of the lesson and then skip directly to the “Summary” section (the “S” in “THIEVES”) and type in your answer based on the crib notes.



Instructions

Follow the THIEVES model guidelines and complete the chart. On the next two pages is a table of seven sections or columns (T.H.I.E.V.E.S.). Read the instructions for each section, respond to the instructions for each column, and then type the response in the space provided. Or, if time is limited, review the crib notes for this lesson, then skip directly to the “Summary” section (the “S” in “THIEVES”) and type in your response based on the crib notes.



THIEVES Model	Your Answers
T: Title – Look at the overall title of the lesson. What does the title tell you about what you can expect to learn in this lesson?	
H: Headings – Look at all of the headings and subheadings in this lesson. What do the subheadings tell you about what you can expect to learn in this lesson?	
I: Introduction – Read the introductory paragraph. What two or three topics does it tell you the lesson will talk about?	
E: Every first sentence in a paragraph – Read the first (topic) sentences of each paragraph. What are the topics of each paragraph?	

THIEVES Model	Your Answers
V: Visuals and Vocabulary – Look at all the images and vocabulary terms. What topics do they indicate are important?	
E: End-of-Chapter questions – Look at the review questions at the end of the section. What topics are they asking you to review?	
S: Summary – Read the summary of the lesson. What does it say are the key topics you should have learned?	





Investing & Personal Financial Planning

Pre-Education Case Study: Level – Financial Foundation & Growth

A case study is essentially a story – it provides an illustration of how financial lessons can be put into action by real people in real-world situations. Case studies are engaging and relatable, and offer solid evidence of the practical value financial education has to help people solve problems and make sound life decisions.

Financial Foundation & Growth

Pre-education Case Study

Emily and Marco, both 26 years old, are college sweethearts who have taken the next step and moved in together. Their future is looking bright. Marco is an engineer for an electric corporation while Emily works as a journalist for the local news.

While doing a story on a woman who made her first million by investing in various businesses and properties, Emily is struck by how easy it looks. She decides it would be a good idea to get started with investing. That night she talks with Marco about it. Her boyfriend, however, is not on board with the idea. “Not that I think it’s bad,” he says. “It’s just that right now we’ve got other priorities.”

They let the matter go for a month or so, but Emily can’t get it out of her mind. So she decides to sit down and list all of their reasons for investing in order to convince Marco.

First, she considers that they have so many dreams they want to achieve. They plan on getting married, buying a car, eventually buying a home, going on a Mediterranean cruise, and retiring sometime in their 60s. She is certain they aren’t going to accomplish all these things on an annual household income of \$115,000 alone, and especially not when they can only set aside 5% for savings.

On the downside, they still have to pay off a majority of their student loans, which amounts to a total of \$50,000. Not to mention they have to keep up with their living expenses while renting an apartment in the city. Except for a savings account, they don’t have anything resembling an emergency fund. Marco has also mentioned an interest in studying for his Master’s degree.

Emily wonders whether she can convince her boyfriend that it’s time to get serious about their finances.



1. Based on the story, do your best to come up with a compelling argument for both sides of the discussion.
2. How important do you think timing is when it comes to investing?
3. What advice can you give the couple to help them achieve their goals?





Investing & Personal Financial Planning

Pre-Education Case Study: Level – Financial Challenges & Recovery

A case study is essentially a story – it provides an illustration of how financial lessons can be put into action by real people in real-world situations. Case studies are engaging and relatable, and offer solid evidence of the practical value financial education has to help people solve problems and make sound life decisions.

Financial Challenges & Recovery

Pre-education Case Study

Sean Carver, 30, is the impulsive personality in his family. He always feels the need to prove himself, especially when it comes to the matter of his fraternal twin, Beth, whom he feels is his parents' favorite. He always feels the need to one-up her in everything, from school to their individual careers. Sean works in a marketing firm; the fast-paced lifestyle suits him, but leaves him little time for anything else.

One day, Ben, a good friend of his, comes to him with an interesting offer. Ben plans to invest in his cousin's ride-share company, which is about to go public that very year. The initial share price will start at \$2, but is almost certain to go up as the company upgrades its technology and expands to new cities.

Sean likes the idea and is quick to buy in. Despite this being his first foray into any kind of investment, he trusts his friend's judgment and decides to go big. He purchases 40,000 shares, drawing funds from his retirement plan and his personal savings to do so.

Sure enough, within months the price of the stock rises to \$6, then skyrockets to \$17. Sean is ecstatic. This financial decision would go a long way in making him stand out from his twin sister. He decides to ride it through. He borrows money from his family with the promise of returning it with interest, and purchases another 8,000 shares. He is just in time for the price to hit \$23. The year was looking up for Sean, with some of his friends even calling him a stock market genius.

The next year, however, puts an end to his euphoria. Due to a series of tax evasion scandals, the stock falls to \$18. Never mind, thinks Sean. I'm a long-term investor. Then, a month later, the stock price falls to \$14. Soon his family members start to call him, asking for their money back. He puts them off as best as he can, but the clamor grows louder as the stock trends down toward \$8. Still, Sean holds on in hopes of a recovery.

By the end of the year, the company has shrunk and the stock is hovering just above \$1. Filled with despair, Sean is just holding on for a slight recovery to \$2 before pulling out his principal completely. He still doesn't know what to tell his family about the money he lost.



1. What is at stake for Sean in this situation? How would you feel in his position?
2. What factors could have contributed to Sean's financial problem?
3. What are some things Sean could have done to lower his risk and/or raise his profits?
4. What would you advise him to do now?





Investing & Personal Financial Planning

Pre-Education Case Study: Level – Positioning & Maintenance

A case study is essentially a story – it provides an illustration of how financial lessons can be put into action by real people in real-world situations. Case studies are engaging and relatable, and offer solid evidence of the practical value financial education has to help people solve problems and make sound life decisions.

Positioning & Maintenance

Pre-education Case Study

At age 37, Martin is having the time of his life. He is at the top of his game in his job at an architecture firm, earning \$5,000 a month as an interior designer. With his income secure, he has already bought a nice car and is well on his way to owning a house in the city. Being unattached, he spends most of his weekends improving his golf game or going on road trips with friends.

While attending a birthday party, Martin is shocked to find out that one of his pals, Owen, is retiring next year. Owen is only three years older than Martin, and as a firefighter, earns considerably less than Martin while taking care of a family of four.

Martin asks him how he managed such a feat. Owen is candid enough to say that he had gotten lucky with a few investments. Nearly 20 years ago, he started saving some money in various mutual funds. With the capital he accumulated, he started buying and remodeling houses to either sell or rent out. It took some education and a lot of hard work, but the rise in the economy and real estate prices put wind in his sails. Now, he has amassed enough passive income to live comfortably for the remainder of his life.

His friend's good fortune makes Martin reflect; he has gone most of his life with his finances on autopilot, living a cozy life with little thought for the future. Now he is fast approaching middle age. Apart from his mortgage, he does not have a lot of debt, but neither does he have anything in terms of savings or investments. A majority of his paycheck goes to his bills and his hobbies. Before today, he had little cause to think about retirement, or even any long-term financial goal.

Martin decides to it was high time to work on his finances. Hearing that stocks would be a profitable investment, he borrows \$100,000 against his home equity for use in this (hopefully profitable) first attempt.

1. In your opinion, what should be Martin's first step when it comes to investing?



2. Where did his desire to invest come from? What is his objective?

3. What is his most significant challenge(s) when it comes to investing?

4. What factors worked in Owen's favor to help him create his fortune?

5. What steps would you suggest to make Martin's first investment less risky?





Activity:

Your Financial Goals

This activity is designed to get you thinking about your hopes and dreams for your future lifestyle and financial situation. Envisioning what you would like your future to be can help motivate you to start investing.

Activity: Your Financial Goals

Start thinking about what financial security and wellness mean to you. During this activity, do not judge — just write or reflect about your personal dreams. Be as specific as possible and give yourself the freedom to dream big.

Reflect on each of the following questions and write down your answers. Try to put yourself in the emotional state of mind you anticipate or expect to feel at each time frame.

Lifestyle Goals

1. What are your financial hopes for the future?

Ex: stop living paycheck-to-paycheck; eliminate all debt; afford to help my child(ren) purchase their first home(s).

5 years from now

10 years from now

25 years from now

Activity: Your Financial Goals

2. Describe how you would like to spend your days?

Ex: engaging in my favorite hobby; relaxing on the beach; working part-time at a fun, rewarding job.

5 years from now

10 years from now

25 years from now

3. What are some things you would want to give to others?

Ex: more time spent with my grandchildren; aid to the homeless; a nice chunk of money to leave to my heirs.

5 years from now

10 years from now

25 years from now

Activity: Your Financial Goals

Financial Goals

1. What are your cash flow goals? How much money would you like to clear after all your bills are paid?

Ex: \$1,500; enough to eat out twice a week; enough to travel four times a year

5 years from now

10 years from now

25 years from now

Activity: Your Financial Goals

2. What are your net worth goals? How much money would you like to have after all the debts you have are paid?

Ex: \$5,000; \$25,000; \$300,000; enough to buy a log cabin in the woods

5 years from now

10 years from now

25 years from now

3. If your plans work out, how would you feel?

Ex: excited; safe and secure; proud

4. Are there areas of your financial life that you can address that will help you attain your goals? What are the first steps? Don't write something vague like "make more money." What is a time-driven, specific, actionable first step you can take today?

Ex: implement a debt payoff plan; take on a second job; meet with a financial advisor



Activity:

Determine Your Risk Tolerance Level

People have different levels of tolerance for risk-taking in financial matters. But with most investments, the greater risk you're willing to take, the greater the potential return. Complete this risk tolerance activity to give yourself a rough idea of the amount of risk with which you are comfortable.

Activity: Determine Your Risk Tolerance Level

Answer each question below with the answer that most closely represents what you would do in the situation. Then total up the numbers of marks that fall in each column to calculate your risk tolerance level.

Example:

Questions	Mapped to:				
	1	2	3	4	5
1. Suppose you won \$20,000 in a contest. What would you do with that money?					
a. You would choose to keep the money safe and put it into an investment that gives you minimal growth – but cannot lose money.	•				
b. You would spread it across various investments that generate good returns.		•	•		
c. You would invest it all into a hot stock tip that you believe will quadruple your money.				•	
2. You invested in a few stocks and now you're down 50%. Your account started at \$20,000, but now you're at \$10,000. What do you do?					
a. You sell and put the money into a safe investment that offers low returns but will not lose money.	•				
b. You sell and make other investments you believe will be better.		•	•		
c. You sell and hang on to the money as cash.			•		
d. You let it ride and hope it goes up.				•	
e. You invest more in the same stocks – upon the assumption that it can't get worse.					•
	1	2	3	4	5
Enter Point Totals from this Page	0	0	1	1	0

Activity: Determine Your Risk Tolerance Level

Questions	Mapped to:				
	1	2	3	4	5
1. Suppose you won \$20,000 in a contest. What would you do with that money?					
a. You would choose to keep the money safe and put it into an investment that gives you minimal growth – but cannot lose money.	•				
b. You would spread it across various investments that generate good returns.		•	•		
c. You would invest it all into a hot stock tip that you believe will quadruple your money.				•	
2. You invested in a few stocks and now you're down 50%. Your account started at \$20,000, but now you're at \$10,000. What do you do?					
a. You sell and put the money into a safe investment that offers low returns but will not lose money.	•				
b. You sell and make other investments you believe will be better.		•	•		
c. You sell and hang on to the money as cash.			•		
d. You let it ride and hope it goes up.				•	
e. You invest more in the same stocks – upon the assumption that it can't get worse.					•
	1	2	3	4	5
Enter Point Totals from this Page					

Activity: Determine Your Risk Tolerance Level

Questions	Mapped to:				
	1	2	3	4	5
3. In which of the following would you rather invest?					
a. An investment that is sure not to lose money, but earns consistent, small returns each year.	●				
b. An investment that limits your losses, but your gains are likely to be average.		●	●		
c. An investment that has a chance you can lose all your money, but has the potential for huge returns.				●	
4. Assuming you had the risk capital available, which investment option is most appealing to you?					
a. \$0 maximum loss with a possible \$100 maximum gain after 5 years.	●				
b. \$1,000 maximum loss with a possible \$5,000 maximum gain after 5 years.		●	●		
c. \$2,500 maximum loss with a possible \$15,000 maximum gain after 5 years.				●	●
5. Suppose you're on a game show and you are given the following options. Which would you take?					
a. \$1,000 in cash	●				
b. A 50% chance at winning \$5,000.		●	●		
c. A 25% chance at winning \$10,000.				●	
d. A 5% chance at winning \$100,000.					●
	1	2	3	4	5
Enter Point Totals from this Page					

Activity: Determine Your Risk Tolerance Level

Questions	Mapped to:				
	1	2	3	4	5
6. Suppose you continue playing on the game show and you eventually win \$50,000. If you're offered the following options, which would you take?					
a. Keep the \$50,000	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
b. Risk the \$50,000 for a 50% chance of winning \$100,000.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
c. Risk the \$50,000 for a 10% chance of winning \$500,000.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
7. Which investment strategy would make you feel most comfortable?					
a. 70% low risk, 20% medium risk, 10% high risk	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
b. 50% low risk, 30% medium risk, 20% high risk	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
c. 20% low risk, 30% medium risk, 50% high risk	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
8. Your relative dies and leaves you \$20,000. What would you do with this sudden windfall?					
a. Pay off some of your debts.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
b. Deposit it in the bank and decide later how to spend it.	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
c. Give it to charity.	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
d. Invest it in the stock market.	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
e. Buy something you've been wanting and didn't think you could afford.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
	1	2	3	4	5
Enter Point Totals from this Page					

Activity: Determine Your Risk Tolerance Level

Questions	Mapped to:				
	1	2	3	4	5
9. If the inheritance from your relative came with the expectation that you invest the money, which would you do?					
a. Deposit it in an interest-earning savings account, money market account, or an insured CD.	•	•			
b. Deposit it in a mutual fund that has stocks and bonds.		•	•		
c. Invest it in safe high-quality bonds or mutual funds, after researching to find the best.				•	
d. Invest it in stocks or stock mutual funds.				•	•
e. Invest it in commodities (e.g., gold, silver).					•
10. You have saved up for a major vacation and must make the deposit within the next week. However, you have just learned that your job may be in jeopardy due to some planned cutbacks. What would you do?					
a. Postpone the vacation until you feel more confident about your job security.	•	•			
b. Go ahead and take the vacation, but vow to watch your spending (no souvenirs, excessive meals, etc.)		•	•		
c. Go ahead and take the vacation as planned, just in case this is the last time you'll get the chance to treat yourself.				•	•
	1	2	3	4	5
Enter Point Totals from this Page					

Activity: Determine Your Risk Tolerance Level

Questions	Mapped to:				
	1	2	3	4	5
11. Suppose you have it on good authority that there will be a price increase on various commodities such as gold and real estate, at the same time bond prices are predicted to fall and government bonds are going to stay safe. Since most of your investments are in high-interest government bonds, what would you do?					
a. Hold onto the bonds.	•				
b. Sell the bonds and put half the money into money market accounts and the other half into hard assets.		•			
c. Sell the bonds and put the total proceeds into hard assets.				•	
d. Sell the bonds, put all the money into hard assets and borrow additional money to buy more.					•
12. Which of the following terms do you consider most closely defines the word "risk?"					
a. Danger.	•	•			
b. Unknown or uncertain situation.			•		
c. Adventure.				•	•
13. How would your friends describe you?					
a. You're very cautious.	•				
b. You're a creature of habit.		•			
c. You take risks only after thoughtful research.			•		
d. You're somewhat adventurous.				•	
e. You live life as a risk taker.					•
	1	2	3	4	5
Enter Point Totals from this Page					

Activity: Determine Your Risk Tolerance Level

Questions	Mapped to:				
	1	2	3	4	5
14. Which of the following best represents how you describe yourself?					
a. I am a planner; I carefully research anything I undertake – whether it's an investment, a journey, or any major life change.	•				
b. I like to take things a day at a time, not getting too worried about the future, yet not taking any major risks.			•		
c. I live for the moment. You only live once and who knows what tomorrow will bring?					•
15. Which of the following best describes you and your money?					
a. I am confident in my ability to handle my finances and I always pay my bills on time.	•				
b. I think I am good with money and only occasionally have problems making ends meet.		•	•		
c. I am often behind in my bills, sometimes relying on creative spending.				•	•
	1	2	3	4	5
Enter Point Totals from this Page					

Activity: Determine Your Risk Tolerance Level

	1	2	3	4	5
Grand Total Points					

Review your answers and total up the numbers of marks you had in each column. Use the guide below to evaluate your current risk tolerance, based on the column where the majority of your marks fell:

Column 1 = Very Low Risk Tolerance

Column 2 = Low Risk Tolerance

Column 3 = Moderate Risk Tolerance

Column 4 = High Risk Tolerance

Column 5 = Very High Risk Tolerance



Activity: Calculating Your Net Worth

This activity presents a worksheet for you to use to calculate your current net worth.

Activity: Calculating Your Net Worth

Enter the current value of all your assets into the “Assets” column. Then enter your liabilities (amounts you owe) into the “Liabilities” column. Total each column, enter the numbers into the “Totals” section, and subtract Liabilities from Assets to calculate your net worth.

It is important to note that you should schedule and complete the assessments in this activity a few times per year.

Assets		Assets	
Personal Residence		Stocks	
Rental & Other Properties		Stock-Based Mutual Funds	
Automobiles		Variable Annuities	
Physical Metals (Gold, Silver, Gems, Jewelry, etc.)		Variable Annuities	
Art/Antiques		Life Insurance with Cash Value	
Furniture		Business Interest/ Partnership	
Other		Other	
Subtotal:		Subtotal:	
Retirement Accounts		Savings Account	
US Government Bonds		Checking Account	
Corporate Bonds		Money Market Account	
Municipal Bonds		Certificates of Deposit	
Bond-Based Mutual Funds		Cryptocurrency	
Other		Cash	
Subtotal:		Other	
		Subtotal:	

Activity: Calculating Your Net Worth

Liabilities	
Real Estate Mortgages	
Auto Loans	
Retirement Loans	
Student Loans	
Credit Card Debt	
Personal Loans	
Payday Loans	
Life Insurance Loans	
Margin Account Loans	
Accrued Income Taxes	
Business Loans	
Construction Liens/Notes	
Other Loans	
Other	
Other	
Subtotal:	

Total Assets
\$ _____
Total Liabilities
\$ _____
Net Worth
\$ _____



Activity:

Create Your Future Budget

Most people do not plan a future budget. As a consequence, many of them have to go back to work after only a few years of retirement – or are unable to retire at all. It's important to estimate a budget in advance and plan ahead. This activity has you calculate your possible future living expenses, income sources, and inflation risk.

Activity: Create Your Future Budget

Start by completing your current budget now and, as your budget changes, make the appropriate adjustments. Budgets change over time, so be sure to update your calculations as your income or expenses change. Also complete the goal section of the budget spreadsheet. Identify the expenses you want to reduce, along with your income and savings goals.

Note: *At this step, do not consider inflation when completing your budget – that will be the last step in the activity. For now, just list your possible expenses in today's dollars.

Step 1: Estimate Future Income

For people who seek financial freedom in the future, planning a future budget is essential. The first step in the process is to identify any future income sources you will use to fund your retirement.

Below is a list of potential income sources. Be mindful of income sources that may adjust with inflation. Also, pension plans, SSI Benefits, and employment income may increase due to inflationary pressures.

Estimate your retirement income from each source. Do not account for inflation yet – simply list what your income may look like in the future in today's dollars.

If you don't know exact amounts now, just make a best estimate and do further research on your own to get the most accurate figures possible (it will never be 100% accurate; we are making educated guesses about the future). Then add up the figures to project your total income at retirement.

Future Employment Income	Current	Goal
Employment Source 1 Gross Income		
Federal Income Tax		
State & Local Tax		
Social Security & Medicare		
Employment 1 Net Income		

Activity: Create Your Future Budget

Future Employment Income	Current	Goal
Employment Source 2 Gross Income		
Federal Income Tax		
State & Local Tax		
Social Security & Medicare		
Employment 2 Net Income		
Investment Income		
Interest Income		
Taxes		
Equity Investments Income		
Taxes		
Real Estate Investments Income		
Taxes		
Business Investment Income		
Taxes		
Other Investment Income		
Taxes		
Investment Net Income		

Activity: Create Your Future Budget

Other Income	Current	Goal
Social Security		
Pensions		
Annuities		
Other		
Other Net Income		
Total Projected Income		

Employment Income

For your future budget, start with your gross monthly pay. This is the total amount before taxes and deductions – the total amount you are paid.

Calculating pay periods into monthly amounts

If you are paid weekly, you receive a check 52 times per year. Multiply the gross weekly pay by 52, then divide by 12. For example, if you make \$1,200 every week, your monthly pay is \$5,200. Calculation: $\$1,200 \times 52 = \$62,400$ annual pay. $\$62,400$ divided by 12 months is \$5,200.

If you are paid bi-weekly (every two weeks), you receive a check 26 times per year, so multiply the gross bi-weekly pay by 26 and then divide by 12. For example, if you make \$2,000 every other week, your monthly pay is \$4,333.33. Calculation: $\$2,000 \times 26 = \$52,000$ annual pay. $\$52,000$ divided by 12 months is \$4,333.33.

If you are paid monthly, you receive a check once per month. Just enter your monthly gross pay into the budget.

Activity: Create Your Future Budget

Investment Income

An asset is something of monetary value under your control that you expect will provide future benefits to you and your family. Examples of assets include stock holdings, IRAs, home equity, bonds, treasury notes, rental properties, precious metals, and mutual funds. Asset income may come from interest, rental payments, royalties, and dividends. You also can sell assets to generate income.

Note that, with some assets, you can actually have a negative cash flow, meaning you pay more out monthly than you bring in. In these cases it's important to enter the difference as an expense.

List any future cash flow from assets you expect in the budget.

Other Income

Social Security

Social Security is a retirement benefit offered at age 62 and older. If you start claiming SSI at age 62, your benefits will be about 30% less than if you wait until age 67. If you wait until age 67, you qualify for full payments. Get an individualized benefit estimate at the Social Security website:



Visit: [SocialSecurity.gov](https://www.socialsecurity.gov)

<https://www.socialsecurity.gov/estimator/>

SSI benefits are likely to be significantly reduced in the future. Estimated benefits are based on current law, and the law governing benefit amounts may change. By 2033, the payroll taxes collected will be enough to pay only about 77 cents for each dollar of scheduled benefits. Although SSI suggests using 77 cents to calculate your future potential benefits, that figure might represent the “best-case scenario.” Ideally, you should avoid depending on SSI benefits when you plan your retirement income.

Pensions

A pension is a type of retirement plan that provides people with an income after they retire. Pensions come in various forms: defined contribution, defined benefit, or some hybrid combination. A defined contribution pension plan distributes income depending on the employee's contribution and investment performance. A defined benefit provides retirement income based on an employee's salary and number of years in the plan. A hybrid plan combines features from both.

Look into your pension plans and find out the range of income you can expect in the future.

Activity: Create Your Future Budget

Annuity Payments

Annuities are insurance products that pay income to investors. Annuities are commonly used as an income source at retirement.

Investors can set up an annuity to provide income for a specific period of time, usually their expected lifetime. Annuity income depends on investment, length of payments, performance, and type of annuity. There are two common types:

Fixed income annuities provide a guaranteed payout; and

Variable income annuities determine payout by the performance of the underlying investments.

List any future income you expect to receive from annuities.


Step 2: Estimate Future Expenses


Now it's time to estimate future expenses. Do not account for inflation yet – simply list what your expenses may look like in the future in today's dollars.

Examples:

- Maybe you plan to sell your home and downsize in 10 years. Estimate the amount of your future payments.
- Maybe you have been dealing with health issues and expect your medical bills and insurance to increase.
- Maybe you currently spend a lot on professional attire for work; but your future goals are to quit working and retire. Your clothing allowance and dry cleaning bills may go down.
- Maybe you will be taking care of an aging family member. Accounting for this expense now can help you plan.
- Maybe you are raising a child who will be moving out in a few years. Your utilities, insurance, clothing, and food budget may decrease.
- Maybe you plan on paying for your child's college. In this case your educational expense may increase.
- Maybe your student loans will be paid off in a few years. Be sure to account for that decrease in your budget.

Activity: Create Your Future Budget

 Home Ownership Expense	Current	Goal
Fixed Rate Mortgage Payments		
Adjustable Rate Mortgage Payments		
Property Taxes		
Homeowner Insurance		
HOA Dues or Assessments		
Maintenance		
Other		
Sub Total:		

 Utilities	Current	Goal
Electric		
Gas		
Water / Garbage		
Cable/Satellite		
Phone (cell)		
Internet		
Home Security		
Other		
Sub Total:		

Activity: Create Your Future Budget

 Home Renting Expenses	Current	Goal
Rent		
Renters Insurance		
Other		
Other		
Sub Total:		


 Other Insurance		
Health Insurance		
Life Insurance		
Long-term Disability		
Umbrella Insurance		
Other Insurance		
Sub Total:		

 Kids & Caregiving		
Children's Activities		
Child Care		
Child Support		
Alimony		
Caregiver		
Sub Total:		

Activity: Create Your Future Budget

 Educational Expenses	Current	Goal
Professional Development		
School Tuition		
Books		
Other		
Other		
Sub Total:		

 Pets	Current	Goal
Pet Supplies		
Veterinarian		
Pet Insurance		
Grooming & Boarding		
Other		
Sub Total:		

 Educational Expenses	Current	Goal
Professional Development		
School Tuition		
Books		
Other		
Other		
Sub Total:		

Activity: Create Your Future Budget

 Transportation Expenses	Current	Goal
Vehicle 1 Payments		
Vehicle 2 Payments		
Insurance		
Registration		
Gas		
Maintenance		
Public Transportation		
Taxi / Ride Sharing		
Other		
Sub Total:		

 Health & Fitness		
Gym Membership		
Alternative Medicine		
Supplements & Vitamins		
Doctor Visits		
Dentist Visits		
Prescriptions		
Eye Care		
Other		
Sub Total:		

Activity: Create Your Future Budget

 Loans & Debt Expense	Current	Goal
Credit Cards		
Personal Loans		
Student Loan		
Tax Debt		
Appliance Loans		
Other		
Sub Total:		

 Fees & Charges		
Banking Fees		
Credit Card Fees		
Mismanagement fees (late, overdraft)		
Other Fees		
Sub Total:		

 Personal Care		
Clothing		
Laundry / Dry-cleaning		
Personal Grooming (hair, nails)		
Skin Care (makeup, lotions)		
Other		
Sub Total:		

Activity: Create Your Future Budget

 Entertainment	Current	Goal
Entertainment (movies, concerts)		
Eating Out & Drinks		
Hobbies & Recreation		
Random Purchases		
Other		
Sub Total:		

 Variable Personal Expenses		
Groceries		
Vitamins & Supplements		
Cell Phone		
Personal Items		
Subscriptions		
Other		
Sub Total:		

 MSC		
Donations / Charity		
Other		
Sub Total:		

Activity: Create Your Future Budget

Step 3: Determine Your Financial Security Target

Your Financial Security Target is the amount of money you will need to be self-sufficient and meet your lifestyle goals in the future.

First consider your lifespan and the lifespan of your dependents. To determine your financial security target, estimate how long you expect to live. This is often scary for many people to think about, but is necessary when planning for the future. Remember that, given advances in technology and medical procedures, people now live longer than they did throughout most previous times in history.

I estimate I will live until age _____.

I estimate my spouse will live until age _____.

Next, consider the income you will have from all your sources plus any money available to be drawn out of your assets (drawing money out and depleting the asset's value to \$0 over time). Do not account for inflation yet – simply list what your targets may look like in the future in today's dollars, based on the budget you identified in steps 1 and 2.

Getting-by Financial Security Target: What would be the absolute lowest amount you estimate you could live on? \$ _____ monthly income. This amount probably won't leave a lot of room for unexpected events, so continue to set your goals above this figure.

Foundation Financial Security Target: What would be the mid-range amount you estimate you could live on? \$ _____ monthly income. With this amount, you will be better prepared to handle unexpected financial disruptions. However, if several problems occur, you may need to find additional solutions.

Secure Financial Security Target: What would be the ideal amount you estimate you would want to live on? \$ _____ monthly income. With this amount, you would be able to handle multiple financial disruptions and still be able to afford your lifestyle goals.

Activity: Create Your Future Budget

Step 4: Account for Inflation

Inflation will affect your future budget. Many people forget to calculate the effects of inflation, and are left with shortfalls. Planning ahead will prepare you better for the future.

First, you need to determine an annual inflation rate. There is no crystal ball for estimating inflation accurately; but gaining knowledge, keeping up-to-date with monetary policy, and having a trusted team of advisors can help you decide on an average figure.

Nobody knows exactly how inflation rates will change in the future. Since 1913, the average inflation rate has been about 3%, but there have been years when inflation rates were as high as 19% and years where there was a negative inflation rate – i.e. deflation. We invite you to learn more and draw your own conclusion about where inflation rates are heading. Go online and look up historical inflation rates, check the Consumer Price Index, and play around with future inflation calculators.

Most budget items will be affected by inflation. Rare exceptions include fixed-rate home mortgages and other fixed-rate loans, because payments on those loans are locked in.

Calculate your possible living expenses in the future. For example, if you think the inflation rate will be 3% and your expenses total \$2,000 per month right now, here's what you would enter into your calculator:

$$\text{\$2,000} \times 1.03 = \text{\$2,060}$$

That figure estimates your expenses to increase by \$60 at the end of the first year. To calculate inflation for 5 years, simply keep multiplying each new total by 1.03. For example:

$$\text{Year 1 } \$2,000 \times 1.03 = \$2,060$$

$$\text{Year 2 } \$2,060 \times 1.03 = \$2,121$$

$$\text{Year 3 } \$2,122 \times 1.03 = \$2,185$$

$$\text{Year 4 } \$2,185 \times 1.03 = \$2,251$$

$$\text{Year 5 } \$2,251 \times 1.03 = \$2,318$$

This is a very simple, but tedious way of calculating inflation into your budget. You can use an online inflation calculator to do the math for you.

Activity: Create Your Future Budget

To complete your future budget, take the figures from Steps 1 and 2 and run them through your calculation (either by computing inflation year-by-year as shown in the table, or by entering the numbers into an inflation calculator).

Monthly Income Accounting for Inflation _____

– (minus)

Monthly Expenses Accounting for Inflation _____

= (equals)

Future Budget Net Total _____

Run your Financial Security Targets from Step 3 through the same inflation calculator.

Getting-by Financial Security Target: \$_____ monthly income.

Foundation Financial Security Target: \$_____ monthly income.

Secure Financial Security Target: \$_____ monthly income.

How do your targets stack up to your projected expenses vs. income?

Wrap-up

This activity brings you one step closer to being financially prepared for the future. Even if the results are a little scary, you now know where you are. This process builds the foundation you need to develop a plan. Consider these questions:

What steps will you take now to earn income that will be enough to support your future lifestyle?

What expenditures will you reduce to help you meet your long-term lifestyle goals?

Most people never complete a future budget – but you have. Maintain your momentum by revisiting your plan a few times per year.



Activity:

Prepare to Invest - Build Your Plan

This activity is designed to help you take the necessary preparatory steps to get ready to begin investing. Assessing your current knowledge level and making a commitment to complete each step can help you develop a sound investment foundation.

Activity: Prepare to Invest - Build Your Plan

First assess your investment knowledge level by marking where you fall on the scale, and decide how much knowledge you wish to gain in the next year and on which topics. Then read each of the steps that follow and check the box if you can make a commitment to complete that step.

General Financial Knowledge

My current general financial knowledge is at this level:

1	2	3	4	5	6	7	8	9	10
Low					High				

In one year, my financial knowledge will be at this level:

1	2	3	4	5	6	7	8	9	10
Low					High				

To accomplish this increase in knowledge, I will dedicate _____ hours a week learning more about the following finance and investing topics:

Trusted Team

The financial advisor team members I will need over the next few years include:

Contact at Financial Institution

Financial Mentor

Tax Planner

Insurance Agent

College Planner

Attorney

Realtor & Mortgage Broker

Financial Advisor

I will have a trusted team in place of the advisors I expect to need by _____.

Always research the background of the professional you select. Financial professionals must be licensed to provide advice, and you can review their backgrounds on the FINRA website or on the SEC's website:



Visit: FINRA

<https://brokercheck.finra.org>



Visit: SEC

<https://www.investor.gov>

Most countries other than the US have online background check tools for financial professionals that you can use. Other professionals, such as attorneys and insurance agents, are also required to be licensed and you should be able to conduct a background check on them as well. If you can't locate the information you're looking for, a reputable professional should provide that information to you or show you where to find it.



Personal Financial Plan

Creating your personal financial plan starts with writing down your lifestyle goals.

Take some time to think about some of your dreams and needs for the next few decades.

Examples of lifestyle goals:

- Comfortable retirement
- Time to spend with family or friends
- Being able to travel the world
- Paying off debt
- Ability to work at a job that aligns with your passions
- Being able to give back to the community
- Buying a big-ticket item, like a dream home or car
- Experiencing fun activities

Check the box below if you are willing to make a commitment to writing down your long-term lifestyle goals for the future.

I will write down my lifestyle goals for the next 20-30 years.

Emergency Savings & Risk Capital

It's important to know where your available monies are held in case your investment doesn't work out as you planned. With some investments you can lose more than the original amount you put in, so knowing how and where you can access funds is important.

Emergency Savings. This is liquid money readily available (cash, checking accounts, savings accounts, and other funds you can access immediately). Set a goal to have at least six months of your expenses set aside, or enough to pay your essential expenses for the amount of time it would take you to replace your income source.

Short-term Savings. Making sure you have monies set aside for shorter-term purchases you may need to make is important to consider before investing. For example: if you have a college expense coming up in a year and you need those funds, you could consider a shorter-term investment with little risk of loss.

Long-term Savings / Risk Capital. Risk capital refers to the money you can afford to lose without putting yourself into dangerous financial circumstances. Risk capital does not include your emergency fund.

Activity: Prepare to Invest - Build Your Plan

Emergency Savings

I currently have _____ months' worth of expenses in emergency savings.

To feel comfortable in the case of major financial downturn or reduction of income source, I will have _____ months of emergency money saved by _____.

To reach this goal, I need to save _____ per month starting now.

Risk Capital

I will start to save risk capital. Risk capital is money that I can invest without risking dangerous financial circumstances.

I will have _____ [dollar amount] in risk capital saved by _____.

To do this, I need to save _____ per month starting once my emergency saving accounts are fully funded.

Minimize High Interest Rate Debt

Once you build up your emergency fund, you may want to continue to pay down your debt at an accelerated rate. If your expected return on an investment is higher than the interest rate on your debt, you may want to consider the option of investing. But it's always important to remember there is risk involved with investing and nothing is ever guaranteed. Take risk into consideration when deciding whether to pay off debt or invest. Consider these examples:

Example 1: A person has \$15,000 in credit card debt with an average interest rate of 15%. He has an opportunity to invest in a mutual fund he thinks will earn 6% to 8% based on the fund's history. However, he does risk losing his investment money. In this example, he would be better off paying off his credit card debt.

Example 2: A person has \$20,000 in credit card debt with 0% interest for 1 year. She has an opportunity to get a 1-year Certificate of Deposit (CD) that will earn 1.5% by the end of the year. CDs are guaranteed by the Federal Deposit Insurance Corporation (FDIC), so there is little risk that she could lose money. In this example, she may consider investing in the CD.

Check the box below if you commit to implementing a debt payoff plan.

Using a debt payoff calculator, I will have paid off my high-interest debt by _____.

Savings Rate for Ongoing Investments

Once you've decided to take the plunge and begin investing, it's important to be able to add funds to your investments over time. Doing so can help you reduce your risk and get into position to capitalize on opportunities.

Calculating your savings rate can help you understand your level of financial wellness. Measuring these ratios on a regularly scheduled basis (semi-annually or annually) will show you how your finances are trending.

Your savings ratio and savings rate are calculated by taking the sum of your expenses divided by the sum of your net income (all income after taxes and deductions) for a given time frame.

Savings Ratio Calculation: Average of last 3 months' gross monthly income / 3-month average of total monthly outflows.

Write down or type into Notepad on your computer the following numbers:

- Total of all expenses (or an estimate of expenses) for the last three months
- Your net income – income after taxes (or an estimate of income) from the same three months

Then, on a calculator:

1. Enter your expense number into the calculator
2. Click the divide “÷” or “/” button
3. Enter your gross income number into the calculator
4. Click the equal “=” button

The number that is displayed is your savings ratio. The lower the number, the better your ratio.

Example: Gross income \$9,000 total over 3 months / 3-month average expenses \$8,000 = .89
Savings Ratio (=11% Savings Rate)

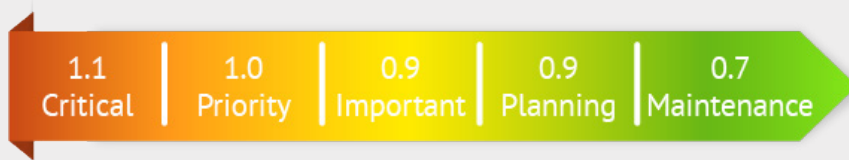
The lower your savings ratio (or the higher your savings rate), the better able you will be to add money to your investments over time. This ability will help reduce risk by allowing you to diversify your investments and put more funds into higher-yield opportunities.

Savings Rate/Ratio

$$\text{Savings Rate/Ratio} = \frac{\text{Monthly Expenses}}{\text{Monthly Net Income}}$$

Example

$$0.88 = \frac{\$ 3,500}{\$ 4,000}$$



Check the box below if you are willing to make a commitment to calculate your current savings ratio and make a plan to increase your savings.

I will calculate my savings ratio and have a plan to increase my savings.

Due Diligence

“Due diligence” means educating yourself about and researching the investment you’re considering and doing your homework before committing your hard-earned money.

There are several methods of conducting due diligence when researching investments. Common examples include:

- Company capitalization – how big the company is and how much of the market it serves
- Revenue, profit, and margin trends – the revenue, net income, and margin trends of the investment; found on a financial news site or app (e.g. Yahoo! Finance or CNBC)
- Competitors – trends of the investment’s major competitors
- Valuation multiples – valuation measures including price to earnings (P/E), price/earnings to growth (PEG), price-to-book (P/B), and enterprise multiple ratios
- Management and share ownership – who runs the company: is it the original founders, or a lot of new faces? Who owns most of the shares?
- Balance sheets – the company’s balance sheets indicate the assets, liabilities, and long-term debt of the investment
- Stock price history – whether movement in stock price has been choppy, or steady and even
- Stock options and dilution possibilities – how the share price might fluctuate under different circumstances
- Expectations – the consensus on revenue and profit estimates for the investment over the next few years
- Risks – the potential risks faced by the investment including risks that are industry-wide, company-specific, legal, ecological, etc.

IMPORTANT: No amount of due diligence can ever shield you from all investment risks. Your own research helps reduce some risk based on your own assessments of an investment and the market as a whole. But all investments represent risk that can never be brought to zero.

Check the box below if you can commit to performing due diligence on every specific investment or company in which you consider investing. This includes risk potential, return potential, tax implications, market conditions, and specific knowledge of the investment you are making.

I will conduct due diligence on every investment I make.

Exit Plans

When making any investment decision, short- or long-term, it's crucial to plan exit strategies for either side of the equation – whether you've made a profit or lost money. Then it's important to stick diligently to your exit strategy. For example, if you've made an investment that shows a profit, you might have a plan in place to liquidate the investment at a certain margin. Or if an investment loses money, you might want to set a predetermined maximum loss you're willing to accept, and sell the stock or move the money into another investment at that point. The important thing is to adhere to your exit plan to avoid as much risk as possible.

Exit strategies also help you overcome your emotions regarding investment decisions. For example, in the case where your investment is showing a good profit, greed might tempt you to leave the money there even after it reaches your target, hoping for even bigger gains. Not sticking to your exit plan could cause your winning investment to turn into a losing investment.

Check the box below if you're willing to make a commitment to having an exit strategy for every investment you make.

☐ I will have a detailed Exit Plan in place prior to making any investment.



Activity:

Deciding Between a Roth IRA and Traditional IRA

This activity is meant to get you started thinking about the differences between Roth and traditional IRAs, and which investment tool may work best for you.

Activity: Deciding Between a Roth IRA and Traditional IRA

Answer the following questions to help gain an understanding of whether you might choose a Roth or a traditional IRA as a retirement investment tool.

The primary difference between the two main types of IRA – Roth and traditional – is how and when your money is taxed. However, these IRA types also have some other differences that may help you decide. Alternatively, you might consider investing in both.

To choose between a Roth and traditional IRA, you could start with this question:

1. When you reach retirement age and need to draw upon the money held in the account, do you think your tax rate will be higher or lower than it is right now?

Higher Lower

If your answer is “higher,” a Roth IRA may be the better way to go, due to the delayed tax benefit. Because your money was pre-taxed, you won’t have to pay taxes at the higher rate when you withdraw it.

If your answer is “lower,” then you might explore a traditional IRA. The tax benefit of a traditional IRA is upfront, when you deposit the money, because you get a tax deduction in the year the contribution is made. If you expect your tax bracket to be lower at retirement, you will be taxed at that lower rate when you withdraw the funds.

Although that question may seem easy to answer, knowing your future tax bracket will require some guesswork. You may be able to identify about how much you will be earning; however, the government changes tax policies often, so there is no way to know for sure.

A couple more questions also may help you decide between the two IRA types:

2. Are you eligible to contribute to a Roth IRA?

Yes No

The tax code lays out the guidelines for contributing to a Roth IRA. For example, in 2019, single individuals with annual income of \$137,000 or more were ineligible for a Roth. You should consult with a tax professional to make sure you understand the rules and how they apply to you.

3. Do you think you will want to keep money in the IRA after you reach age 70½?

Yes No

Currently, traditional IRAs require you to stop contributing and start taking minimum distributions at age 70½. Roth IRAs do not.

Activity: Deciding Between a Roth IRA and Traditional IRA

4. Do you have heirs to whom you want to leave your money upon your death?

Yes No

Since you are not required to stop contributing to or take minimum distributions from a Roth IRA at age 70½, Roth IRAs may make it easier to pass money on to your heirs.

These questions represent a few simple guidelines for choosing the type of IRA that may work best for your investments. They don't cover all the complexities of these investment vehicles. Depending on your life stage, the questions may be relatively easy or difficult to answer. Your best course of action is to consult a trusted, licensed tax professional or financial advisor to help guide your decision.



Activity:

Assessing Your Retirement Plan

This activity guides you to ask for and review any retirement benefit package your employer may offer, and answer questions to help determine the level at which you may participate in the plan.

Activity: Assessing Your Retirement Plan

Learn what type(s) of retirement plan your employer offers. Start by asking your human resources department or benefits administrator for a copy of your company's Summary Plan Description for its retirement plan, and educate yourself on the plan's provisions. Review the Summary with these questions in mind:

- Are you qualified to participate in your employer's retirement plan?
- When can your participation begin?
- How can you earn or accrue benefits?
- When can you begin to accumulate benefits?
- Can plan benefits change?
- What is the vesting schedule of your plan?

Activity: Assessing Your Retirement Plan

- When can you begin to contribute money to the plan?
- Can you contribute both pre-tax or Roth contributions to the plan?
- What is the maximum amount I can contribute annually?
- Is there a matching contribution offered by the employer?
- When can I roll money over from a previous employer's plan?
- What percent of my pay do I need to contribute to the plan to take advantage of all of the matching funds offered by my employer?



Activity:

Compound Interest Calculator & Goals Activity

This activity asks you to set three goals you would like to achieve in the future, estimate the total cost of each goal, and then calculate the amount of principal you would need to invest to reach your goal in each scenario.

Activity: Compound Interest Calculator & Goals Activity

Create three different scenarios that you desire for yourself in the future. What event would you like to experience, or what item you would like to own, at some point in the future? Set three of these as your goals.

Estimate how much each goal will cost.

Then, using an online calculator or the provided “pen-and-paper” calculations, determine the principal amount it would take to achieve that goal:

Less Accurate, but Simple Calculation:

Year 1: $\$10,000 \times 1.05 = \$10,500.00$

Year 2: $\$11,000 \times 1.05 = \$11,025.00$

Year 3: $\$11,025 \times 1.05 = \$11,576.25$... and so on until you reach the figure you need.

More Accurate, but Complex Calculation:

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

Where:

A = future value of the investment (the dollar amount of your total investment: original principal plus all interest earned)

P = principal investment amount (the original amount you invested)

r = annual interest rate (as a decimal; 5% would be 0.05)

n = number of times interest is compounded in a year (“1” if compounded annually; “12” if compounded monthly)

t = number of years of your investment

Activity: Compound Interest Calculator & Goals Activity

This exercise does not take into account inflation or additional principal you might add over the years. If you invested an amount today, next month, or next year, how close would your investment get you to achieving your goal?

Example:

Goal: Family Vacation to Rome, Italy.

Estimated cost: \$10,000

Current principal: \$2,500

Years to grow: 15

Interest rate: 8%

Total Investment Principal after Years to Grow: \$8,267.30; most of the way to the goal!

Scenario #1

Goal:

Estimated cost:

Current principal:

Years to grow:

Interest rate:

Total Investment Principal after Years to Grow:

Scenario #2

Goal:

Estimated cost:

Current principal:

Years to grow:

Interest rate:

Total Investment Principal after Years to Grow:

Activity: Compound Interest Calculator & Goals Activity

Scenario #3

Goal:

Estimated cost:

Current principal:

Years to grow:

Interest rate:

Total Investment Principal after Years to Grow:



Activity:

Your Investments & Your Risk Tolerance

In this activity, you will identify your investment goals and risk tolerance level and create a potential risk allocation plan based on those. Then you will identify your basic investment time horizon and a plan to account for the possible effects of inflation.

Activity: Your Investments & Your Risk Tolerance

Investment Goals. Identify your personal investment goals and outline how you plan to work toward those goals.

Your Risk Tolerance. Identify your risk tolerance level. Remember that the risk you take often correlates with your return potential. The lower the risk, the lower return you can expect.

Select your overall risk tolerance:

Very Low Risk

Low Risk

Moderate Risk

High Risk

Very High Risk

Create a sample risk allocation plan that aligns with your overall risk tolerance. For example, if you answered that your risk tolerance is moderate, your investment portfolio could still include various investment options. In that case, your investment portfolio might include 10% very low risk, 20% low risk, 50% moderate risk, 20% high risk, and 10% very high risk.

Allocate investments considering your overall risk tolerance. Enter the percentages representing how you may build out your investment plan:

___% Very Low Risk

___% Low Risk

___% Moderate Risk

___% High Risk

___% Very High Risk

Time Horizon. Identify your basic investment time horizon.

Currently I am ___ years old. I plan on investing between the ages of ___ and ___.

Activity: Your Investments & Your Risk Tolerance

Inflation Rates. Do an online search for historic inflation rates and view the price changes over the years due to inflation. Estimate what you think inflation rates will average over the next 5, 10, 25, and 50 years.

Guess what you think inflation rates will be:

5 years average _____

10 years average _____

25 years average _____

50 years average _____

Now select one of the years and calculate what that means in terms of the purchasing power of \$1,000 in the future. Example: If you thought the average inflation rate over 5 years would be 4%, then multiply \$1,000 by 1.04 – 5 times. Or just use an inflation rate calculator you find online.

$$\$1,000 \times 1.04 = \$1,040.00$$

$$\$1,040 \times 1.04 = \$1,081.60$$

$$\$1,081.60 \times 1.04 = \$1,124.86$$

$$\$1,124.86 \times 1.04 = \$1,169.86$$

$$\$1,169.86 \times 1.04 = \$1,216.65$$

This sample calculation tells us that, with an estimated annual inflation rate of 4%, after 5 years you would need \$1,216.65 in order to purchase \$1,000 worth of goods today. In other words, your future buying power would be reduced by \$216.65 if you did not earn any investment returns.

Now you try:

I am guessing that the future inflation rate will be _____% annually. Using this factor, in _____ years, \$1,000 worth of goods today may cost me \$_____.



Activity: Publicly Traded

This activity has you track stock prices for some of the companies that interest you or with which you do business. The process is designed to give you a feel for what stock investing is like.

Activity: Publicly Traded

Let's help you get acquainted with the stock market without risking any money. This activity will have you track some of your favorite companies' stock prices. The goal is to help you understand how the markets fluctuate and get acquainted with resources you can use to track stock prices.

Select 5 companies whose history you will explore. If none come immediately to mind, think about all your recent purchases. Which companies did you buy from? Online shopping at Amazon? Coffee from Starbucks? List the companies you can remember where you recently shopped. Then research online whether the company has publicly traded stock. Try searching "[Company_Name] Stock". If the company is publicly traded, their stock information should come up at the top of your search results. If you don't see anything, that company may not have stock. Not every company is publicly traded.

Once you've selected 5 companies to track, visit a website where you can find stock prices – Marketwatch, Yahoo Finance, or CNN Money are just a few of the sites you can explore to get stock prices. Then complete the table with the stock information for each company you researched. It's easy to feel overwhelmed initially – that's OK. There are a lot of numbers, charts, and data that may be confusing at first. But participating in this activity and continuing your education will make this process seem much easier over time.

Tip – when looking for the year-to-date change, you can find this on the stock chart or often times they will have this listed as one of the data points.

Company Name	Current Price Per Share	Price Per Share 1 Month Ago	Year-to-Date Change



Activity:

Considering Your Market Participation

In this activity you will consider the information presented in the lesson and identify your investment goals, hold time preferences, and selected management option related to investing in the stock market.

Activity: Considering Your Market Participation

The goal of this activity is to help you start to define your investment goals and style. Your answers here are just the beginning. As you enter the world of investing, you will begin to learn more about the different options and considerations. As your confidence and knowledge grow, you can explore other possibilities and combinations of strategies.

It's important to remember that learning about investing is a lifelong endeavor. Your personal goals change over time, and the markets change by the second. To accommodate these changes, you will need to modify your investment strategy to suit your needs. Keep learning about the stock market and bring together a team of qualified, trusted individuals to help you best work toward your investment goals.

Investment Goals Options

Of the goals covered, which investment goal best aligns with your personal needs?

Capital Appreciation/Growth

Income or Cash Flow

Combination ____% Capital Appreciation/Growth ____% Income or Cash Flow

Hold Time Options

Of the hold time options discussed, which appeal to you most?

Day trader

Short-term investor

Long-term investor

Combination ____% Day Trader ____% Short-term Investor ____% Long-term Investor

Management Options

How would you most like to manage your portfolio?

Active portfolio management

Passive portfolio management



Activity:

Your Investment Types & Exit Plans

This activity asks you to select the stock market investing method that most appeals to you and which type of investment analysis – fundamental or technical – you prefer. Then you will consider several scenarios related to stock investments, and design exit plans to react to those scenarios.

Activity: Your Investment Types & Exit Plans

Which method of investing in the stock market sounds most appealing to you?

Buying Individual Stocks

Mutual Funds or ETFs

Investment Clubs

Robo Advisors

Combination

Investment Analysis Options

Of the analysis options covered, which type of analysis are you most interested in?

Fundamental analysis

Technical analysis

Both

Create an Exit Plan

Before you ever invest any money, it's important to have a clear exit plan in place. In this activity, you will create a sample exit plan.

It is important to note that, besides an exit strategy, you also want to have a strategy that includes moves you may make while you are still holding your investment. You could do nothing and maintain the same investment. You may even decide to invest more money as part of your strategy.

To start creating your plan, it's important to understand that when planning your exit strategy, you could choose to sell the entire investment or just parts of the investment. There is an unlimited number of scenarios that can occur. The more you plan in advance, the faster you can react if necessary. This activity is designed to help you start thinking through the many different options that may happen.

Activity: Your Investment Types & Exit Plans

Scenario: Half of all your money is invested in the stock market. What will you do if:

1. Your investment doubles in 2 years: _____
2. The market crashes and you lose 25% of your investment's value within the first month:

3. After 4 years, your stock is at the same price at which you bought it: _____
4. Your investment is up a few percentage points in 10 years, and you need money to pay for your child's college: _____
5. Your investment has provided returns higher than the average market return for the last 5 years: _____



Activity:

Bond Terminology

In this activity, you will test your comprehension of the bond-related terms presented in the topic by matching terms with their definitions.

Activity: Bond Terminology

This activity is designed to help you gain confidence in your ability to understand the key terms associated with bonds.

Match each term with its appropriate description.

1. The risk that a bond issuer will default on its obligation.
2. A bond rated Ba or BB or lower (below investment grade); also referred to as a high-yield bond.
3. Certain corporate bonds that come with the option to convert the bond into shares of stock in the company.
4. The interest payments that a bondholder receives during the life of the bond.
5. A bond's annual rate of return; the percentage relationship between the bond's price and its coupon rate.
6. The initial purchase price of a bond; the principal amount that is returned to bondholder when the bond reaches maturity.
7. Bonds that, instead of offering interest payments, are sold at a substantial discount from their face value.
8. The date a bond's principal is due to be paid to bondholders.
9. The risk that changes in interest rates will decrease the value of a bond.
10. The ratio of interest to a bond's current market price; stated as a percentage.

a. Face value/par value

b. Maturity date

c. Coupon

d. Convertible bonds

e. Credit risk

f. Current yield

g. Interest rate risk

h. Junk bond

i. Yield

j. Zero coupon



Activity:

Comprehension of Annuity Terms

This activity measures how well you picked up and recall the terminology related to annuities that was covered in the topic.

Activity: Comprehension of Annuity Terms

This activity is designed to help you gain confidence in your ability to understand the key terms associated with annuities.

Match each term below with its appropriate description.

1. The process of converting the accumulation value of an annuity into a guaranteed stream of periodic payouts for the life of the annuitant or some specified period of time.
2. An optional benefit that can be added to an annuity contract which provides annual cost-of-living increases in the annuity payout amount, based on inflation.
3. The total value of an annuity, including premium payments and interest earned during the accumulation phase.
4. A feature of some annuities which allows additional deposits to the annuity's premium after the initial funding of the annuity.
5. The individual receiving the payout benefits of an annuity contract.
6. The percentage of an annuity payout that is considered return of premium rather than income gains, and that is therefore non-taxable.
7. The maximum annual rate of return credited to an equity-indexed annuity.
8. The individual(s) designated to receive the benefits of an annuity following the annuitant's death.
9. A higher guaranteed rate of return on an annuity for the first year, or a special credit to an annuity account at time of purchase.

a. Accumulation Value

b. Annuitant

c. Annuitization

d. Beneficiary

e. Bonus Credit or Rate

f. Cap

g. Exclusion Ratio

h. Flexible Premium

i. Income Rider



Activity:

Due Diligence on Real Estate as an Investment

This activity aims to give you a sense of the kinds of research you need to conduct to guide your decision whether and how to invest in real property as part of your investment portfolio.

Activity: Due Diligence on Real Estate as an Investment

Complete each of the sections below to conduct due diligence research on the possibilities of investing in real estate.

First, conduct research on the type of real estate property that would be a potential fit for your risk capital budget and your investment style. For example, some real estate investments are more hands-on as opposed to low maintenance. Some properties require such large amounts of capital that you would need to establish a real estate partnership to afford the investment; another choice might be a small lot of land in the suburbs.

Check the properties of interest below:

Raw Land – undeveloped plots of land

Single-family Homes – houses designed to be occupied by one family

Duplex/Triplex/Quads – small multi-family properties divided into 2-4 units

Small Apartments – small buildings containing 5-50 rental units

Large Apartments – large complexes of >50 units that often include pools, workout rooms, and onsite management staff

REITs – Real Estate Investment Trusts (REITs) represent groups of people who pool their money together to purchase large real estate investments (e.g. malls, industrial complexes)

Commercial – properties leased to a business or group of businesses

Mobile/Manufactured Homes – prefabricated homes that are movable

Tax Liens – properties foreclosed and resold for the amount of taxes owed when a homeowner doesn't pay the taxes

Notes – buying and selling of paper mortgages

Activity: Due Diligence on Real Estate as an Investment

Next, consider the location where you want to invest. Location plays a HUGE part in the value of your property and potential rents you can charge. Research may include, but obviously is not limited to, home values over time, rental prices over time, and median household incomes over time. Websites such as City Data provide a wealth of information to help you in your research:



[Visit: city-data.com](https://www.city-data.com)

www.city-data.com

Write the locations you want to study for potential investments:

Cities / Boroughs to Research in Detail

1. _____
2. _____
3. _____
4. _____
5. _____

Now, consider property management costs. If the property you're eyeing is close by, it's possible that you could manage the property yourself. When something major breaks, you can go assess the damage with a trained professional and determine the best course of action. If a tenant requires eviction, you will easily be able to visit the local courthouse through which the eviction process will be handled. However, if you pick a property some distance away, it may be best to outsource those responsibilities to a great extent, so you're not booking flights to your investment city every year or two to deal with major problems.

Estimated Property Management Costs (in dollars or percentage of revenue):



Activity: Due Diligence on Real Estate as an Investment

If your desired investment type involves rentals, you will need a strategy to keep the property occupied with paying tenants. Some property management services assist with rental marketing. If you decide to go the route of third-party services in lieu of creating your own marketing plan, you must gauge the property managers' effectiveness ongoing and replace them if they fall short of your expectations.

Write down the steps you need to take to manage your real estate investment:

As you can see by completing this short and incomprehensive activity on real estate investments, there are a lot of factors to consider. Real estate is typically a massive investment of time and money. The plan you establish to manage the investment must be adjusted thoroughly to account for all possibilities and difficulties. If this effort quickly depletes your motivation to invest in real estate, you may want to take a step back and reconsider this investment path.



Investing & Personal Financial Planning

Post-Education Case Study: Level – Financial Foundation & Growth

A case study is essentially a story – it provides an illustration of how financial lessons can be put into action by real people in real-world situations. Case studies are engaging and relatable, and offer solid evidence of the practical value financial education has to help people solve problems and make sound life decisions.

Financial Foundation & Growth

Post-education Case Study

Diego, 28, is left to support his three-year-old daughter, Silvie, after his wife dies. Diego works as a medevac helicopter pilot, a stressful job where he is always on call and that often leaves him exhausted at the end of the day. He has little choice but to rely on his elder sister, Maria, to help take care of Silvie. While he works and provides income, Maria takes care of their household's bills and watches over Silvie.

Before she passed away, Diego's wife expressed her desire for their daughter to have a good college education. Diego promised her this would happen and has since dedicated himself to that goal. Furthermore, he has decided that he also doesn't want to saddle Silvie with an enormous college loan. His aim: to raise \$200,000 by the time Silvie turns 18 years old, just in time for university. Hopefully, this will answer all her expenses and pave the way for her college life and beyond.

A truly conservative person, Diego is highly sensitive to risk. His preferred method of saving for Silvie's future is through his bank's certificate of deposit, which has an annual yield of 3.0%. He plans to keep buying the CD every year, rolling over the entire amount from the previous one. He also plans to add whatever he can save from his salary each time he renews his CD.

Diego already has a total of \$30,000 from his savings and leftover funds from his wife's life insurance policy. With that, he plans to start depositing this year. When he tells Maria about his plan, however, she casts doubt on its effectiveness and asks him if he has done the calculations properly. Having learned some lessons on investing from her friends, she advises him that there may be better solutions for his long-term goal.

Diego is wary of other forms of investment. He doesn't have time to seriously study them and feels they are too risky. As a sure bet, the CD has proven a safe and comfortable way for him to generate some money. Still, he doesn't want to reject his sister's advice outright; after all, she handles their finances and has taken time to study the matter. He then asks her to help clarify his situation.



She begins by showing him their monthly budget.

Monthly salary
\$ 6,500.00

Expenses	
Rent	\$1,884.00
Groceries	\$350.00
Education	\$750.00
Transport	\$280.00
Entertainment	\$250.00
Insurance	\$175.00
Mortgage	\$1,550.00
Utilities	\$278.00
Car payments	\$250.00
Total	\$5737

She then asks him to consider how much he can add to his CDs on a yearly basis. From there, she asks him to project how much he will earn in 15 years' time.

As they go over the math, Diego slowly begins to understand his predicament.



1. What will be the shortfall between Diego's funds and his target by the time his daughter is 18 years old?
2. What factors help determine a good investment solution for an individual?
3. If you were Maria, what solutions would you propose to Diego? What possible investment vehicles can you recommend to address the shortfall?





Investing & Personal Financial Planning

Post-Education Case Study:

Level – Financial Challenges & Recovery

A case study is essentially a story – it provides an illustration of how financial lessons can be put into action by real people in real-world situations. Case studies are engaging and relatable, and offer solid evidence of the practical value financial education has to help people solve problems and make sound life decisions.

Financial Challenges & Recovery

Post-education Case Study

Renee Watson, 45, has one important goal in life – to retire wealthy. She has seen how being unprepared for retirement negatively affected her parents. Since she began her career in medicine, she has made it a point to save and invest regularly to achieve her vision for the future.

Renee's target was clear from the start: to retire at 62, when her monthly pension would finally be available. At that time, she would like to open a coffee shop or help train new medical practitioners on the side.

To help her achieve her retiree lifestyle, Renee sets aside 10% of her monthly income as savings. She bought a few shares in bond and index funds early in her working life. She later branched out to U.S. Treasury bills and made a few tentative ventures into real estate. Finally, she invested some money in a vineyard. Over two decades, she has managed to accumulate \$600,000.

However, tragedy strikes the year Renee turns 45. She finds out that her mother has suffered a terrible stroke that left her partially paralyzed. Since her mother lacks insurance, Renee and her siblings quickly step in to raise money for her medical care. As the eldest and most financially reliable, Renee shoulders most of the expense, liquidating a large portion of her assets to pay for her mother's demanding medical regimen.

While the family is able to save their mother's life, the whole ordeal takes an enormous toll on Renee's finances. Now she worries that her original retirement goal is no longer realistic.

Renee decides it is time to assess her predicament. She writes down the following details to get the big picture of her financial status:

- After giving up a large amount of her nest egg, she has only \$200,000 left for her retirement fund.
- All told, her investments have an average return of 7% annually. Post-retirement, however, she plans to move her funds to a less profitable – but also less risky – investment that returns 3% annually.
- She assumes the inflation rate will remain at an average of 3%.
- Renee believes she can keep her expenses at 75% of her gross annual income once she retires.



- She also believes she should make her money last until she reaches the age of 85.
- Her Social Security would amount to a monthly pension of \$1,800, defraying her living costs upon retirement.

1. Is Renee on track to reach her retirement goal?

2. What did she do well? What could she do better?

3. What advice can you provide to help improve her financial position?



SECTION 10

...

EDUCATION & SKILL DEVELOPMENT



KĀLĀ CAPITAL PARTNERS

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Education & Skill Development

Lesson Warm-up: KWR & VIQQS



VIQQS

The VIQQS activity is designed to support various learning styles and gives you the freedom to activate your own existing knowledge in ways that work for you. The VIQQS acronym stands for Video, Image, Quote, Questions, Sounds. You are provided with each of these different cues and instructed to free-write, reflect, or participate in group activities to activate prior knowledge, laying the foundation to connect with the new information you're about to learn. The VIQQS method builds on the KWR strategy to continue the activation of prior knowledge; but has the added benefit of appealing to a variety of learning styles, including visual, auditory, reading, and kinesthetic.



Video



Image



Quote

“

Education is the passport to the future,
for tomorrow belongs to those who prepare for it today.


- *Malcolm X, minister and human rights activist*

”

Question

?


What would be the short- and long-term effects on your personal finances if you become a lifelong learner?

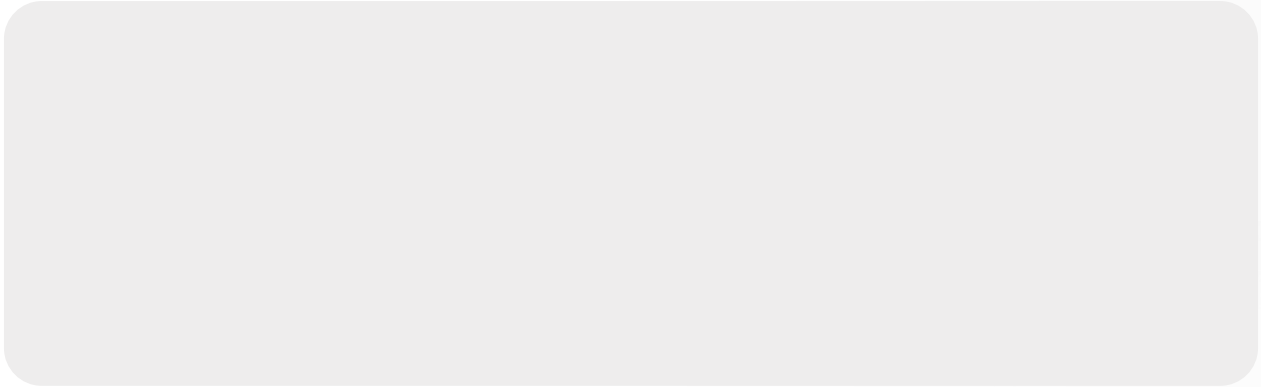


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🔊 ⋮





KWR

The purpose of a KWR chart is to help you organize your thoughts about information. A KWR chart provides you with a method to organize and simplify your thoughts when reading complex information.

Education Reason – Research shows that, when you connect existing knowledge about a topic to a new topic you are learning, it is easier to pick up the new concept and increase your knowledge about the subject matter. By connecting previous experiences to new information as you learn it, it becomes easier to recall and retain the information you have learned.

How a KWR Works – Using a KWR chart will help you organize and clarify your thoughts. Let's dig deeper into how this type of chart works.

K stands for what you already know about a subject or topic. One way to approach using this column is to brainstorm any words, terms, or phrases you have heard or associate with that topic. For example, you might think about the term “finance” and associate words like money, wealth, happiness, rich, or vacation when you hear that term. This activity can be expanded by choosing a word that you wrote down, such as money, and asking yourself “What made me think of that word, and why do I associate it with wealth?” This activity can be extensive, and you should be open to writing down as much information as possible without worrying about whether it is right or wrong.

W stands for what you want to learn about a topic. Always be sure to remember that no question is stupid, so write down anything that comes to mind. Thinking about the term finance, you may have questions such as “What makes someone wealthy?” or “How do I start a savings account?” The list of questions could be endless, and that's ok. Each question will help strengthen your understanding of the topic and expand your knowledge.

Another great question to ask yourself is “What would I like to learn more about regarding this idea?” This way of thinking helps change your perspective and approach to the question.

Finally, **R** stands for how this information relates to your life. This column helps you sort your thoughts about how you can take information and immediately apply it to your life. For example, you may realize that you associate wealth with being bad or that being wealthy means others will suffer. These thoughts could then lead you to start thinking about how you approach money and why you are hesitant to make more money or appear wealthy to others. The R column allows you to expand on the first two columns, while making deeper connections to your current life status.

Instructions – Using the chart provided below, you will complete your KWR chart by listing what you currently know about this topic, what you want to know, and how this topic relates to your life. There are no right or wrong answers. Just reflect on the topic and write down whatever comes to mind for each question.

K

What I Know. Think about what you already know about this topic and make a list that includes all these ideas. Don't worry about whether it's right or wrong; give yourself the freedom to write whatever comes to your mind about the topic.

W

What I Want to Know. What questions do you have about this topic, and what do you want to know more about? List all your questions. Also, note any areas about which you may be unsure and that you would like to learn more about.

R

How It Relates to My Life. How does this topic relate to your life? List the ways in which you think this topic may affect your life and the personal reasons you have for picking up the information.

Share Additional Insight

Once you complete the lesson, answer the following questions.

1. What is one thing you learned about this topic that surprised you?
2. How could you share this knowledge to help others learn more about this topic?
3. What topic or idea do you feel you didn't learn enough about and would like to expand your knowledge on further?
4. What is one habit or change you would like to make in your life, given the information you just learned?

5. How did learning about this information make you feel?

6. How will this information change your life in a more positive way?

7. How can I expand your learning once this class is done?

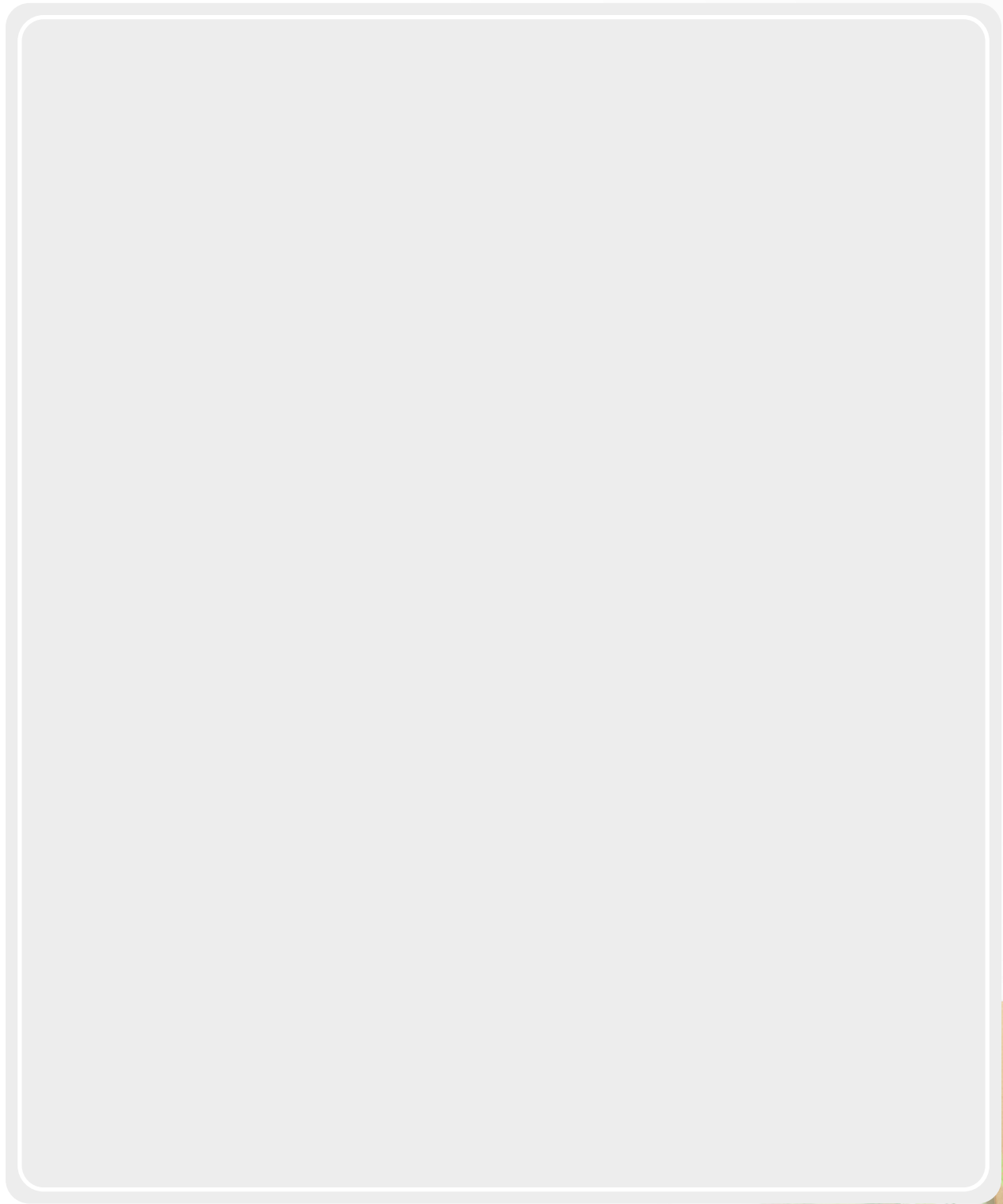
After completing this activity, rate your level of experience, on a scale of 1-10, about your understanding of this topic.

Rate:

1 – I understand little about this topic

10 – I feel confident in the content I have learned and would be able to share my knowledge with other

Next, make a list of all the topics or ideas about which you would be interested in learning more.





Reasons to Learn Education & Skill Development: Benefits & Imagery

To start the topic, we're going to walk you through an activity designed to help you get into a productive state of mind for learning. The activity is a story about a person or people who are experiencing certain life events. As you go through the story, just let your mind go. The idea is to feel whatever emotions you feel when you hear the characters' story, and then those emotions can translate into motivation to learn and take positive action.

Chris is Crushed by Student Debt

Chris is excited because he's been accepted to a prestigious private college to study graphic design. The tuition is high, but Chris plans to take out student loans to pay for his schooling.

Four years later, Chris receives his Bachelor's degree in graphic arts. He starts looking for work in his hometown, only to find that openings are scarce and the entry-level positions don't pay as much as he expected. Chris moves back home with his parents, just until he can get a decent job.

Then Chris's loan payments start coming due. He finds that he has \$27,000 in student loan debt. With no income and few prospects for work that applies his degree, Chris ends up taking a job at the local car wash for the time being. His student loan payments eat up three-quarters of his earnings, so he's unable to move out on his own. Chris feels stuck, trapped, and frustrated.

Clear Your Mind Transition

OK, that probably didn't feel very good. But many people face scenarios like this at some point in their lives. Now just take a moment to clear your mind.

Shake out your body. Take a nice, deep breath. Roll your shoulders a couple of times.

Stand up, then sit back down. Take another deep breath.

Chris Chooses His Path

Chris is excited because he's been accepted to a prestigious private college to study graphic design. However, the tuition is high, so Chris is considering his path forward very carefully.

Chris researches programs at different schools and creates a budget that considers his expenses before, during, and after attending college. He learns that there's an introductory graphic arts program at the local community college, which would prepare him to transfer to a four-year state university to finish his Bachelor's degree. This option would cost him far less. He could live at home with his parents for at least the first two years, reducing expenses. Chris also finds out that he qualifies for a scholarship and a Pell Grant.

Four years later, Chris receives his Bachelor's degree in graphic arts. While he was at university, he did an internship with a trade magazine, where he assisted the layout designer. Now the layout designer is being promoted and her position has come open. Chris applies for the position and his good history and experience with the company helps him land the job.



Chris feels that he is on a path toward a self-sufficient and secure future. He took out a small student loan while at university, but his salary is enough to support him to rent a nice duplex and still work his plan to pay off the loan. Chris feels contented and full of hope.

Reflection

Higher education has clear benefits in today's increasingly competitive workplace and globalized economy. But there are many options for learning, with an equally wide range of price tags. Learning how to evaluate an educational path as an investment, budget for schooling, and develop a clear plan for funding education are essential components of your financial security. Take a look at Chris in the example – carefully considering all his educational options and having a solid plan in place made all the difference in his life choices.



Reasons to Learn Education & Skill Development: Benefits & Imagery

Your motivation for learning about money plays an important role in your financial success. Gaining money management skills supports both your motivation and your ability to achieve your financial goals. In this activity, you're going to use a sales strategy called the "Ben Franklin Close." It's a valuable technique that salespeople use to close a sale. The "Ben Franklin Close" helps you logically evaluate the pros and cons of any action you want to take.

On the left side of the "T" chart below, write your **reasons for** learning about education and skill development. Then on the right side of the "T" chart, write your **reasons against** learning about education and skill development.

Evaluate your answers. Do your "reasons for" outweigh your "reasons against" learning about education and skill development?

Reasons For	Reasons Against





Preview Activities: Crib Notes & T.H.I.E.V.E.S. for Education & Skill Development

This student guide will support you as you complete the T.H.I.E.V.E.S. pre-reading exercise. Using this guide, you will employ a reading preview model to preview the section, activate your prior knowledge about the topic, and set a purpose for doing the reading. Crib notes also are provided; this student resource provides a summary review of the content of this lesson and also allows you to complete the T.H.I.E.V.E.S. pre-reading exercise: “Summary of What the T.H.I.E.V.E.S. activity is.”

Education & Skill Development Crib Notes

Today's work environment has become increasingly competitive and globalized. It's essential to be a lifelong learner and continually refresh your skill sets. When contemplating continuing education, first reflect on your strengths and passions, then look into occupations that align with those. Research job descriptions for your career interests on websites like monster.com, Indeed.com, and glassdoor.com. Learn their income potential on salary.com and payscale.com.

Evaluate higher education options using return on investment (ROI) and break-even analysis. Calculate ROI by dividing the increased lifetime income by the cost of the education. Break-even analysis calculates how long it will take to earn back the money you spent on the education. Conduct break-even analysis by dividing the cost of education by (expected starting pay minus current annual pay).

To analyze education as an investment, first estimate all educational costs including tuition, dues, fees, books, parking, transportation, housing, daycare, and lost income. Then estimate money you will use to fund the education that you don't have to pay back, including savings, parental contributions, grants, scholarships, or employer assistance. Estimate any living expenses that may decrease during the education. Calculate your potential increased lifetime earnings from getting the education.

To become prepared to pay for your education, create a detailed budget that includes initial expenses, during school expenses, and post-graduation expenses. Initial expenses may include moving costs, supplies, and travel. Post-graduation budget should estimate your potential income and include any student loan payments.

Many creative options exist for funding higher education. Some options include grants, scholarships, federal loans, private loans, employment income, employer-funded programs, and your own savings. Pursue scholarships and grants first, since they represent money you do not have to repay. Fill out the FAFSA® at www.fafsa.ed to apply for federal financial aid. Student loans should be your last resort. Before taking on any student loan, have a plan in place for paying it back.

Your plan for paying off student loans might include the following steps: 1) organize information about all your loans in one place; 2) clear any loan defaults; 3) find out whether lenders will work with you; 4) organize your plan; 5) pursue options for deferment, forbearance, or consolidation; and 6) make the maximum payments your budget can absorb toward the debt with the highest interest rate until it's paid off, then go on to the one with the next highest interest, and so on.

Reason / Purpose

Scanning what you are about to read can help you understand the big picture and recognize important areas you will be covering. We use the THIEVES model to maximize your ability to tap into prior knowledge, determine what you will learn from the lesson, and create a plan for your learning. The T.H.I.E.V.E.S. acronym stands for elements of the text:

- Title,
- Heading,
- Introduction,
- Every first sentence,
- Visual and vocabulary,
- End of chapter questions, and
- Summary.

The THIEVES model will help you learn the reading process. Before reading, you will use each element within the acronym (T.H.I.E.V.E.S.) to write or think about each question that is associated with the letters of the acronym of the model. Essentially, THIEVES is a three step process that first enables you to preview the text prior to reading it, then explain the different elements of the text through the evaluation of each letter of the acronym, and finally facilitate your learning by modeling how to use this strategy until you are comfortable with the steps in the process.

You may choose to complete the THIEVES activity in its entirety, responding in the space provided for each letter in the acronym. Or, if you have limited time, you may choose to review the crib notes version of the lesson and then skip directly to the “Summary” section (the “S” in “THIEVES”) and type in your answer based on the crib notes.



Instructions

Follow the THIEVES model guidelines and complete the chart. On the next two pages is a table of seven sections or columns (T.H.I.E.V.E.S.). Read the instructions for each section, respond to the instructions for each column, and then type the response in the space provided. Or, if time is limited, review the crib notes for this lesson, then skip directly to the “Summary” section (the “S” in “THIEVES”) and type in your response based on the crib notes.



THIEVES Model	Your Answers
T: Title – Look at the overall title of the lesson. What does the title tell you about what you can expect to learn in this lesson?	
H: Headings – Look at all of the headings and subheadings in this lesson. What do the subheadings tell you about what you can expect to learn in this lesson?	
I: Introduction – Read the introductory paragraph. What two or three topics does it tell you the lesson will talk about?	
E: Every first sentence in a paragraph – Read the first (topic) sentences of each paragraph. What are the topics of each paragraph?	

THIEVES Model	Your Answers
V: Visuals and Vocabulary – Look at all the images and vocabulary terms. What topics do they indicate are important?	
E: End-of-Chapter questions – Look at the review questions at the end of the section. What topics are they asking you to review?	
S: Summary – Read the summary of the lesson. What does it say are the key topics you should have learned?	





Education & Skill Development

Pre-Education Case Study:

Level – Financial Foundation & Growth

A case study is essentially a story – it provides an illustration of how financial lessons can be put into action by real people in real-world situations. Case studies are engaging and relatable, and offer solid evidence of the practical value financial education has to help people solve problems and make sound life decisions.

Financial Foundation & Growth

Pre-education Case Study

Maria is a certified nursing assistant at a small assisted living community. She enjoys her work, but after a few years in her current position she understands that without additional education she will not be able to make more than \$14 an hour. She got her CNA certification right after high school and has been with the same employer for five years.

Maria would like to continue working in an assisted living facility and is exploring the option of going to school at night so she can become a licensed practical nurse (LPN). Even taking classes at night, she would have to reduce her working hours from 40 to 30 per week. The courses are demanding, and Maria realizes she would have to make time to study.

Becoming a full-time LPN would bring Maria's yearly income from \$29,120 to \$33,000 if she stays with her current employer. The average salary of an LPN in her geographical area is \$44,090. She spoke with her boss and learned that LPNs at the company get a raise every six months. She would also be eligible for a \$5,000 signing bonus after her first six months of working full-time as an LPN.

The program takes two years at her local community college and costs \$24,000. Maria doesn't have any money saved, so she would have to rely on scholarships and loans to pay for school.

She's nervous about whether she can pay her bills with a 25% reduction in her current income for two years while she attends school. Right now, she lives paycheck-to-paycheck and has only \$500 in her savings account for emergencies. Maria is unsure whether she should start the program within the next few months, or wait a year and try to save some more money.



1. What are the biggest problems or challenges that Maria is currently facing?

2. If you were Maria, what would you do next?

3. What happens if Maria decides not to go to school?





Education & Skill Development

Pre-Education Case Study: Level – Financial Challenges & Recovery

A case study is essentially a story – it provides an illustration of how financial lessons can be put into action by real people in real-world situations. Case studies are engaging and relatable, and offer solid evidence of the practical value financial education has to help people solve problems and make sound life decisions.

Financial Challenges & Recovery

Pre-education Case Study

Tony has a job as a tour guide at a small farm. He takes elementary and middle school students through the various areas of the greenhouses and shows them the lifecycle of plants as they grow from tiny seeds into food. He has worked at the farm for three years, and because of this experience, he believes he'd like to become a teacher.

He finished just a few college courses after high school, but quickly realized that he didn't know what he wanted to do when he graduated and was wasting a lot of time and money. Now he's sure that teaching is the right choice.

The local community college has a program that would allow him to finish his associate degree in 18 months. The tuition is about \$2,000 per semester, however, he wouldn't be able to continue to work full-time at the farm. Tony is worried about how he'll pay his bills and pay the tuition for school. The farm manager offered to let him move to a part-time position, but it pays \$3 less per hour and is just 15 hours per week.

Tony understands that even after he finishes his associate degree, he'll have to complete an additional two years of school, including a semester's worth of student teaching without pay.

If he wants to move forward with his plan, he'll have to make some difficult decisions about his current lifestyle. His car payment equals about 25% of his take-home pay. Tony lives in a refurbished garage attic that's part of a beautiful estate near the farm. His current rent equals half of his take-home pay. The woman who owns the main house has mentioned that she would be willing to reduce the rent if Tony would tutor her son, who is a freshman in high school.



1. What advice would you give Tony about his next steps?

2. What is Tony's most significant problem at the moment?

3. How can Tony improve his financial situation before attending school?





Activity:

Higher Education Options

This activity is designed to help organize the research you need to conduct to determine the requirements for pursuing your chosen career path, identify how best to fulfill those requirements, and analyze whether the necessary education is worth the effort given the potential increase in income you may realize by entering that field.

Activity: Higher Education Options

Answer the questions below to sketch out the requirements for entering your desired profession, how you'll meet those requirements, and expected income levels once you have obtained a position in that field.

What is your desired industry field and position within that field?

Industry:

Position:

What are the educational requirements to enter your field?

What are some of the top skills required for your desired position?

The best education option(s) to meet the educational requirements and gain the skills needed for my chosen industry and position (select all that apply):

	Education Requirements	Skills
College / University		
Community College		
Apprenticeships / Internships		
School		
On-the-job Training		
Self-study		
Other		

Activity: Higher Education Options

My chosen delivery options to gain the required education and skills are:

In person – I attend classes

Virtual set-pace – I attend scheduled online courses

Virtual self-paced – I attend online courses when I have time

Blended learning – I attend a mixture of in-person and virtual classes

Self-directed – I handle all aspects of my education

What amount of time will it take to obtain the required education and skills?

What level of income can you expect from a job after completing your education in this field?

Is the increase in income from obtaining the educational requirement and skills worth the amount of effort you need to achieve the position you want in your desired industry?

Absolutely

No

Not Sure



Activity: Objective Education Decisions

In this activity, you will practice the calculations presented in the topic to determine whether a given educational option is a good investment in each situation.

Activity: Objective Education Decisions

Read through each of the following scenarios and answer the associated questions using the information provided.

1. You are a teller at your local bank. Your boss suggests that if you attend a banking seminar and complete the coursework, you will receive a raise of \$250 more per month. The seminar costs \$500 that you must pay out-of-pocket.

- a. What is the ROI after the first year? _____
- b. Is the ROI positive? _____
- c. When do you break even? _____
- d. Will this seminar benefit you in the future? _____
- e. Will you make more money over time? _____

2. You have a desire to become an accountant. The degree will cost you \$35,000 at your local university and you will graduate in 4 years. You will pay for all of this schooling with student loans. The average accountant in your area makes \$50,000 per year. Or you can choose to go to work right away and earn \$35,000 per year; however, you will be unlikely to receive any major raises in the course of your career.

- a. What is the ROI on this degree? _____
- b. How beneficial will attaining the degree be? _____
- c. Without considering student loan interest, when will you break even on this decision?

- d. Considering the ROI shown in this example, what choice would you make?



Activity:

Education as an Investment Calculations

In this activity, you will calculate a more accurate figure representing the actual costs of a given higher education path. These calculations will help you understand how to evaluate the real potential of an educational investment.

Activity: Education as an Investment Calculations

Go through each section below and perform the calculations to assess your chosen educational pursuit's investment value.

Estimating Total Cost of Education

Section A: Educational Costs

Estimate the total cost of your educational endeavor – either money you will pay out of pocket, or money you will take out in loans.

Note that some items listed in the expense sheet may already be included in your budget, regardless of your educational decision. For example, you probably already have “transportation costs” in your monthly budget. In the expense sheet below, calculate any additional costs you would incur by pursuing your educational choice.

Also consider any lost income you may experience due to pursuing your education. For example, will you cut back hours at work in order to attend classes? If so, figure how many hours you will lose multiplied by your salary or wage rate to come up with a “lost income” estimate.

Remember, this expense sheet aims to determine what your educational decision would cost you in addition to existing expenses. For example, if you already rent a place, you would continue to have a rent expense in your general budget regardless whether you go to school or not. But if going to school increases your estimated rental expenses (because you move closer to school, for example) then enter the additional amount you expect to pay in the worksheet. If your rent would remain unchanged, then leave that item blank. Only calculate the additional life expenses you will incur by deciding to go to school.

In the table below, be sure to enter your dollar amounts in the appropriate column. If you plan to borrow the money in loans to pay for the expense, enter it in the “Borrowed” column. If you simply plan to use existing income or savings to pay for the expense, enter it in the “Out of Pocket” column. Amounts can be split between the two columns if you desire (for example, you pay part of the tuition out of pocket and borrow the balance).

All figures should be shown as totals for your entire educational endeavor; do not use monthly or annual figures.

Activity: Education as an Investment Calculations

Type of Expense	Borrowed	Out of Pocket
Certificate Courses		
Tuition		
Professional Development		
Association Dues		
Books		
Parking Fees		
Additional Transportation Expenses		
Additional Housing Expenses		
Additional Daycare Expenses		
Lost Income		
Other _____		
Other _____		
Other _____		
Other _____		

Activity: Education as an Investment Calculations

Total Borrowed

Total Out of Pocket

Estimated Interest on Loans

Total Cost of Loans

Add total cost of loans and total out of pocket:

Section A Total:

Activity: Education as an Investment Calculations

Section B: Grants, Scholarships, Savings, Parent or Employer Assistance

In this section, list any grants, scholarships, contributions from your parents, or employer assistance you expect to receive, and/or any other funds that will be given to you for the purpose of paying for your education – funds you do not have to pay back.

All figures should be shown as totals for your entire educational endeavor; do not use monthly or annual figures.

Total Grants _____

Total Scholarships _____

Total Employer Assistance _____

Total Savings _____

Parental Contribution _____

Other _____

Other _____

Other _____

Section B Total:

Activity: Education as an Investment Calculations

Section C: Savings Incurred by Education

Some educational decisions may reduce certain living expenses. For example, your schooling might entail moving to a region where rent is cheaper than you pay for your current home. Additionally, some educational programs offer services to students, such as gym memberships or discounted child care.

List and estimate any savings you would gain as a result of your education decision.

All figures should be shown as totals for your entire educational endeavor; do not use monthly or annual figures.

Service Description	Estimated Total Savings

Section C Total:

Enter all the totals from each previous section. Subtract sections B and C from section A to calculate the total cost of your educational decision.

Section A Total: _____

Minus Section B Total: _____

Minus Section C Total: _____

Total Cost of Education Decision

Estimating Increased Earning Potential

ROI Calculation

To calculate the ROI for your educational decision, you must also estimate your current lifetime earning trajectory without the education; versus your potential lifetime earning trajectory with the education.

Review the table at the end of this activity. Locate your existing career field and education level in the sheet; then locate your expected career field and education level you will obtain by undertaking your education decision.

Calculate the difference to get an estimate of how much more money you can potentially earn across your lifetime.

Expected Lifetime Earnings Estimate with Education: _____

— Current Lifetime Earnings Estimate without Education: _____

Total Increased Lifetime Earnings: _____

You now have 2 numbers: Your total estimated cost of education (from the previous sections of this activity) and your estimated increased income. Divide your increased income estimate by the estimated cost to calculate the ROI for your educational decision.

For example, if the total cost of your education is \$75,000 and your total increased lifetime income potential is \$1M:

$$\frac{\text{Increased Lifetime Income}}{\text{Cost of Education}} = \frac{1,000,000}{75,000} = 13.33 \text{ or } 1333\% \text{ ROI in lifetime}$$

$$\frac{\text{Increased Lifetime Income}}{\text{Cost of Education}} = \underline{\hspace{2cm}} = \underline{\hspace{2cm}} \text{ or } \underline{\hspace{2cm}} \% \text{ ROI}$$

Activity: Education as an Investment Calculations

Break-even Calculation

Alternatively or in conjunction with the ROI calculation, you can run a break-even analysis – which determines how long it would take you to recoup your investment in education.

To perform this calculation, you will first need to determine your starting annual pay for the position you expect to achieve through education. You can research potential income based on your abilities at <http://www.payscale.com> or <http://www.salary.com>.



Visit: [Salary.com](http://www.salary.com)

www.salary.com



Visit: [PayScale.com](http://www.payscale.com)

www.payscale.com

Be sure to use the “starting pay” range, not the median or average for the overall position. Someone with 15 years of experience in the position will obviously make more than someone just starting out.

Subtract your current annual pay from the new starting pay figure you researched to determine how much more you potentially stand to earn by pursuing your education.

Then divide the total cost of your education by the increased annual income potential you just calculated, to determine how many years it will take until you break even on your investment.

For example, if the total cost of your education is \$75,000, your current pay is \$35,000, and your estimated starting pay after education is \$55,000:

$$\frac{\text{Cost of Education}}{(\text{Expected Starting Pay}-\text{Current Annual Pay})} = \frac{75,000}{(55,000-35,000)} = \frac{75,000}{20,000} = 3.75 \text{ years}$$

Activity: Education as an Investment Calculations

In the above example, you would have earned enough additional income as a result of your education to cover the full cost of your education within 3.75 years. Therefore, once the cost of your education has been recouped in 3.75 years, the additional earning capacity can be considered “profit” from your investment in education

$$\frac{\text{Cost of Education}}{(\text{Expected Starting Pay}-\text{Current Annual Pay})} = \text{_____} = \text{_____ years}$$

ROI and break-even are two common methods for evaluating your educational investment. You can use them together or separately. They form one tool you may use toward reaching a final decision about whether to pursue a certain educational path.

Activity: Education as an Investment Calculations

These figures assume 40 working years.

Lifetime Earnings by Degree (in millions of dollars)									
Occupation	Less than High School	High School Diploma	Some college	Associate's	Bachelor's	Master's/ Professional/ Doctoral	Percent High School or less	Percent Some College and Associate's	Percent BA and Graduate
Chief Executives and Legislators	-	2.6	3.2	3.0	4.5	5.1	11.2	22.6	66.2
General and Operations Managers	-	2.2	2.5	2.5	3.3	4.0	18.0	33.8	48.2
Advertising, Promotions, Public Relations Managers	-	-	-	-	2.9	-	6.7	20.1	73.2
Marketing and Sales Managers	-	2.2	2.5	2.5	3.5	4.3	8.7	24.4	66.9
Administrative Services Managers	-	-	2.1	-	2.6	-	21.8	42.3	36.0
Computer and Information Systems Managers	-	-	3.1	3.0	3.7	4.0	4.9	24.1	71.0
Financial Managers	-	1.8	2.1	2.2	3.1	4.2	12.4	26.9	60.7
Human Resources Managers	-	1.9	2.2	2.2	2.9	3.4	13.9	29.8	56.3
Industrial Production Managers	-	2.3	2.4	-	3.3	3.9	23.6	33.0	43.4
Purchasing Managers	-	-	2.2	-	2.9	3.7	12.6	33.0	57.4
Construction Managers	1.5	2.0	2.3	2.3	3.1	3.6	34.8	33.4	31.8
Education Administrators	-	1.4	1.5	1.6	2.0	2.9	5.1	14.1	80.8
Food Service Managers	1.0	1.2	1.5	1.5	1.8	-	38.4	37.9	23.7
Natural Sciences, Medical and Health Services Managers	-	1.7	1.9	2.3	2.7	3.5	10.8	28.0	61.2

Source: The College Payoff: Education, Occupations, Lifetime Earnings Georgetown's Center on Education and the Workforce

Activity: Education as an Investment Calculations

These figures assume 40 working years.

Lifetime Earnings by Degree (in millions of dollars)									
Occupation	Less than High School	High School Diploma	Some college	Associate's	Bachelor's	Master's/ Professional/ Doctoral	Percent High School or less	Percent Some College and Associate's	Percent BA and Graduate
Property, Real Estate, and Community Association Managers	-	1.5	1.7	1.6	2.2	2.9	24.4	37.2	38.4
Social and Community Service Managers	-	-	1.7	-	2.1	2.6	8.7	21.7	69.6
Purchasing Agents, except Wholesale, Retail, and Farm and Non-Farm Products	-	1.7	1.8	1.9	2.3	-	21.9	38.9	39.3
Wholesale and Retail Buyers, except Farm Products	-	1.4	1.6	-	2.1	-	26.2	36.9	36.9
Claims Adjusters, Appraisers, Examiners, and Investigators	-	1.7	1.7	1.8	2.3	-	18.2	36.0	45.8
Human Resources, Training, and Labor Relations Specialists	-	1.7	1.9	1.9	2.3	2.9	13.6	33.4	53.0
Management Analysts	-	-	2.2	-	2.9	3.5	5.4	18.4	76.2
Accountants and Auditors	-	1.5	1.7	1.6	2.4	3.0	15.5	33.5	51.0
Appraisers and Assessors of Real Estate	-	-	-	-	2.0	-	12.1	36.1	51.8
Budget, Credit, Financial Analysts	-	-	-	-	2.7	3.8	6.0	20.3	73.7
Personal Financial Advisors	-	-	2.0	-	3.1	3.8	4.9	17.1	78.1
Insurance Underwriters	-	-	-	-	2.7	-	17.4	33.4	49.2
Loan Counselors and Officers	-	1.6	1.8	-	2.4	2.9	14.7	35.1	50.2

Source: The College Payoff: Education, Occupations, Lifetime Earnings Georgetown's Center on Education and the Workforce

Activity: Education as an Investment Calculations

These figures assume 40 working years.

Lifetime Earnings by Degree (in millions of dollars)									
Occupation	Less than High School	High School Diploma	Some college	Associate's	Bachelor's	Master's/ Professional/ Doctoral	Percent High School or less	Percent Some College and Associate's	Percent BA and Graduate
Tax Examiners, Collectors, Revenue Agents, and Preparers	-	-	-	-	2.2	-	15.5	33.4	51.2
Computer Scientists and Systems Analysts	-	2.2	2.4	2.3	3.0	3.5	5.9	28.4	65.6
Computer Programmers	-	-	2.6	2.7	3.0	3.3	5.4	24.4	70.2
Computer Software Engineers	-	-	3.1	3.0	3.6	3.9	2.8	15.1	82.1
Computer Support Specialists	-	1.9	2.1	2.0	2.4	2.6	12.1	47.0	40.9
Database Administrators	-	-	-	-	3.0	-	5.5	26.2	68.3
Network and Computer Systems Administrators	-	-	2.5	2.5	2.9	3.3	8.5	39.3	52.3
Network Systems and Data Communications Analysts	-	-	2.4	2.5	2.7	3.4	7.9	36.4	55.7
Architects, except Naval	-	-	-	-	2.8	2.9	1.8	8.3	89.9
Surveyors, Cartographers, and Photogrammetrists, and Surveying and Mapping Technicians	-	-	1.9	-	-	-	23.4	47.2	29.4
Aerospace, Biomedical, Agricultural, Chemical, Computer Hardware, Environmental, Marine, Materials, Petroleum, Mining, Geological	-	-	-	-	3.6	4.0	3.4	14.3	82.2
Civil Engineers	-	-	-	-	3.2	3.7	3.5	11.5	85.0

Source: The College Payoff: Education, Occupations, Lifetime Earnings Georgetown's Center on Education and the Workforce

Activity: Education as an Investment Calculations

These figures assume 40 working years.

Lifetime Earnings by Degree (in millions of dollars)									
Occupation	Less than High School	High School Diploma	Some college	Associate's	Bachelor's	Master's/ Professional/ Doctoral	Percent High School or less	Percent Some College and Associate's	Percent BA and Graduate
Electrical and Electronics Engineers	-	-	-	-	3.4	4.1	4.2	17.9	77.9
Industrial Engineers, including Health and Safety	-	-	-	-	3.0	3.4	8.2	8.2	68.8
Mechanical Engineers	-	-	-	-	3.2	3.6	5.2	21.5	73.4
Agricultural and Food, Biological, Conservation Scientists and Foresters, Environmental Scientists and Geoscientists	-	-	-	-	2.3	2.8	2.5	7.6	89.9
Medical Scientists	-	-	-	-	-	3.1	1.0	2.0	97.0
Astronomers and Physicists, Atmospheric and Space, Physical Scientists, all other	-	-	-	-	2.8	3.4	.7	2.4	96.9
Chemists and Materials Scientists	-	-	-	-	2.5	3.4	1.2	7.4	91.4
Economists, Market and Survey Researchers, Urban and Regional Planners, Miscellaneous Social Scientists, including Sociologists	-	-	-	-	2.7	3.4	3.2	11.1	85.7
Psychologists	-	-	-	-	-	2.2	.4	.9	98.6
Counselors	-	-	1.3	-	1.5	2.0	7.5	17.3	75.2
Social Workers	-	1.3	1.3	1.4	1.6	2.0	7.1	17.1	75.8
Clergy	-	-	1.4	-	1.6	1.8	8.2	14.7	77.2

Source: The College Payoff: Education, Occupations, Lifetime Earnings Georgetown's Center on Education and the Workforce

Activity: Education as an Investment Calculations

These figures assume 40 working years.

Lifetime Earnings by Degree (in millions of dollars)									
Occupation	Less than High School	High School Diploma	Some college	Associate's	Bachelor's	Master's/ Professional/ Doctoral	Percent High School or less	Percent Some College and Associate's	Percent BA and Graduate
Lawyers and Judges, Magistrates, and other Judicial Workers	-	-	-	-	-	4.0	.8	1.3	98.0
Paralegals and Legal Assistants	-	1.7	1.7	1.7	2.0	-	13.5	47.3	39.2
Postsecondary Teachers	-	-	-	-	1.8	2.5	1.2	4.8	94.0
Preschool and Kindergarten Teachers	-	.7	.8	.9	1.3	1.9	15.9	40.3	43.8
Elementary and Middle School Teachers	-	-	1.1	1.3	1.8	2.2	1.4	3.6	94.9
Secondary School Teachers	-	-	-	-	1.8	2.2	1.0	3.3	95.7
Special Education Teachers	-	-	-	-	1.8	2.1	3.5	7.6	89.0
Archivists, Curators, and Museum Technicians, Librarians	-	-	-	-	1.6	2.1	3.9	11.5	84.7
Library Technicians, and Other Education, Training, and Library Workers	-	-	-	-	-	2.3	10.0	18.3	71.7
Teacher Assistants	-	.7	.8	.8	.9	-	32.6	48.7	18.7
Artists and Related Workers	-	-	-	-	1.6	-	13.5	30.0	56.5
Designers	-	1.4	1.7	1.8	1.9	2.3	13.4	33.3	53.3
Athletes, Coaches, Umpires and Related Workers	-	-	-	-	1.9	-	8.4	25.0	66.6

Source: The College Payoff: Education, Occupations, Lifetime Earnings Georgetown's Center on Education and the Workforce

Activity: Education as an Investment Calculations

These figures assume 40 working years.

Lifetime Earnings by Degree (in millions of dollars)									
Occupation	Less than High School	High School Diploma	Some college	Associate's	Bachelor's	Master's/ Professional/ Doctoral	Percent High School or less	Percent Some College and Associate's	Percent BA and Graduate
Producers and Directors and Broadcast and Sound Engineering Technicians and Radio Operators, and Media and all other Communication Equipment Workers, Television, Video, and Motion Picture Camera Operators and Editors	-	-	2.1	-	2.4	-	11.8	30.1	58.1
Announcers, and News Analysts, Reporters and Correspondents	-	-	-	-	2.2	-	9.0	20.2	70.8
Public Relations Specialists	-	-	-	-	2.5	-	4.3	15.2	80.5
Editors	-	-	-	-	2.3	2.2	4.3	14.8	80.9
Technical Writers	-	-	-	-	2.6	-	6.7	19.6	73.7
Writers and Authors	-	-	-	-	2.0	2.0	2.9	10.5	86.6
Photographers and Miscellaneous Media and Communication Workers	-	-	-	-	1.3	-	16.9	35.3	47.7
Chiropractors, Optometrists, Podiatrists, Veterinarians	-	-	-	-	-	2.7	1.0	1.2	97.7
Dentists	-	-	-	-	-	4.0	.6	.9	98.5
Pharmacists	-	-	-	-	4.0	4.4	.8	1.9	97.3
Physicians and Surgeons	-	-	-	-	-	6.0	.6	1.1	98.2
Physician Assistants	-	-	-	-	-	3.5	6.7	18.2	75.1
Registered Nurses	-	-	2.1	2.3	2.5	3.0	1.6	43.0	55.4

Source: The College Payoff: Education, Occupations, Lifetime Earnings Georgetown's Center on Education and the Workforce

Activity: Education as an Investment Calculations

These figures assume 40 working years.

Lifetime Earnings by Degree (in millions of dollars)									
Occupation	Less than High School	High School Diploma	Some college	Associate's	Bachelor's	Master's/ Professional/ Doctoral	Percent High School or less	Percent Some College and Associate's	Percent BA and Graduate
Audiologists, Radiation Therapists, Recreational Therapists, Respiratory Therapists, Speech-Language Pathologists, Therapists, all other	-	-	-	2.1	2.1	2.2	2.9	29.2	67.8
Occupational Therapists, and Physical Therapists	-	-	-	-	2.7	2.8	1.5	8.6	89.9
Dental Hygienists, and Other Healthcare Practitioners and Technical Occupations	-	-	-	2.1	2.2	-	9.0	43.6	47.4
Emergency Medical Technicians and Paramedics	-	-	1.7	1.8	-	-	15.1	69.8	15.1
Licensed Practical and Licensed Vocational Nurses	-	1.4	1.5	1.5	-	-	20.9	73.4	5.7
Nursing, Psychiatric, and Home Health Aides	.9	1.0	1.0	1.1	1.2	-	54.2	37.9	7.9
Occupational Therapist Assistants and Aides, Physical Therapist Assistants and Aides	-	-	-	1.7	-	-	11.4	70.6	18.0
Dental Assistants	-	1.2	1.2	-	-	-	34.9	55.0	10.1
Fire Fighters, Fire Inspectors	-	2.1	2.4	2.6	2.7	-	18.7	62.2	19.1
Bailiffs, Correctional Officers, and Jailers	-	1.6	1.7	1.8	1.9	-	34.0	53.2	12.8
Detectives and Criminal Investigators	-	-	2.5	-	2.9	-	9.1	39.3	51.6

Source: The College Payoff: Education, Occupations, Lifetime Earnings Georgetown's Center on Education and the Workforce

Activity: Education as an Investment Calculations

These figures assume 40 working years.

Lifetime Earnings by Degree (in millions of dollars)									
Occupation	Less than High School	High School Diploma	Some college	Associate's	Bachelor's	Master's/ Professional/ Doctoral	Percent High School or less	Percent Some College and Associate's	Percent BA and Graduate
Police Officers	-	1.9	2.2	2.4	2.7	3.1	13.5	53.0	33.4
Security Guards and Gaming Surveillance Officers	.9	1.1	1.3	1.3	1.6	-	42.2	43.7	14.1
Chefs and Head Cooks	.9	1.2	1.3	1.6	-	-	49.3	38.3	12.4
Cooks	.8	.8	.8	.9	.9	-	76.0	19.2	4.9
Food Preparation Workers	.7	.8	.8	-	-	-	74.7	19.2	6.2
Bartenders	-	.9	1.0	-	-	-	38.8	45.0	16.2
Combined Food Preparation and Serving Workers, including Fast Food	-	.8	-	-	-	-	70.5	23.4	6.1
Hosts and Hostesses, Restaurant, Lounge, and Coffee Shop, Waiters and Waitresses	.7	.8	.9	-	1.0	-	53.0	32.2	14.8
Janitors and Building Cleaners	.9	1.0	1.2	1.2	1.0	-	71.4	23.6	5.0
Maids and Housekeeping Cleaners	.7	.7	.7	-	-	-	80.4	15.6	4.0
Pest Control Workers, Grounds Maintenance Workers	.8	1.0	1.0	1.2	1.1	-	74.1	19.5	6.3
Animal Trainers, Non-farm Animal Caretakers	-	.0	-	-	-	-	46.2	33.3	20.5
Barbers, Hairdressers, Hairstylists, and Cosmetologists	-	.6	-	-	-	-	54.8	38.7	6.5

Source: The College Payoff: Education, Occupations, Lifetime Earnings Georgetown's Center on Education and the Workforce

Activity: Education as an Investment Calculations

These figures assume 40 working years.

Lifetime Earnings by Degree (in millions of dollars)									
Occupation	Less than High School	High School Diploma	Some college	Associate's	Bachelor's	Master's/ Professional/ Doctoral	Percent High School or less	Percent Some College and Associate's	Percent BA and Graduate
Baggage Porters, Bellhops, and Concierges, Transportation Attendants	-	-	1.4	-	-	-	35.7	38.5	25.8
Tour and Travel Guides, Recreation and Fitness Workers	-	1.0	1.1	-	1.4	-	23.6	36.5	39.9
Child Care Workers	-	.4	.3	.3	.6	-	47.7	38.2	14.0
Personal and Home Care Aides	.7	.8	.8	.9	.9	-	55.0	34.5	10.5
Cashiers	.7	.8	.9	.9	1.1	-	59.5	29.4	11.2
Parts and Salespersons	-	1.3	-	-	-	-	58.2	34.9	6.9
Retail Salespersons	.9	1.1	1.3	1.3	1.8	1.9	36.8	37.9	25.3
Advertising Sales Agents	-	-	1.8	-	2.6	-	13.7	31.1	55.2
Insurance Sales Agents	-	1.5	1.6	1.6	2.2	2.4	17.2	36.6	46.2
Securities, Commodities, and Financial Services Sales Agents	-	-	1.9	-	3.4	4.4	8.4	22.0	69.7
Sales Representatives, Wholesale and Manufacturing	1.4	1.8	2.0	2.1	3.1	3.6	19.6	31.9	48.5
Models, Demonstrators, and Product Promoters, Sales Engineers, and Sales and Related Workers, all other	-	1.3	1.7	-	2.6	3.1	15.2	25.6	59.3

Source: The College Payoff: Education, Occupations, Lifetime Earnings Georgetown's Center on Education and the Workforce

Activity: Education as an Investment Calculations

These figures assume 40 working years.

Lifetime Earnings by Degree (in millions of dollars)									
Occupation	Less than High School	High School Diploma	Some college	Associate's	Bachelor's	Master's/ Professional/ Doctoral	Percent High School or less	Percent Some College and Associate's	Percent BA and Graduate
Real Estate Brokers and Sales Agents	-	1.0	1.1	1.2	1.5	1.5	15.1	37.3	47.5
Bill and Account Collectors	-	1.3	1.3	-	-	-	36.1	49.5	14.4
Billing and Posting Clerks and Machine Operators	-	1.2	1.3	1.3	1.4	-	36.1	49.8	14.1
Bookkeeping, Accounting and Auditing Clerks	-	1.3	1.4	1.3	1.5	-	34.9	52.3	12.9
Tellers	-	1.0	1.0	-	-	-	41.0	44.4	14.6
Court, Municipal, and License Clerks	-	-	1.4	-	-	-	30.2	50.5	19.3
File Clerks	-	1.2	1.3	-	1.4	-	34.9	46.5	18.6
Receptionists and Information Clerks	-	1.0	1.1	1.1	1.2	-	41.6	46.7	11.7
Reservation and Transportation Ticket Agents and Travel Clerks	-	-	1.5	-	-	-	28.5	43.8	27.7
Dispatchers, Meter Readers, Utilities	-	1.4	1.5	1.6	-	-	42.0	47.0	11.0
Postal Service Clerks	-	2.0	2.0	-	-	-	36.5	47.8	15.7
Postal Service Mail Carriers	-	2.0	2.0	2.0	2.0	-	35.8	49.4	14.9
Secretaries and Administrative Assistants	1.1	1.3	1.3	1.4	1.5	1.6	33.2	50.3	16.6
Computer Operators and Statistical Assistants	-	1.4	1.6	-	-	-	26.9	47.4	25.7
Data Entry Keyers	-	1.2	1.2	1.3	1.3	-	37.9	47.3	14.9

Source: The College Payoff: Education, Occupations, Lifetime Earnings Georgetown's Center on Education and the Workforce

Activity: Education as an Investment Calculations

These figures assume 40 working years.

Lifetime Earnings by Degree (in millions of dollars)									
Occupation	Less than High School	High School Diploma	Some college	Associate's	Bachelor's	Master's/ Professional/ Doctoral	Percent High School or less	Percent Some College and Associate's	Percent BA and Graduate
Word Processors and Typists	-	1.2	1.3	1.2	1.4	-	36.3	48.2	15.5
Insurance Claims and Policy Processing Clerks	-	1.3	1.3	1.4	1.6	-	31.0	46.9	22.2
Fishing and Hunting, Forest and Conservation, Logging Workers	-	.9	-	-	-	-	77.0	16.0	7.1
Structural Iron and Steel Workers, Reinforcing Iron and Rebar Workers including Boilermakers	-	1.8	-	-	-	-	68.2	28.7	3.0
Brick Masons, Block Masons, and Stonemasons	-	1.4	-	-	-	-	77.8	18.3	3.9
Carpenters	1.1	1.3	1.2	1.2	1.1	-	67.2	25.9	6.9
Carpet, Floor, and Tile Installers and Finishers	-	1.1	-	-	-	-	75.6	18.9	5.5
Construction Laborers	1.0	1.2	1.3	1.3	1.3	-	74.7	19.7	5.5
Electricians	1.4	1.8	2.0	2.1	1.8	-	46.7	46.2	7.0
Glaziers, Insulation Workers, Paperhangers	-	1.4	-	-	-	-	70.9	24.2	5.0
Painters, Construction and Maintenance	.9	1.1	1.0	-	-	-	73.8	19.8	6.4
Pipelayers, Plumbers, Pipefitters, and Steamfitters	1.3	1.7	1.9	2.0	-	-	63.1	32.6	4.3
Roofers	1.0	1.2	-	-	-	-	84.7	11.7	3.6

Source: The College Payoff: Education, Occupations, Lifetime Earnings Georgetown's Center on Education and the Workforce

Activity: Education as an Investment Calculations

These figures assume 40 working years.

Lifetime Earnings by Degree (in millions of dollars)									
Occupation	Less than High School	High School Diploma	Some college	Associate's	Bachelor's	Master's/ Professional/ Doctoral	Percent High School or less	Percent Some College and Associate's	Percent BA and Graduate
Sheet Metal Workers	-	1.7	-	-	-	-	65.4	31.5	3.2
Construction and Building Inspectors	-	-	1.9	-	-	-	27.7	47.1	25.2
Highway Maintenance Workers	-	1.3	-	-	-	-	69.0	28.3	2.7
Radio and Telecommunications Equipment Installers and Repairers	-	2.0	2.2	2.2	-	-	32.5	54.8	12.7
Avionics Technicians, Aircraft Mechanics and Service Technicians	-	2.0	2.2	2.3	-	-	32.6	56.2	11.2
Automotive Service Technicians and Mechanics	1.1	1.3	1.6	1.6	-	-	63.3	32.8	3.9
Heating, Air Conditioning, and Refrigeration Mechanics and Installers	-	1.6	1.8	1.8	-	-	51.7	42.6	5.7
Electrical Power-line Installers and Repairers	-	2.4	2.6	-	-	-	51.3	43.4	5.3
Telecommunications Line Installers and Repairers	-	2.0	2.2	-	-	-	41.3	49.1	9.6
Bakers	-	1.0	-	-	-	-	1.0	22.6	7.2
Butchers and other Meat, Poultry, and Fish Processing Workers	.9	1.2	-	-	-	-	78.7	18.7	2.6
Machinists	1.4	1.7	1.8	1.8	-	-	58.9	37.6	3.5

Source: The College Payoff: Education, Occupations, Lifetime Earnings Georgetown's Center on Education and the Workforce

Activity: Education as an Investment Calculations

These figures assume 40 working years.

Lifetime Earnings by Degree (in millions of dollars)									
Occupation	Less than High School	High School Diploma	Some college	Associate's	Bachelor's	Master's/ Professional/ Doctoral	Percent High School or less	Percent Some College and Associate's	Percent BA and Graduate
Bookbinders and Bindery Workers, Job Printers, Prepress Technicians and Workers	-	1.3	-	-	-	-	56.0	32.1	11.9
Printing Machine Operators	-	1.4	1.5	-	-	-	63.5	30.2	6.3
Laundry and Dry-cleaning Workers	.7	.8	-	-	-	-	78.7	14.6	6.7
Textile, Apparel, and Furnishings Workers	.8	.9	-	-	-	-	74.9	17.3	7.7
Sewing Machine Operators	.7	.8	-	-	-	-	82.9	13.2	3.9
Power Plant, Water and Liquid Waste Treatment, Miscellaneous Plant and System Operators	-	1.9	2.2	-	-	-	42.2	45.7	12.0
Painting Workers	1.1	1.4	-	-	-	-	75.1	21.7	3.2
Aircraft Pilots and Flight Engineers, Air Traffic Controllers and Airfield Operations Specialists	-	-	-	-	3.9	-	7.7	29.4	62.9
Ambulance Drivers and Attendants, Taxi Drivers and Chauffeurs, Motor Vehicle Operators, all other	.8	.9	.9	-	-	-	55.1	31.4	13.5
Bus Drivers	-	1.2	1.3	-	-	-	54.2	38.7	7.1
Driver/Sales Workers and Truck Drivers	1.3	1.5	1.6	1.5	1.5	-	68.5	26.8	4.8

Source: The College Payoff: Education, Occupations, Lifetime Earnings Georgetown's Center on Education and the Workforce

Activity: Education as an Investment Calculations

These figures assume 40 working years.

Lifetime Earnings by Degree (in millions of dollars)									
Occupation	Less than High School	High School Diploma	Some college	Associate's	Bachelor's	Master's/ Professional/ Doctoral	Percent High School or less	Percent Some College and Associate's	Percent BA and Graduate
Locomotive Engineers, Railroad Brake, Signal and Switch Operators, Railroad Conductors and Yardmasters, Subway, Streetcar, and other Rail Transportation Workers	-	2.4	2.5	-	-	-	44.2	44.5	11.3

Source: The College Payoff: Education, Occupations, Lifetime Earnings Georgetown's Center on Education and the Workforce



Activity:

Planning Your Education Budget

In this activity, you will complete the three phases of your higher education budget: initial expenses, in-school budget, and post-graduation budget. This process will help you clarify how much you'll need to pursue your chosen career path.

Activity: Planning Your Education Budget

Conduct research regarding the expenses involved with each school to which you plan to apply. Then fill in the budget worksheets below to estimate the three phases of your educational budget.

Plan for Initial Expenses

First, estimate your initial expenses to apply for and enroll in college. You will incur these expenses before you have access to any loan funding or employer education credits, because at this point you are not currently enrolled in college, but rather preparing to enroll.

Research and enter an estimate for each of the following initial expenses involved with applying to and enrolling in college:

Test preparatory courses to help you prepare to take any required entrance exams (e.g. ACT, SAT, GRE): \$ _____

Testing and test report fees to take and receive reports for the entrance exams: \$ _____

Essay editing services to polish up college application essays: \$ _____

Application fees (each college charges a specific amount to apply for admission): \$ _____

Transcript fees to obtain and mail your transcripts to each college: \$ _____

Travel to campuses for site visits or entrance interviews: \$ _____

Attending orientations or open houses: \$ _____

On-campus housing deposits: \$ _____

Admissions counseling (some schools offer this service for free): \$ _____

Moving costs: \$ _____

Purchasing school supplies and/or equipment: \$ _____

Total Initial Expenses: \$ _____

Activity: Planning Your Education Budget

Plan your In-school Budget and Post-school Budget


Next, use the following tables to plan your budgets while you're in school and immediately after graduation. Keep in mind that a budget is a work in progress. You will not have all the figures of your budget perfectly worked out. Estimate any unknown expenses as best as you can. As you move further into the decision-making process, you will discover the exact amount for each estimated item. Be sure to update your budget with the updated figures. Your budget is an ever-evolving tool to help you understand the impact of your financial decisions and, in the case of education, how much debt you may have to take on in student loans to pursue that education.


Expenses

 Home Renting Expenses	In-school	Post- school
Rent		
Renters Insurance		
Other		
Other		
Sub Total:		

 Home Ownership Expense	In-school	Post- school
Fixed Rate Mortgage Payments		
Adjustable Rate Mortgage Payments		
Property Taxes		
Homeowner Insurance		
HOA Dues or Assessments		
Maintenance		
Other		
Sub Total:		

Activity: Planning Your Education Budget

 Utilities	In-school	Post- school
Electric		
Gas		
Water / Garbage		
Cable/Satellite		
Phone (cell)		
Internet		
Home Security		
Other		
Sub Total:		

 Other Insurance		
Health Insurance		
Life Insurance		
Long-term Disability		
Umbrella Insurance		
Other Insurance		
Sub Total:		

Activity: Planning Your Education Budget

 Kids & Caregiving	In-school	Post- school
Children's Activities		
Child Care		
Child Support		
Alimony		
Caregiver		
Sub Total:		

 Pets		
Pet Supplies		
Veterinarian		
Pet Insurance		
Grooming & Boarding		
Other		
Sub Total:		


 Educational Expenses		
Professional Development		
School Tuition		
Books		
Other		
Other		
Sub Total:		


Activity: Planning Your Education Budget


 Transportation Expenses	In-school	Post- school
Vehicle 1 Payments		
Vehicle 2 Payments		
Insurance		
Registration		
Gas		
Maintenance		
Public Transportation		
Taxi / Ride Sharing		
Other		
Sub Total:		

 Health & Fitness		
Gym Membership		
Alternative Medicine		
Supplements & Vitamins		
Doctor Visits		
Dentist Visits		
Prescriptions		
Eye Care		
Other		
Sub Total:		

Activity: Planning Your Education Budget

 Fees & Charges	In-school	Post- school
Banking Fees		
Credit Card Fees		
Mismanagement fees (late, overdraft)		
Other Fees		
Sub Total:		

 Loans & Debt Expense		
Credit Cards		
Personal Loans		
Student Loan		
Tax Debt		
Appliance Loans		
Other		
Sub Total:		

 Variable Personal Expenses		
Groceries		
Vitamins & Supplements		
Cell Phone		
Personal Items		
Subscriptions		
Other		
Sub Total:		

Activity: Planning Your Education Budget

 Entertainment	In-school	Post- school
Entertainment (movies, concerts)		
Eating Out & Drinks		
Hobbies & Recreation		
Random Purchases		
Other		
Sub Total:		

 Personal Care		
Clothing		
Laundry / Dry-cleaning		
Personal Grooming (hair, nails)		
Skin Care (makeup, lotions)		
Other		
Sub Total:		

 MSC		
Donations / Charity		
Other		
Sub Total:		

Activity: Planning Your Education Budget

Monthly Savings Contributions	In-school	Post- school
Emergency Fund		
Short-term Fund		
Long-term Fund		
Other		
Other		
Sub Total:		

Total In-school Expenses

Total Post-school Expenses



Activity: Planning Your Education Budget

Income

 Employment Income	In-school	Post- school
Gross Income from Employment Source 1	+	+
Federal Income Tax	-	-
State & Local Tax	-	-
Social Security & Medicare	-	-
Sub Total:		
Gross Income from Employment Source 2	+	+
Federal Income Tax	-	-
State & Local Tax	-	-
Social Security & Medicare	-	-
Sub Total:		

 Other Income		
Social Security	+	+
Pensions	+	+
Annuities	+	+
Other	+	+
Sub Total:		

Activity: Planning Your Education Budget

 Investment Income	In-school	Post- school
Interest Income	+	+
Taxes	-	-
Equity Investments Income	+	+
Taxes	-	-
Real Estate Investments Income	+	+
Taxes	-	-
Business Investment Income	+	+
Taxes	-	-
Other Investment Income	+	+
Taxes	-	-
Sub Total:		

Total In-school Income

Total Post-school Income

- Total In-school Expenses

- Total Post-school Expenses

= Net In-school

= Net Post-school



Activity:

Funding Sources & Eligibility Check

In this activity, you will research the eligibility requirements and restrictions for each potential funding source to begin developing your college funding plan.

Activity: Funding Sources & Eligibility Check

Research the eligibility requirements for each of the following potential college funding sources. For each source that you mark “Unsure,” be sure to speak with a college planner or the financial aid officer at your selected college to learn more about that option.

Funding Source: Federal Grants (Pell, FSEOG, SMART, etc.; specific requirements for need)

Eligible Yes No Unsure

Have to Repay? Yes No

Max Amounts (if applicable) _____

Funding Source: State Grants (certain requirements for residency, etc.)

Eligible Yes No Unsure

Have to Repay? Yes No

Max Amounts (if applicable) _____

Funding Source: Subsidized Student Loans

Eligible Yes No Unsure

Have to Repay? Yes No

Max Amounts (if applicable) _____

Funding Source: Subsidized Student Loans

Eligible Yes No Unsure

Have to Repay? Yes No

Max Amounts (if applicable) _____

Activity: Funding Sources & Eligibility Check

Funding Source: Unsubsidized Student Loans

Eligible Yes No Unsure

Have to Repay? Yes No

Max Amounts (if applicable) _____

Funding Source: Work/Study Programs

Eligible Yes No Unsure

Have to Repay? Yes No

Max Amounts (if applicable) _____

Funding Source: Working (Personal Employment Income)

Eligible Yes No Unsure

Have to Repay? Yes No

Max Amounts (if applicable) _____

Funding Source: Parents/Family (donations)

Eligible Yes No Unsure

Have to Repay? Yes No

Max Amounts (if applicable) _____

Funding Source: Private Loans (from banks, credit unions, private lenders)

Eligible Yes No Unsure

Have to Repay? Yes No

Max Amounts (if applicable) _____

Activity: Funding Sources & Eligibility Check

Funding Source: Scholarships (from colleges, foundations, or private donors)

Eligible Yes No Unsure

Have to Repay? Yes No

Max Amounts (if applicable) _____

Funding Source: Subject-specific Grants or Scholarships

Eligible Yes No Unsure

Have to Repay? Yes No

Max Amounts (if applicable) _____



Activity:

Getting Student Loan Repayment Organized

In this activity, you will use the form provided to organize all the information about your student loans, so you can begin the process of developing a student debt payoff plan you can implement when you are required to repay them.

Activity: Getting Student Loan Repayment Organized

Enter the information regarding each of your student loans into the form below.

Lender Name: _____

Lender Phone: _____

Lender Address: _____

Other Contact Information: _____

Loan Type: _____

Dollar Amount: _____

Interest Rate: _____

Monthly Payments: _____

Deferment or Forbearance Available?

Yes No Unsure

Total Available Term for Deferment _____

Total Available Term for Forbearance _____

Tax Benefits

Yes No Unsure

What Triggers Repayment?

Payment Due Dates _____

Activity: Getting Student Loan Repayment Organized

Lender Name: _____

Lender Phone: _____

Lender Address: _____

Other Contact Information: _____

Loan Type: _____

Dollar Amount: _____

Interest Rate: _____

Monthly Payments: _____

Deferment or Forbearance Available?

Yes No Unsure

Total Available Term for Deferment _____

Total Available Term for Forbearance _____

Tax Benefits

Yes No Unsure

What Triggers Repayment?

Payment Due Dates _____

Activity: Getting Student Loan Repayment Organized

Lender Name: _____

Lender Phone: _____

Lender Address: _____

Other Contact Information: _____

Loan Type: _____

Dollar Amount: _____

Interest Rate: _____

Monthly Payments: _____

Deferment or Forbearance Available?

Yes No Unsure

Total Available Term for Deferment _____

Total Available Term for Forbearance _____

Tax Benefits

Yes No Unsure

What Triggers Repayment?

Payment Due Dates _____

Activity: Getting Student Loan Repayment Organized

Lender Name: _____

Lender Phone: _____

Lender Address: _____

Other Contact Information: _____

Loan Type: _____

Dollar Amount: _____

Interest Rate: _____

Monthly Payments: _____

Deferment or Forbearance Available?

Yes No Unsure

Total Available Term for Deferment _____

Total Available Term for Forbearance _____

Tax Benefits

Yes No Unsure

What Triggers Repayment?

Payment Due Dates _____

Activity: Getting Student Loan Repayment Organized

Lender Name: _____

Lender Phone: _____

Lender Address: _____

Other Contact Information: _____

Loan Type: _____

Dollar Amount: _____

Interest Rate: _____

Monthly Payments: _____

Deferment or Forbearance Available?

Yes No Unsure

Total Available Term for Deferment _____

Total Available Term for Forbearance _____

Tax Benefits

Yes No Unsure

What Triggers Repayment?

Payment Due Dates _____



Education & Skill Development

Post-Education Case Study:

Level – Financial Foundation & Growth

A case study is essentially a story – it provides an illustration of how financial lessons can be put into action by real people in real-world situations. Case studies are engaging and relatable, and offer solid evidence of the practical value financial education has to help people solve problems and make sound life decisions.

Financial Foundation & Growth

Post-education Case Study

Marcus doesn't have a clear idea what he would like to accomplish during his time in college. After a year of general education classes at a community college, he thinks he may drop out and start working in the construction field. It's hard work at first, but his brother's boss offered him a full-time job starting at \$15 per hour plus benefits as a helper on job sites. After his first year, he'll be eligible for a \$2 per hour raise. His starting salary would be \$31,200.

Eventually, Marcus would like to learn to install solar panels. He realizes that this path may require some formal education, but he wants to gain experience in the industry so he understands the exact requirements. He researched the field and found out that demand for solar panel installers has a projected growth rate of 24% over the next 10 years.

Marcus lives at home with his parents. His goal is to move out, but he can't afford a place of his own. If he takes the job with his brother, he'll have money for a deposit so he can get his own apartment. In the neighborhood where he'd like to live, he'll have to pay about \$2,000 to secure an apartment and pay the first month's rent. He expects that his utilities and living expenses will add up to about \$2,500 per month.

His parents want him to finish his four-year degree. Marcus doesn't want to disappoint them, but he also doesn't want to end up in debt without a plan for how he'll pay back the loans. Plus, the construction job is available any time, so he could start right away.

He understands that there's a shortage of construction workers. His brother's boss is always hiring and sometimes has to turn down big jobs because he doesn't have enough workers. Marcus wants to keep his options open and believes he may return to college one day. For now, he just wants to move out of his parents' home and get a place of his own. He wants to get real work experience and make a decent income right away.

His parents are angry. They think he's being impulsive and short-sighted and missing his opportunity to get a real education. His brother is more understanding, but thinks Marcus doesn't understand how much work it is to have a physically demanding full-time job. Marcus's brother is a supervisor on various job sites and he makes about \$45,000 per year. Even though he finished college, he had a hard time finding a job; so he turned to construction as a temporary fix. He has worked for the same employer for 10 years now.



1. What major decisions does Marcus have to make?
2. What steps should he take to reach his goals of living on his own and eventually becoming a solar panel installation expert?





Education & Skill Development

Post-Education Case Study: Level – Financial Challenges & Recovery

A case study is essentially a story – it provides an illustration of how financial lessons can be put into action by real people in real-world situations. Case studies are engaging and relatable, and offer solid evidence of the practical value financial education has to help people solve problems and make sound life decisions.

Financial Challenges & Recovery

Post-education Case Study

Annie graduated from college last year with a master's degree in history. She got a job at a local museum, but after just six months of working there Annie has realized that she does not make enough money to pay all her bills. This situation has led Annie to start looking for another job.

Soon Annie will have to start making student loan payments. Annie has seven loans with a total outstanding debt of \$47,000. If she makes each of the minimum payments, she'll have to pay a total of \$550 per month toward her student debt.

Here are her loan details:

Loan 1: \$6,000 @ 4.5% interest

Parents cosigned, private loan

Loan 2: \$4,000 @ 2.5% interest

Federal subsidized loan

Loan 3: \$11,000 @ 3.1% interest

Federal subsidized loan

Loan 4: \$4,600 @ 3.9% interest

Parents cosigned, private loan

Loan 5: \$8,900 @ 5.5% interest

Federal unsubsidized loan

Loan 6: \$5,000 @ 1.9% interest

No cosigner, private loan

Loan 7: \$7,500 @ 2.75% interest

Federal unsubsidized loan

Another option for Annie is to return to school. She has thought about going to law school. It would take her an additional three years to complete the law degree and it will cost her another \$30,000. As a lawyer, Annie could make over \$100,000 per year, which would make paying off her loans much easier.



She could start a job as a high school teacher right away. The state has been struggling to find qualified teachers, so they have been allowing anyone with a bachelor's or master's degree to teach. While the position has a starting salary of \$35,000 per year, Annie could get a portion of her student loans forgiven if she chooses to work for a school participating in the program.

While moving is a possibility, Annie would rather not relocate. She shares a house with three other women. Her portion of the rent and utilities is \$500 per month. If she were to rent an apartment on her own, it would cost her about \$800 each month.

Given that her living expenses are low Annie is tempted to take the teaching job and work toward paying off her student loans before she makes a decision about whether to become a lawyer. She would have to live frugally, but is willing to spend the next five to six years teaching to pay off her debt.

Her friends think she should go to law school right away. They point out that she would make three times as much money as a lawyer compared to the teaching job. While she would need to take out another \$30,000 in student loans, she could pay off the total in just a few years if she could get a job with a high-paying law firm.



1. If you were a financial advisor, what would you tell Annie to do next?
2. How can Annie pay off her loans without sacrificing her career goals?
3. What is the drawback to waiting to go to law school?

