The following people and organizations participated at various stages in the development, review, and preparation of the FitKit Express for Women Personal Financial Literacy program.

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- Fione Chin – Graphic Design, Educational Materials
- Jeremy Nieves – Admin Operations
- Tyler Nagy – Development Associate

**Express Curriculum Development Experts**
- Chris Geddis – Metuchen High School, Metuchen, NJ
- Christopher Marchok – New Hope Solebury High School, PA
- Elaine Murray – John F. Kennedy Memorial High School, Woodbridge, NJ
- Jacqueline Nyers – Colonia High School, Woodbridge Township, NJ
- William Schlavis – Metuchen High School, Metuchen, NJ
Preface

In today's fast-paced consumer society, financial literacy is an essential everyday life skill. It can mean the difference between having the ability to understand and manage the financial landscape, manage limited financial resources and risks effectively, establish security, create opportunities, and avoid financial pitfalls or the total collapse of generations of families. Improving financial literacy can benefit anyone, regardless of age, income, or background; but for impoverished communities, the impact can be extremely positive. It helps people make informed choices on their financial well-being, both, day-to-day and throughout their lives.

According to a study conducted at the University of Illinois at Urbana-Champaign, and reported by ScienceDaily in August 2018, nearly a third of young adults were found to be “financially precarious” because they had poor financial literacy, and lacked money management skills and income stability. Most young adults struggle with understanding how basic personal finance plays a part in lifetime success. Developing basic skills and understanding money management is critical to those in underserved or impoverished communities. Without these skills, individuals and families are often forced into a downward cycle of poverty and missed financial opportunity. Even minor setbacks can be devastating.

The impoverished in the United States are at an even greater disadvantage because of the general lack of access to quality financial education, fewer resources, and challenging socio-economic conditions. Personal financial education offers a powerful tool with the potential to help the poor escape poverty by building savings, growing assets, planning for higher education, and creating wealth.

If we want to give Americans a stronger chance to reach their goals and avoid financial difficulties, they need to be given the requisite knowledge and skills to achieve these goals. Utilizing individuals who work and live in their communities to present this information is also a critical key component as learning can be no more powerful as when it is delivered by those who reflect who you are or whom you aspire to be like. It is this which has led to the creation of the FitKit Express Personal Financial Literacy program. Our goal in the development of the FitKit Express is to help improve the financial empowerment, personal and professional opportunities, and well-being of American from all communities.

Sincerely,

Kenneth M. Damato
Chairman of the Board of Trustees
Connecting with the Discussions

The FitKit Express Financial Literacy Program aims to bring financial literacy education to those who stand to benefit the most from economic education in the larger community. It is an offshoot of the FitKit curriculum that is catered toward not to students, but vulnerable populations outside the school system. The program is a condensed, 6-hour version of the original FitKit tailored to fit the specific needs of men and women living in poverty or are otherwise at risk thereof; and relate to the mindset, history, values, and challenges of those specific communities.

The FitKit Express sets itself apart from other efforts through:

1. a comprehensive and focused offering covering the entire spectrum of foundational financial literacy topics

2. its engaging, interactive content, which includes:
   a) concise, relatable and personalized content that speaks to the wants, needs, mindset and challenges of individuals
   b) compelling voice of the community videos
   c) a non-threatening and informative educational environment

3. provides resources and opportunities to learn more about personal finance

DoughMain Financial Literacy Foundation (DMFLF) will also monitor the effectiveness of the program and respond to opportunities for improvement by implementing continuous improvement strategies.

The FitKit Express represents a multi-faceted approach to personal finance that facilitators can adapt to individual learning styles, thus increasing the overall effectiveness of the program. Additionally, the FitKit Express has been purposefully designed to meet the needs of individuals from all socioeconomic backgrounds, with sensitivity to those in at risk areas. Our program offers financial hope to individuals from low-income backgrounds by introducing topics related to personal finance management, teaches basic financial skills, and provides resources towards achieving a greater understanding of their financial situation.

The FitKit Express includes: a presenter’s guide, learner’s guide, PowerPoint presentations, discussion slides, and videos that accompany each discussion topic. It is made up of eight 45-minute discussions; there are three sets of videos for each discussion. The first set is the introductory set, which identifies the central discussion topic with a compelling story or statement supported by statistical data, narrated by a relatable person or actor. The second set, the “mindset videos” feature traditional and current approaches to the topic at hand. The third set, contains reflection videos that summarize the conversation and gives guidance on further learning opportunities and other resources through initiatives such as mentoring that the learner may explore.

The video content is the main emotional teaching tool and will be custom made of peer-to-peer videos where the challenges addressed relate specifically to the target audience of economically disadvantaged adults and minorities, to make the experience as relatable and real to the audience as possible. It is important to note the significance of the FitKit Express being sponsored and adopted by community engagers and to be taken to their individual communities. Such localization of the efforts allows for the customization of the content towards the need of the local community, along with the specific resources available to them that can be incorporated into the program.
**FitKit Express Objective:** Financial literacy is a combination of financial knowledge, skills, attitudes and behaviors necessary to make sound financial decisions, based on personal circumstances, to improve overall financial wellbeing.

**Adult learning is different and calls for a different kind of financial literacy education:**

Financial literacy programs aimed at adults should be governed by the ways that adults learn. Participants in a series of cross Canada roundtables hosted by the Canadian Centre for Financial Literacy (CCFL, 2012) confirmed that principles of adult learning are key to the design of effective adult financial literacy programs. This observation is further supported by some published literature. Adult learners do best when they are motivated and volunteer to be part of a financial education program (Hira and Loibl, 2005). At least one key informant observed that mandatory financial literacy programs may create unintended barriers to learning and force facilitators to first win over reluctant participants. According to Prosper Canada Center for Financial Literacy, when impoverished individuals have access to and are provided quality financial literacy education that is tailored to their specific needs and their communities, they are more likely to practice the skills learned, are highly resourceful in making the most out of low income, can overcome feelings of isolation and explore and address financial challenges.

**The importance of making financial literacy education relevant for vulnerable populations:**

"Social and Enterprise Development Innovations (SEDI) of Canada (2011) conducted an evaluation of a pilot project to adapt and deliver “The City”, a financial literacy program developed by the Financial Consumer Agency of Canada. The program was delivered by 10 organizations serving vulnerable youth through a series of group workshops and courses, modified to meet local needs and circumstances. Clients who received the training had very low incomes (on average below $10,000 per year), were trying to manage personal debts and had rates well above the national average of being unbanked and using fringe financial services. The effects of the training were measured through interviews and focus groups six months after the last training sessions. Participants reported a moderate increase in goal setting behaviors, efforts to keep track of their finances and efforts to continue learning and staying up to date on financial matters. Perhaps more importantly, the evaluation shed light on the challenge of modifying a mainstream curriculum for delivery to vulnerable youth outside of school. Examples, case studies and other content in the material have to be relevant and realistic to the circumstances more often encountered by the target youth. Furthermore, learning resources have to be flexible enough to be useful in a range of educational contexts where a predictable 15 hours of classroom time is not possible.” The FitKit Express starts with this critical component of success in mind to formulate its content and presentation to attain its end goal of reaching its target populations with meaningful and impactful learning outcomes.
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Discussion Plan

Identification of Central Discussion Topic

While money can’t buy happiness, we all need to make it. Careers/jobs are evolving like never before. In order to keep in step, there are a few simple guidelines that will help keep you relevant in our changing job market. Read the article below for more information.

» 11 Great Ways to Stay Relevant in a Changing Job Market

MINDSET - TRADITIONAL VS. CURRENT

We are currently living in the Third Industrial Revolution, which is based on digital and information technology. Faster than the Third Industrial Revolution is the upcoming Fourth Industrial Revolution, where robotics and Artificial Intelligence (AI) are quickly taking the place of many traditional jobs such as customer service, sales, and manufacturing. So how does one respond to this quickly changing employment environment?

In order to have sustainable employment, we must be committed to lifelong learning. One must stay abreast of the changing skill sets needed and seek professional development to be current in your industry. First, read the article below that explains what The Fourth Industrial Revolution is all about. Second, read the article that identifies what skills will be in high demand in this new technological age.

» How Will the Fourth Industrial Revolution Impact the Future of Work?

» The 10 Skills You Need To Thrive In The Fourth Industrial Revolution

Statement of Enduring Understandings

- It is important to be knowledgeable of the key components of The Fourth Industrial Revolution
- It is important to have a plan for your career and the education/training and financial components that will help make your plan a success
- It is important to be committed to being a life longer in the workforce

Statement of Skills

- Analyze the effects of education/training on income
- Identify the skills needed in the workforce
- Identify short-term, middle-term, and long-term goals
11 Great Ways to Stay Relevant in a Changing Job Market

By: EDUCBA

Well, the job market is changing and the scenario is changing each day. To keep oneself updated and relevant is the question which most of us faces in our daily chores of life. To stay relevant in the job market requires you to do the following:

11 Best Ways to Stay Relevant in Job Market

#1. Update your degree

Your degree is the most important credibility you own to yourself. Keep yourself upgraded with the best skillsets and technology. Being an MBA or having a post-graduation degree can mean a lot to aspiring students. It can keep you much ahead in the job race during the shortlisting of the resumes. Resumes of employees need to be to the market standards. Upgrade your skill sets.

#2. Take up a post-graduation degree

Take up a post-graduation degree. A higher degree will help you to stay differentiated from the rest of the crowd. There are higher chances of you succeeding when your resume gets screened with other resumes. This is because you have a higher educational qualification and companies need fresh and educated talent into their talent pool.

#3. Expand your social media profile

Expand your social media profile and LinkedIn profile. This is of utmost important as LinkedIn has turned out to be a great channel of social media and job hunting platform. People are resorting to LinkedIn to find out jobs matching out their job profiles. Your social media profiles helps you to find out the best job profile matching your needs and desires of the best workplace matching your needs. Having a good profile on social media is very important.

#4. Network with entrepreneurs

Network with entrepreneurs and find out what is the best opportunities waiting to align with you. See what the market leaders want. Look out, talk to them and see what else you can improve in your profile to keep pace with the job market currently.

#5. Look out beyond comfort

Stretch out beyond your zone of comfort. Look out for ways and see where you lack. Improve upon those and see what those skills are where you need to improve. Talk to leading entrepreneurs and consider providing free legal advice as the best way indeed. If you want to branch out to new sector, read, Google find out everything about this new sector where you want to launch out yourself.

#6. Get certified

A new degree, certification will add a feather in your cap –all you need to do is to study give the exam and get certified. It helps to keep you ahead of your colleagues and helps you to keep upgrading your skillsets to match to the company’s and the job markets key requirements. Getting certified ads up and added advantage to the profile of a job seeker. It adds up to your skillsets. During shortlisting of resumes many HR heads look out for resumes which match or with candidates who have completed certifications to match to the current job requirements of companies.

#7. Pursue board leadership

Develop on board leadership –companies look out for candidates with board leaderships who can lead organizations. These skills help one to
boost up your skills and to develop knowledge and skills to board non-profit organizations and corporations as leading entrepreneurs.

#8. Identify your key career goals
Identifying your career goals is very important. Identify your key skillsets which you need to develop. Which path of career you want to pursue is very important. You can visit career counsellors to identify and understand what field of career you want to take up. Do you want to be a Linux engineer or a C++ engineer, you need to first define up your career goals.

#9. Learn up new skills or undergo a professional training
Professional development is not that easy. Staying abreast of the latest technologies, upgraded is the need of all technological companies. Undergoing technical training is very important to keep yourself upgraded with the best of skillsets needed up in the marketplace. Just sign up a weekend training course and stay relevant in current job market. Register out a web seminar this will help your brain to keep moving in pace with the world. You will also be abreast of all the technical trends in the job market. You will definitely learn something new which will add up to your resume. It’s very important to be thirsty and competitive in this world of growing business and technology.

#10. Grow your Network
Networking is a great and an important part of growing businesses. Make a list of about some 10-15 key people in your business and invite them for coffee or lunch. Try to network along with them and use these informal meetings to catch up to any live updates about the upcoming challenges and the new projects the company is looking forward to. Your friends and business colleagues can also be a great point of contact during your chances of switching between jobs.

Network in business parties where you will get chances to meet new great business leaders, use search engines to find out upcoming events in your locality and network wherever you get the chance to get it. You can be the most disciplined worker in your project, most hardworking, people like you, your boss’s favourite, enriched with the right mix of technical skillsets, talented and everyone’s favourite, but one day the company starts making losses and you are no more needed up in the team, so how do you prepare yourself to pick up the race of the market. How do you boost up your skill sets? It’s even difficult for baby boomers to stay relevant in this changing job market. With the growth in automation of software, technology and outsourcing, old jobs are going away and brain drain is now less relevant today. The dinosaurs of today’s growing industry are baby boomers equipped with the cutting edge of technology.

Now the question arises what Baby Boomers can do to keep themselves relevant in this job market:

Can find a mentor for themselves: A mentor is the much awaited need of the hour. Today graduates need mentors who can guide them to the growing and roaring job market and the requisites of the skillsets needs of the hour. Mentoring be it formal or informal is the much awaited need of the businesses and the kind of skills which the newly graduated youth of the nation have been lacking in.

Reframe your job experience: Reframe your job experiences to match the kind of job and skillsets you can match up to. Try to match your job requirements to your present skillsets and leverage the right kind of skills and knowledge and deliver the best of results and knowledge training.

Build your skillsets: From the year 2007 to 2009 the number of enrolled students and graduates have increased from 50 percent to 75 percent and the mere reason behind this hike has been the growing need to enrol to schools and training institutions to match and leverage right technological needs of the businesses and the job industry.

Create up your online presence: Create your online presence by carving out a space that highlights your professional and educational achievements. LinkedIn is a professional
networking site which helps job seekers and connect them to the job requirements of the industry and the market needs. Create your own niche in LinkedIn and seek out for jobs matching your professional career profile. This can also help you to reach out to the nest and like-minded professionals who are equally struggling and are thirsty up for knowledge and portraying good work with high mix of team spirit and intelligent Quotient.

#11. Know how much you are worth of

Know your market price. Know how much you can add to a company. Know how much your skillsets add value to a company. From taking up small responsibilities to taking up a plunge into a huge career, it’s very important you know your worth at the right time in life. Knowing your worth is one of the key tasks of any job seeker to find your best fitment and know which area and filed of work you want to enter into.

If you have been able to understand yourself well and if you have been able to keep pace with technology you will definitely update your education, skillsets and resume to match the search and this journey of fitting into the job market. Following these key steps can help one not only bridge the gap between high performing and best employees and rejected job seekers, but also help one to understand where and exactly in what is he lacking behind. Building upon your skillsets is important. Don’t limit upon your learning. You must always clearly define – What’s your top career requirements – either you are hunting for a new job or have been in this industry for years. Education is important, but experience is definitely more worthwhile than education. Professionals have said that on job training gives you more of practical knowledge which is more beneficial than education.

A basic degree is required to get on job. But as the individual works through years, he himself learns and leaps through the ladders of growth which no education can directly reach up to. On a survey, 63 percent people say that learning on, i.e. on job training imparts more knowledge than education.45 percent noted that getting a bachelor’s degree was more important. 38 percent stressed on switching between jobs being more important. 34 percent even stressed on the importance of networking for better career opportunities.

As per a survey, a voting poll 3 out of every 4 respondents believed as work experience being more important because of the professional skills learnt compared to education. Education is certainly important but employers certainly put premium on degrees when they evaluate job candidates. In a poll 56 percent said higher level of careers would give way to successful careers. 48 percent people say something interesting; they say what they work on is completely different from what their education is.

Rueff, the expertise in this field stresses and says that organizations today spend more on identifying and improving upon the skills of their employees compared to their educational background. That's why huge IT companies invest on the training of the workforce. Training and developing requisite skills of the workforce is a more important feature for the companies. They believe in sending the employee for a seminar or a training session on accounts to learn him manage the mergers and acquisition and the accounts department –'you don't need to get an MBA degree for this job profile'. Companies prefer employees shadowing resources to encourage internal learning.

“*The gap between academic insight and work requirements has increased*” – Ulrich.

Companies today prefer growing individuals just undergraduates through extensive training, seminars and learning opportunities. They believe they have better leaning capabilities than MBA's. But nevertheless, it’s the college degree which helps an employee enter into the professional world. On campus hiring focus on your key skills along with some basic educational background requirement. Without this criterion, fulfilled companies do not select candidates for their requisite work profiles. Employers should maintain a balance between skills, education and training required to map the right workforce into the talent pool. They have to be good
architects to enable employees grasp the right skill sets through extensive training and seminars attended. Even promotions of the employee also depends on his academic qualifications and backgrounds.

**Overall it has been declared that whether education is more important or experience, it all depends on your kind of job.** A person cannot be a manager without the right leadership and technical skills. A technical person takes 10 years to be a manager. An MBA degree can get you a manager’s job profile with some 2 to 3 years of I.T experience. Here educations marks the difference. Hence, it all depends on the job role and job profile. Companies may offer high roles even to less qualified but experienced professionals, if their skill sets map to the job requirement. It all depends on companies that's what I guess is the need of the industry and the tech savvy market today. So therefore it is very important to keep yourself upgraded to the current job market to match the job requirements of the industry.
The global labour market is increasingly adopting new technology. New technology makes it easier for companies to automate routine tasks and could disrupt the balance between job responsibilities completed by humans and those completed by machines and algorithms. With smart technology becoming more mainstream, we need to consider the impact using this new technology will have on our society and workforce.

Transformations and disruptions are already occurring within labour markets across the world. People routinely store images and documents in the cloud, our emails remind us to send follow-ups and we can turn on light bulbs with a simple voice command.

Over the last twenty years, the use of new technology has caused some roles to disappear while also creating new, previously unheard of job titles. For example, the rise of online flight comparison sites has drastically reduced the number of physical travel agents and advancements in mobile technology has made switchboard operators obsolete. On the other hand, technological advancements have also led to the emergence of brand new job titles like app developers, social media marketers, and data scientists.

So, will these changes improve or hinder our current standard of living and our future of work? To find the answer, we'll need to explore the Fourth Industrial Revolution a bit closer including its potential impact and benefits.

What is the Fourth Industrial Revolution?
The Fourth Industrial Revolution, also known as Industry 4.0, involves the adoption of cyber-physical systems like the Internet of Things and Internet of Systems.

- **Internet of Things.** Also known as IoT, the Internet of Things is a network of interconnected smart devices that allow each separate device to interact (i.e. send or receive data) from other devices on the network.

- **Internet of Systems.** Business-owned systems that can collect data from IoT networks to make independent decisions about your business’ marketing campaigns, sales, etc.

As the Internet of Things becomes more mainstream, smart devices will have more access to data which could allow them to become more independent. Eventually, smart devices might have enough information to make autonomously make decisions and control key business processes like supply chains without human input.

Whether autonomous machines are a good or bad thing, largely depends on who you ask. Some envision a dystopian, hellish world straight out of a Sci-Fi film where robots have taken all the jobs leaving humans unemployed and miserable. Without employment, our lives would become meaningless leading to drug addictions, violence and widespread public unrest.

Others, most, believe that robots would eradicate the rather dull aspects of our work and allow humans to focus on more challenging, fulfilling...
tasks leading to an overall happier and more productive society. Regardless, once the Fourth Industrial Revolution reaches full maturity, it’ll impact nearly every industry in every country.

**What Impact Will the Fourth Industrial Revolution Have on the Future of Work?**

The 4th Industrial Revolution is largely driven by four specific technological developments: high-speed mobile Internet, AI and automation, the use of big data analytics, and cloud technology. Of these four technologies, AI and automation are expected to have the most significant impact on employment figures within the global workforce.

A recent study released by McKinsey Global Institute reports that roughly one-fifth of the global workforce will be impacted by the adoption of AI and automation, with the most significant impact in developed nations like the UK, German and US. By 2022, 50% of companies believe that automation will decrease their numbers of full-time staff and by 2030, robots will replace 800 million workers across the world.

While these figures may sound depressing, it may also simply represent a change within the workforce and displaced employees could, with the right skills, take on more beneficial roles. The World Economic Forum reports that 38% of businesses believe AI and automation technology will allow employees to carry-out new productivity-enhancing jobs while over 25% of companies think automation will result in the emergence of new roles.

**Remote Working**

In addition to new roles and responsibilities, the 4th Industrial Revolution could also lead to more companies employing specialist contractors or remote workers. Due to new technology and changing demands, employers may also become more supportive of existing employees wanting to work remotely or flexibility.

Giving potential and current employees more freedom to work how, when and where can be very beneficial for companies. It can allow them to recruit a global workforce, increase employee loyalty and commitment, scale at a quicker pace and reach new levels of productivity. Employees benefit too as not having to commute means they’ll have more free time, a better work-life balance and greater flexibility leading to overall employee satisfaction and commitment.

**What Jobs are the Most Likely to be Impacted?**

The 4th Industrial Revolution will impact nearly
every industry with The Economist predicting that 50% of jobs are vulnerable to automation. However, some industries are more likely to be automated than others as robots, like human employees, have a particular specific skill set.

Within the near future, we can expect to see a reduction in the number of full-time staff in manufacturing and agricultural roles as many of these positions are already being phased out due to increased automation. Robots can also more effectively and safely handle tasks within industrial plants and as such their use in manufacturing dates back as early as the 1970s.

The OECD released a list showing the likelihood of roles, within specific industries, becoming obsolete or automated. At the top of the list are occupations within food preparation, construction, cleaning, driving and agricultural sectors.

In addition to manufacturing roles, automation may also impact postal and courier services, shipping and delivery and service industry jobs. Don’t see your industry on the list? BBC has put together a handy calculator to help you determine how likely it is that a robot will replace you.

Jobs Least Likely to be Impacted
While robots may be better at quickly, efficiently and safely completing physical, predictable tasks, robots aren’t better at everything. Currently, most robots lack social and cognitive skills. They might be able to work as chatbots to answer customer questions and complaints within a given framework, but they generally lack enough empathy to adequately support or care for customers and patients.

As a result, roles that involve recognising cultural sensitivities, caring for others, creative or complex reasoning or perception and manipulation are unlikely to be automated. So, social workers, nurses, nuclear engineers, teachers and writers can rest assured that they won’t be replaced by robots any time soon.

The 4th Industrial Revolution’s Impact on the Recruitment Industry
According to the 2018 Global Trends report released by LinkedIn, 76% of recruiters and hiring managers think that the 4th Industrial Revolution, or more specifically automation and AI, will have a significant impact on the recruitment industry. Specialist recruiters, especially within sectors that are highly vulnerable to automation, may need to upskill or shift their focus to a new discipline to stay in the game.

Not only will recruiters have to deal with job losses across industries, but aspects of their roles could also be automated. Robots are already being used with the recruitment industry to make recruiters’ jobs easier, quicker and more fulfilling. When it comes to talent acquisition, it can be easy to get bogged down in admin tasks like screening resumes or scheduling interviews. Over 52% of talent acquisition leaders admit that their biggest challenge is matching the right candidate to the right role.

AI technology can help. Intelligent screening software, like Ideal, can help recruiters process large volumes of CVs to find the ideal candidate. It examines current employees’ skill sets and attributes to find the perfect candidate to join the team. It can even pull information about the candidate from their social media profile or open-source company databases. Chatbots can be used to answer candidates’ questions or provide feedback and online interview software can be used to analyse interviewees’ answers including their word choice, speech patterns and facial expressions to determine their suitability for the role.

Such innovative technology poses both an opportunity and threat to recruiters. On the one hand, AI technology could allow recruiters to work faster and smarter by streamlining front-end processes, remove boring and dull tasks and ultimately improve the clients and candidates experience. On the other hand, as AI technology becomes smarter, it could eventually replace recruiters.
BBC reports that human resource administrative workers have an 89.7% chance of being replaced by a robot. However, human resource managers or directors only have a 32.2% chance of being replaced by a robot.

**Future of Work**

“These transformations, if managed wisely, could lead to a new age of good work, good jobs and improved quality of life for all, but if managed poorly, pose the risk of widening skills gaps, greater inequality and broader polarization.”

- World Economic Forum, 2018 Report

On some level, workforce changes and technological advancements are normal and to be expected of any developing society. Some worry that the 4th Industrial Revolution could create a dystopian world where robots have taken our jobs and there’s a massive wealth disparity between those that own the robots and those that don’t. However, automating key tasks could eradicate the more tedious aspects of our jobs and allow human employees to focus on more meaningful, fulfilling tasks.

Here at Change Recruitment, we prefer to think that the Fourth Industrial Revolution will have a mostly positive impact on the future of work. It'll allow us to focus on more meaningful tasks and help people across every industry complete their jobs to a higher standard. We’re excited about the upcoming changes and are currently looking for ways to integrate AI technology into our workplace.
Five years from now, over one-third of skills (35%) that are considered important in today’s workforce will have changed.

By 2020, the Fourth Industrial Revolution will have brought us advanced robotics and autonomous transport, artificial intelligence and machine learning, advanced materials, biotechnology and genomics.

These developments will transform the way we live, and the way we work. Some jobs will disappear, others will grow and jobs that don’t even exist today will become commonplace. What is certain is that the future workforce will need to align its skillset to keep pace.


The report asked chief human resources and strategy officers from leading global employers what the current shifts mean, specifically for employment, skills and recruitment across industries and geographies.

What skills will change most?
Creativity will become one of the top three skills workers will need. With the avalanche of new products, new technologies and new ways of working, workers are going to have to become more creative in order to benefit from these changes.

### Top 10 skills

**in 2020**

1. Complex Problem Solving
2. Critical Thinking
3. Creativity
4. People Management
5. Coordinating with Others
6. Emotional Intelligence
7. Judgment and Decision Making
8. Service Orientation
9. Negotiation
10. Cognitive Flexibility

**in 2015**

1. Complex Problem Solving
2. Coordinating with Others
3. People Management
4. Critical Thinking
5. Negotiation
6. Quality Control
7. Service Orientation
8. Judgment and Decision Making
9. Active Listening
10. Creativity

Source: Future of Jobs Report, World Economic Forum
Robots may help us get to where we want to be faster, but they can’t be as creative as humans (yet).

Whereas negotiation and flexibility are high on the list of skills for 2015, in 2020 they will begin to drop from the top 10 as machines, using masses of data, begin to make our decisions for us.

A survey done by the World Economic Forum’s Global Agenda Council on the Future of Software and Society shows people expect artificial intelligence machines to be part of a company’s board of directors by 2026.

Similarly, active listening, considered a core skill today, will disappear completely from the top 10. Emotional intelligence, which doesn’t feature in the top 10 today, will become one of the top skills needed by all.

**Disruption in industry**

The nature of the change will depend very much on the industry itself. Global media and entertainment, for example, has already seen a great deal of change in the past five years.

The financial services and investment sector, however, has yet to be radically transformed. Those working in sales and manufacturing will need new skills, such as technological literacy.

Some advances are ahead of others. Mobile internet and cloud technology are already impacting the way we work. Artificial intelligence, 3D printing and advanced materials are still in their early stages of use, but the pace of change will be fast.

Change won’t wait for us: business leaders, educators and governments all need to be proactive in up-skilling and retraining people so everyone can benefit from the Fourth Industrial Revolution.

The Annual Meeting is taking place in Davos from 20 to 23 January, under the theme “Mastering the Fourth Industrial Revolution”.

Discussion 1: Income and Careers
Money, we all need it

- While money can’t buy happiness, we all need to make it.
- Careers/jobs are evolving like never before. In order to keep in step, there are a few simple guidelines that will help keep you relevant in our changing job market.
- Read the article below for more information.
  » 11 Great Ways to Stay Relevant in a Changing Job Market

Mindset

- We are currently living in the Third Industrial Revolution, which is based on digital and information technology.
- Faster than the Third Industrial Revolution is the upcoming Fourth Industrial Revolution, where robotics and Artificial Intelligence (AI) are quickly taking the place of many traditional jobs such as customer service, sales, and manufacturing.
- So how does one respond to this quickly changing employment environment?

- In order to have sustainable employment, we must be committed to lifelong learning. One must stay abreast of the changing skill sets needed and seek professional development to be current in your industry.
- First, read the article below that explains what The Fourth Industrial Revolution is all about.
- Second, read the article that identifies what skills will be in high demand in this new technological age.
  » How Will the Fourth Industrial Revolution Impact the Future of Work?
  » The 10 Skills You Need To Thrive In The Fourth Industrial Revolution

Discussion Focus Activity

Do Now: Think-Pair-Share Activity: With a partner, brainstorm for 2 minutes on the following question and record your response below:

“What career do you see yourself in five years?”

Brainstorm:

_________________________________________________________________________
_________________________________________________________________________
_________________________________________________________________________
_________________________________________________________________________
_________________________________________________________________________
After each pair has been given 2 minutes with a partner, ask them to share their responses with another pair close by, for the next 2 minutes.

Inform students of the following points:

- It is completely normal to not know exactly what career one would like to pursue, as life experiences during young adulthood often shape these decisions; plus, some jobs that may be high in demand when you are entering the workforce may not have even been invented yet, as technology changes occupational needs every day
- No matter what career one pursues, they will likely need to obtain some type of education/training for that career, which will cost time and money

**Financial Goals**

While making money is obviously an important thing, it's just as important to know what to do with one's money after it is earned. This is where personal finance comes into play, and financial planning is an important part of personal finance.

- **Personal finance** - financial management; what one is required to do to obtain, budget, save, and spend money over time
- **Financial planning** - organizing plans to spend, save, and invest money to live comfortably, have financial security, and achieve goals

**The Importance of Personal Finance**

As you have seen, achieving one's personal financial goals is part of financial planning. In order to compartmentalize one's financial goals, they are often broken down into different time amounts. With the right kind of planning, one can work towards accomplishing goals of different time lengths. Generally speaking, financial goals are separated into three categories; short, middle, and long-term.

- **Short-term goal** - a financial goal taking less than one year to accomplish
- **Middle-term goal** - a financial goal taking between one and five years to accomplish
- **Long-term goal** - a financial goal taking more than five years to accomplish

**The Opportunity Cost of Career Paths**
Participants should, on the accompanying worksheet, brainstorm/identify/record a financial planning goal that they may have for themselves within each of the three timeframes.

After participants have been provided with some time to complete this portion of the worksheet, ask them to share their responses with a partner.

It is highly likely that some sort of career goal has made it into your financial planning goals. There are many different options for careers, and it is important to find one that makes you happy.

- **Career** - an occupation that a person has for a significant portion of their life with opportunities for advancement
**Directions:** Brainstorm/identify/record a financial planning goal that you would achieve for yourself within each of the three timeframes listed below.

<table>
<thead>
<tr>
<th>Type/Time Length for Goal</th>
<th>Your Goals</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Short-term Goal</strong> -</td>
<td><em>Answers may vary</em></td>
</tr>
<tr>
<td>Takes less than one year</td>
<td></td>
</tr>
<tr>
<td>to accomplish</td>
<td></td>
</tr>
<tr>
<td><strong>Middle-term Goal</strong> -</td>
<td><em>Answers may vary</em></td>
</tr>
<tr>
<td>Takes between one and five</td>
<td></td>
</tr>
<tr>
<td>years to accomplish</td>
<td></td>
</tr>
<tr>
<td><strong>Long-term Goal</strong> -</td>
<td><em>Answers may vary</em></td>
</tr>
<tr>
<td>Takes more than five years</td>
<td></td>
</tr>
<tr>
<td>to accomplish</td>
<td></td>
</tr>
</tbody>
</table>
Do Now: Think-Pair-Share Activity: With a partner, brainstorm for 2 minutes on the following question and record your response below:

"What career do you see yourself in five years? Identify the type of education, training, certification, and experience you may need to achieve your career goals."

Brainstorm:

_________________________________________________________________________
_________________________________________________________________________
_________________________________________________________________________
_________________________________________________________________________
_________________________________________________________________________

After each pair has been given 2 minutes with a partner, ask them to share their responses with another pair close by, for the next 2 minutes.

Career Paths & Student Loans

As stated earlier, no matter what career path one chooses to pursue, they will likely have to obtain some sort of education/training prior to obtaining that career.

Some useful terms to know about this process are on the following slide. Based on your career path, these terms may or may not be applicable to you. It is important to do your own research.

- **Tuition** - the cost of receiving training or instruction by an educational institution
- **Vocational school** - an education/training institution in which one receives training for a particular job/vocation. This education/training is often short and career-focused for a hands-on vocation (i.e., plumber, electrician, mechanic, heating/air-conditioning, etc.)
- **Certification/Licensure** - provides the verification of a certain level of expertise in a particular area and one has completed the necessary steps that are required to receive approval for that particular designation
- **Associate's degree** - a degree awarded by a community/junior college for the completion of a level of studies that generally takes two years
- **Bachelor's degree** - a degree awarded by a college/university for a typical four year program (undergraduate, with a major, for a specific academic focus)
Another important component of obtaining this education is, of course, paying for it. If you are currently employed your employer may have a program to assist in part or all of the costs involved in your continuing education/professional development.

Additionally, one of the first steps of this process would be to complete the FAFSA (Free Application for Federal Student Aid) application, to see if you are entitled to financial aid, to assist in paying for your education/training. If you don’t have enough money saved up, then the remaining costs would need to be paid for using student loans, which you would be eligible to take out, and then repay after completing your education/training program. Based upon one’s financial situation, there are different types of student loans, as listed on the following slide:

- **FAFSA** (Free Application for Federal Student Aid) - form used to determine one’s need for financial aid, and to apply for federal education grants and loans
- **Student loans** - money borrowed (usually from the federal government), which is used to pay for education/training costs

The focus of this discussion was on creating a plan for the type of careers that will be in demand in the near future and the type of education/training required for those careers.

Take a look at this article as an example of how to pay for your life long learning.

» [6 Ways to Find Student Loans for Certificate Programs, and Other Funding Ideas](#)

**REFLECTION**

Looking at the type of career you wish to have in the next five years and the type of education/training/certifications needed as you progress in your career, think of a few concrete ideas on how you can pay for this professional development in order to reach your career goals.
In today's challenging job market, having specialized skills is a hot commodity. If you want to switch careers, get a promotion, or break into a competitive industry, certificate programs are a good idea.

In fact, professional certifications are the second most common awards in the education system. That's because they're significantly cheaper than graduate degrees. But they're also a prestigious credential that can boost your salary by as much as 25 percent, according to The Washington Post.

However, paying for certification programs isn't always easy. But we've got you covered. Here are five different ways you can pay for your credentials without wiping out your savings or running up credit card debt.

1. Before borrowing student loans for certificate programs, check for employer funds

One of the best places to get financial assistance for certificate programs is through your current employer. Many companies offer tuition or education reimbursement for continuing education. That's especially true if the program you're looking at can help you improve or expand your skills for your current role.

For example, if you're a programmer and want to learn Ruby On Rails to create web applications, that's a big benefit to your boss. Even if your employer doesn't have a formal tuition reimbursement program in place, it could be willing to cover your costs if you can make a good case.

Consider preparing a proposal for your manager that outlines what you intend to learn. Be sure to include what the cost is and how it will benefit your work and the company's bottom line.

2. Apply for federal financial aid

The government offers student loans and grants for some continuing education programs. Federal student loans tend to have lower interest rates and repayment terms than private student loans. This makes them an excellent choice for paying for certificate programs.

To get federal assistance, the first step is to complete the Free Application For Federal Student Aid (FAFSA). Even if you graduated from college years ago, the FAFSA is essential for gaining access to financial aid for certificate programs.

Once you fill out the FAFSA, look for programs that are eligible for federal financial aid. One excellent resource is the National Center For Education Statistics’ College Navigator. You can search for certification programs in your field and find out which certificate program student loans or grants you’re eligible for.

3. Search for private certificate program student loans

Although private student loans don’t tend to be as flexible as federal ones, they can be a useful option for paying for certificate programs. The best private student loan lenders offer flexible repayment plans and competitive rates.

Plus, some offer extra perks, such as interest rate reductions or deferment in the case of financial

Discussion 1: Income and Careers
hardship. Before choosing a lender, make sure to shop around and compare your options.

Not only will comparison shopping help you find your best offer, but it will ensure you’ve found a lender who’s willing to provide a student loan for your certificate program.

4. Ask about payment plan options

Another option to consider is a payment plan directly through your program’s school. Many boot camps and certificate programs offer flexible payment options.

For example, Bloc is one of the most well-respected computer and design coding boot camps out there. It offers payment plans that fit your individual needs. You have to contact them and share your budget with a student advisor, and they’ll come up with a plan that works for you.

While you’ll still need to come up with the money yourself, payment plans can help you manage your budget. Rather than coming up with the money all at once, you can pay your tuition in installments so you don’t have to wipe out your savings account.

5. Consider a personal loan

If certificate program student loans aren’t an option and your employer won’t cover the cost of certificate programs, a personal loan could help. Personal loans tend to have lower interest rates than credit cards and set repayment terms, so you could save money in interest charges.

That said, some personal loans still come with high interest rates, which make them expensive and difficult to pay back. Before taking out a personal loan, make sure you can afford to pay back the principal amount, interest and any associated fees.

6. Apply far and wide to scholarships

Since scholarships do not have to be repaid, they’re a valuable way to pay for school without racking up debt. Some schools, such as Bloc and the Flatiron School, offer scholarships to help offset the tuition cost. But there are also thousands of other scholarships you could be eligible for that can help you pay for your education.

FastWeb and Scholarships.com are two useful resources that can connect adult learners with scholarship opportunities nationwide. You can find and apply for as many scholarships as you wish, as there is no limit to how many you can receive.

Paying for certificate and continuing education programs

Certificate programs can be a great way to advance your career with an affordable credential. Paying for continuing education programs and finding certificate program student loans can be complicated, but there are options that can reduce the financial burden.
Pay, Benefits, and Deductions

22 Discussion Plan
23 The 15 Most Popular Employee Perks
28 2.1 — Pay, Benefits, and Deductions
31 Discussion Handout 2.1 (a)
32 Discussion Handout 2.1 (b)
   Understanding What’s in Your Paycheck Stub
34 Closure
35 Living Wage and How It Compares to the Minimum Wage
DISCUSSION PLAN

IDENTIFICATION OF CENTRAL DISCUSSION TOPIC

Some of you may have received a paycheck/pay stub from an employer, for work that you have done, and some of you may not have had an experience like that just yet. Either way, when one receives this document for the first time, it can be confusing. While this discussion will go into the components of this important document, the following image will show you a preview of what to expect when you receive your first paycheck stub.

» Sample Paycheck Stub

MINDSET - TRADITIONAL VS. CURRENT

Employers will try to offer the best quality benefits (perks for a job, such as health insurance, vacation days, sick days, retirement plans, maternity leave, or more abstract things like a fitness center or napping pods) that the company can realistically afford to offer to their employees. While some benefits have universal appeal, follow the link below and read a bit more about what 15 made the top of the survey:

» The 15 Most Popular Employee Perks

STATEMENT OF ENDURING UNDERSTANDINGS

• It is important to understand the concepts of gross pay and net pay, and how they are calculated
• Understand the components of a paycheck and pay stub

STATEMENT OF SKILLS

• Calculate gross pay and net pay
• Interpret a pay stub
• Identify the components of a paycheck and pay stub
The 15 Most Popular Employee Perks

By: Kathryn Mayer @ Employee Benefit News

Forget onsite gyms, health coaching and pet-friendly offices. The most coveted employee benefits have to do with time away from the workplace. That's the conclusion of a poll of 1,227 working adults from benefits provider Unum, which found that the most desired perks have to do with flexible work options and absence management.

The company gave survey participants a list of 15 perks — that were non-insurance or retirement benefits — and asked the survey participants to choose their top five options. These are the 15 benefits, ranked by popularity.

Time off for new parents and other caregivers is the most coveted employee benefit — and it seems employers are listening. Employers offering paid parental leave increased significantly between 2016 and 2018 for every type of parental leave, according to the Society for Human Resource Management’s annual benefits survey, released in June. The percentage of employers offering paid maternity leave increased from 26% in 2016 to 35% in 2018 and paid paternity leave increased from 21% to 29% over the same period. Meanwhile, adoption (20% to 28%), foster child (13% to 21%) and surrogacy (6% to 12%) leave also increased in the last two years.

A number of large employers have added or enhanced paid parental leave programs in the last year. Dollar General, TD Bank and Unum are among the companies that added parental leave benefits for employees, while IBM, TIAA and Walmart are among those that expanded their programs.
The ability to work from home or work varying hours is a close second to paid family leave as the most popular benefit, according to Unum’s survey.

Such benefits have seen a big growth kick in the last few years. According to SHRM, more than two-thirds (70%) of organizations now offer some type of telecommuting, either on a full-time, part-time or ad-hoc basis, up from 62% last year and 59% in 2014. Amazon, UnitedHealth Group, SAP and Aetna are among the employers embracing remote and flexible work arrangements.

Well over a third of employees rank professional development in their top five wish list, which Unum says recognizes employees' desire to “learn and grow in their careers.”

Meanwhile, according to Kaplan Financial, employers who offer professional development also benefit with increased retention, easier succession planning and greater efficiency.

Nearly four in 10 employees say they’d like access to extended time away from work, according to Unum. That number is even higher for millennial workers, at 42%.

Despite its popularity among employees, only 5% of employers offer paid sabbaticals, according to SHRM. Facebook is among them. Its program, dubbed Recharge, allows employees to take 30 days of paid time off every five years.

More than a third of employees put a company-paid gym membership or access to an onsite fitness center on their wish list. Making easy, affordable access to exercise benefits both employees and employers, says Mandy Stogner, a health and wellbeing consultant at Unum.

“Exercise can help people avoid many chronic health conditions, including obesity, heart disease, high blood pressure and a variety of cancers,” Stogner says. “It also can help tremendously with mental health, improving mood and morale.” And from the employer’s perspective, healthier employees are “more productive and take fewer sick days, and may also help the company control its health insurance costs.”
With student debt soaring, more employees are looking for help from their employers to tackle the issue. More than a third of employees said student debt repayment was a must-have benefit, according to Unum, but that percentage leaps to 55% for millennials, the generation most likely to still be carrying that onerous burden.

A growing number of employers, including Estee Lauder, Pure Insurance and clothing retailer Carhartt, have added student loan perks to their benefits package this year. Still, only 4% of employers currently offer their employees some form of assistance or incentive to repay student loans, according to SHRM.

More than a quarter of employees would like help with their personal finances from their employer, Unum finds.

Financial wellness resources can include training on debt reduction, asset management and saving for current and future needs, such as purchasing a home, financing their children's education or preparing for retirement, Unum says. About a quarter of organizations offer employees financial/investment advice online, one-on-one or in a group or classroom setting, according to SHRM.

More than a quarter of employees would like healthy snacks at the workplace. Offering convenient, healthy snack options — such as fruit or nuts — at low or no cost to employees can help them pack in some healthy nutrients and better harness energy throughout the day, says Laurie Mitchell, assistant vice president of global wellbeing and health management at Unum.

These are superior options to high-sugar, low-nutrient vending machine snacks that can cause a sugar crash, leading to fatigue, difficulty concentrating, headache and irritability, and lower levels of productivity for employees.”
Nearly one in five employees say incentives for achieving their fitness goals are among their top five most-wanted perks. These incentives can range from qualifying for a drawing for completing a health assessment or biometric screening to reductions on health insurance premiums for certain tasks or programs, Unum says.

About 16% of employees say they'd like public transit assistance from their employer.

Pet insurance has steadily gained ground on the voluntary menu over the past few years. One factor behind the growth seems to be deferred childbearing by millennial generation employees, and the increasing number of “empty nesters” who substitute pets for human children.

Fifteen percent of employees say they want a pet-friendly office, according to Unum’s survey. Meanwhile, the majority of workers feel a stronger connection to employers that embrace pet-friendly policies, according to research from Nationwide and the Human Animal Bond Research Institute.

The health benefit may not be the most popular perk among employees, but it is becoming a more prevalent offering from employers. The percentage of employers offering health coaching jumped to 72% in 2017, from from 63% in 2016, according to consulting firm Korn Ferry and HR association WorldatWork.

“Our employees are not shy about asking us about things they want us to offer,” Christine Buczek, director of benefits for Indiana University Health, an Indianapolis-based medical organization with some 30,000 employees distributed among 15 hospital systems, told EBN last year. Pet insurance is one of those “things they want” and has been on IU Health’s menu since it was first offered in 2009.
Employees surveyed by Unum ranked dedicated volunteer hours last in the list of benefits. Still, interest in such programs has nudged up in recent years, although “it hasn’t been a stampede,” Mary Tavarozzi, managing director of Willis Towers Watson’s health and benefits practice in North America, recently told EBN. “Over the last five or six years, the prevalence [of employers offering a volunteer benefit] has moved from around 15% to around 20%.”

According to SHRM, 22% of employers offer paid time off for volunteering; 20% offer paid time off to serve on the board of a community group or professional association, and 42% offer community volunteer programs.
Paystubs and Deductions

Understanding Your Paycheck and Pay Stub

Your Paycheck

• Some of you may have received a paycheck/pay stub from an employer, for work that you have done, and some of you may not have had an experience like that just yet. Either way, when one receives this document for the first time, it can be confusing.

• While this discussion will go into the components of this important document, the following image will show you a preview of what to expect when you receive your first paycheck stub.

---

**DoughMain Financial Literacy Foundation**  
189 Wall Street, Suite B  
Princeton, NJ 08540

<table>
<thead>
<tr>
<th>EMPLOYEE NAME/ADDRESS</th>
<th>SSN #</th>
<th>PAY PERIOD</th>
<th>EMPLOYEE #</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finn Shark</td>
<td>xxx–xx–1234</td>
<td>8/2/2019 – 8/30/2019</td>
<td>1111</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EARNINGS</th>
<th>Rate</th>
<th>Hours</th>
<th>Gross Pay</th>
<th>DEDUCTIONS</th>
<th>Current</th>
<th>Year To Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>SALARY</td>
<td>15.00</td>
<td>40.0</td>
<td>600.00</td>
<td>FEDERAL TAX</td>
<td>81.63</td>
<td>244.89</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>STATE TAX</td>
<td>33.47</td>
<td>100.41</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>SOCIAL SECURITY</td>
<td>37.20</td>
<td>111.60</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>MEDICARE</td>
<td>8.70</td>
<td>26.10</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>WORKER’S COMP</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>UNEMPLOYMENT</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>401K</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| TOTAL    |       |       | 600.00    | TOTAL       | 161.00  | 483.00       |
| YEAR TO DATE GROSS |       |       | 1,800.00  | NET PAY     | 439.00  | 1,317.00     |

---

Mindset

• Employers will try to offer the best quality benefits (perks for a job, such as health insurance, vacation days, sick days, retirement plans, maternity leave, or more abstract things like a fitness center or napping pods) that the company can realistically afford to offer to their employees.

• While some benefits have universal appeal, follow the link below and read a bit more about what 15 made the top of the survey:

» The 15 Most Popular Employee Perks
Discussion Focus Activity

Do Now: Think-Pair-Share Activity: With a partner, brainstorm for 2 minutes on the following question and record your response below:

"Why is it important to keep track of your pay stub information?"

Brainstorm:

_________________________________________________________________________
_________________________________________________________________________
_________________________________________________________________________
_________________________________________________________________________
_________________________________________________________________________

After each pair has been given 2 minutes with a partner, ask them to share their responses with another pair close by, for the next 2 minutes.

Calculating Gross and Net Pay

Generally speaking, when one gets paid for their completed work, they will receive a paycheck and a paystub, which details information about their work and pay.

☐ Paycheck - paper document issued to an employee, which would provide a method of paying them for their completed work

☐ Pay stub - a document attached to a paycheck, which details one’s gross pay, deductions, and net pay

☐ Gross pay - the amount of money one has made before taxes/deductions have been deducted from the paycheck

While one’s gross pay is important to know, it is also very important to keep in mind the concepts of deductions and net pay.

☐ Deductions - amounts of money subtracted from one’s gross pay. These deductions include taxes, but could include additional deductions like health insurance contributions, retirement plan contributions, labor union dues, etc.

☐ Net pay - the amount of money one has made after taxes/deductions have been subtracted from their gross pay (also known as take home pay).
Different Types of Compensation

Now that we have identified the process in which one receives compensation for their work, we will now identify different ways in which one's pay is calculated.

- **Salary** - a fixed amount of income that one is paid, regardless of the amount of hours worked
- **Hourly rate** - an amount of money that one earns per hour of work, which would be calculated/indicated within one's pay stub

Participants should, on the accompanying worksheet, calculate the gross pay and net pay for the provided scenarios, following prompted instructions.

*After participants have been provided with some time to complete this portion of the worksheet, ask them to share their responses with a partner.*

Participants should then, on the accompanying worksheet ([Understanding What’s in Your Paycheck Stub](#)), follow an instructor-led overview of the components of a pay stub (gross pay, various deductions, net pay, paycheck).
Directions: Fill out the tables below to determine the gross and net pay.

1. For the following prompts, determine the gross pay. Remember, the gross pay would equal the amount of hours worked multiplied by the hourly pay rate.

<table>
<thead>
<tr>
<th>Hours Worked</th>
<th>Hourly Pay Rate</th>
<th>Gross Pay</th>
</tr>
</thead>
<tbody>
<tr>
<td>35</td>
<td>$10.50</td>
<td>$367.50</td>
</tr>
<tr>
<td>17</td>
<td>$14.75</td>
<td>$250.75</td>
</tr>
<tr>
<td>80</td>
<td>$27.00</td>
<td>$2,160</td>
</tr>
<tr>
<td>7</td>
<td>$9.75</td>
<td>$68.25</td>
</tr>
<tr>
<td>29</td>
<td>$21.50</td>
<td>$623.50</td>
</tr>
</tbody>
</table>

2. For the following prompts, determine the net pay. Remember, the net pay would equal the amount of money one would take home after paying taxes.

<table>
<thead>
<tr>
<th>Gross Pay</th>
<th>% of Taxes Owed</th>
<th>Net Pay</th>
</tr>
</thead>
<tbody>
<tr>
<td>$367.50</td>
<td>20%</td>
<td>$294</td>
</tr>
<tr>
<td>$250.75</td>
<td>15%</td>
<td>$213.14</td>
</tr>
<tr>
<td>$2,160.00</td>
<td>25%</td>
<td>$1,620</td>
</tr>
<tr>
<td>$68.25</td>
<td>10%</td>
<td>$61.43</td>
</tr>
<tr>
<td>$623.50</td>
<td>20%</td>
<td>$498.80</td>
</tr>
</tbody>
</table>
Understanding What’s in Your Paycheck Stub

Understanding the parts of your paycheck stub is important, because it informs you of how much money you are actually making after deductions. So let’s take a close-up look at a sample paycheck stub.

<table>
<thead>
<tr>
<th>DoughMain Financial Literacy Foundation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings Statement</td>
</tr>
<tr>
<td>Check # 12345</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EMPLOYEE NAME/ADDRESS</th>
<th>SSN #</th>
<th>PAY PERIOD</th>
<th>EMPLOYEE #</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finn Shark</td>
<td>xxx−xx−1234</td>
<td>8/2/2019 – 8/30/2019</td>
<td>1111</td>
</tr>
<tr>
<td>12−34 Coral Cove</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Atlantic NJ, 00000</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### 1. Earnings (Gross Pay/Income)

The amount earned before any withholdings and deductions have been taken out of your paycheck. Other types of wages like overtime, bonuses, and vacation time may be included here as well.

- **Rate**: 15.00
- **Hours**: 40.0
- **Gross Pay**: 600.00
- **Federal Tax**: 81.63 (Current) 244.89 (YTD)
- **State Tax**: 33.47 (Current) 100.41 (YTD)
- **Social Security**: 37.20 (Current) 111.60 (YTD)
- **Medicare**: 8.70 (Current) 26.10 (YTD)
- **Workers’ Comp**: N/A
- **Unemployment**: N/A
- **401K**: N/A

**Total**: 600.00

**Year to Date Gross**: 1,800.00

### 2. Year to Date

Often abbreviated as YTD, these sections show the total amount earned or taken from your pay over the year thus far.

- **Net Pay**: 439.00 (Current) 1,317.00 (YTD)
5. Deductions / Withholding

List of various taxes that have been, by law, deducted or withheld from your gross income by the employer and sent to the government or private insurance companies.

- **Federal Tax**: calculated based on information such as your marital status and the amount of allowances claimed on your W-4 form.
  
  Collected taxes are allocated based on the federal budget agreed upon each fiscal year by the federal government, to fund programs that benefit the people such as education, technology, Social Security, and National defense.

- **State Tax**: refers to taxes that have been set by the state. As each state can have their own system, they can vary from levying a no income tax rate, a flat income tax rate, or a progressive tax structure (tax based on income).
  
  Collected taxes are used to fund state programs, primarily those focused around education and healthcare.

- Social Security and Medicare may sometimes be put together or labeled under a tax called the **Federal Insurance Contributions Act (FICA)**.

- **Social Security**: a tax taken by the federal government to help fund retirement and disability programs. A flat 6.2% is subtracted from your gross pay.

- **Medicare**: a tax taken from your paycheck to help fund federal government programs, that provides healthcare benefits to retired Americans and certain disabled Americans. A flat 1.45% is subtracted from your gross pay.

- **Worker’s compensation / disability**: insurance required by employers to help provide support due to job injuries or disabilities. May be state-run or by private insurance companies.

- **Federal Unemployment Taxes (FUTA)**: taxes that go towards unemployment insurance to provide support if you were involuntarily laid off or dismissed from your job. People that voluntarily leave their job do not get these benefits.

**Benefits**

Some paycheck stubs may include a section for employee benefits provided through the employer, such as health, dental, and vision insurance plans that usually require you to pay a part of the cost by deducting it from your pay.

Other employee benefits could include a 401(k), a company sponsored retirement plan. The amount you contribute to your 401(k) is also deducted from your pay.

**Other Deductions**

Sometimes job related expenses such as uniform costs, meals, supplies, etc. may be subtracted from your paycheck.

Other deductions may include post-tax deductions, expenses, or contributions that are taken from your pay after all the required taxes have already been taken out, e.g.) Union dues, wage garnishments, charitable donations, and certain retirement funds.
When it comes to wages, one of the major topics discussed is minimum wage. Another concept that you may hear is living wage.

Read the information provided through the link below to learn more about the concepts of minimum wage and living wage.

» Living Wage and How It Compares to the Minimum Wage

In addition, here are the definitions of minimum wage and living wage.

- **Minimum wage** - the lowest wage that a person can be paid per hour for their work. This wage is often set at the federal level; however, individual states can set the wage to be higher

- **Living wage** - an idea or calculated minimum income level needed to pay for basic needs in a particular area or region of the country

**REFLECTION**

Ask participants to consider whether they believe that the federal and/or state and local governments should ensure that workers are earning at least a living wage, or if they believe minimum wages provide enough government interaction with our free market economy. If time permits, hold a brief discussion.
Living Wage and How It Compares to the Minimum Wage

June 12, 2019
By: Kimberly Amadeo @ The Balance

How Much Do You Need to Live in America?
The living wage is the amount of income needed to provide a decent standard of living. It should pay for the cost of living in any location. It should also be adjusted to compensate for inflation.

The purpose of a living wage is to make sure that all full-time workers have enough money to live above the federal poverty level.

A living wage isn't enough to improve one's quality of life or protect against emergencies. For example, workers won't earn enough to eat at restaurants, save for a rainy day, or pay for education loans. It doesn't include medical, auto, or renters/homeowners insurance. In other words, it's enough to keep you out of a homeless shelter, but you'd still have to live paycheck-to-paycheck. If you can't afford insurance, and you get sick, you could still wind up homeless.

Living Wage Calculators
A living wage calculator shows the hourly rate needed to pay for typical basic costs in a given location. These costs are food, health care, rent, transportation, child care, and taxes. The cost estimates are taken from government and non-profit surveys of such costs.

The Massachusetts Institute of Technology provides the well-known Living Wage Calculator. The Institute developed it in 2004 and update it in the first quarter of each year. The calculator shows costs for each of the 50 states and the living wage needed to pay those basic costs. It compares this to the minimum wage and the poverty wage. It also shows which occupations in the area pay less than the living wage.

The Economic Policy Institute designed a Living Wage Calculator (last updated in March 2018) targeted toward a family with children. It also used federal data for the major metropolitan areas.

Living Wage Versus Minimum Wage
The living wage is often confused with the national minimum wage. In fact, the terms are often used interchangeably. The U.S. Congress originally created the minimum wage with the intent to provide a living wage. But the minimum wage is an amount set by law, whereas the living wage is determined by costs. The amount needed to provide a living wage depends on what is included in the calculation. The amount set by lawmakers for the minimum wage must take into account the needs of businesses as well as workers.

They must also consider the overall impact on the economy.

The minimum wage was set to allow workers enough income to stay out of poverty. It has failed in its duty because it hasn't kept pace with the true cost of living. If it had been indexed to the consumer price index over the last 40 years, the minimum wage would now be $10.41. If it had kept pace with executive level pay increases, it would be $23/hour. Many people want the minimum wage raised.

Living Wage Campaign
The goal of the living wage campaign is to make sure the minimum wage is equivalent to the true cost of living. The campaign is often waged at state and local levels, as well as at the national...
level. Some campaigns focus on paying a higher-than-minimum wage to those who receive local government contracts. Others try to address raising the minimum wage for all employees in the state.

The living wage campaign is a popular cause among voters. Sixty percent of Americans have, at one time in their lives, been paid the minimum wage and know what it feels like. Support has grown as income inequality in the United States has increased. Although most people are opposed to handouts, such as unemployment benefits, to those who don't work, they like to see hard workers be rewarded.

There are several living wage campaigns:

- **Raise the Minimum Wage**: Works with the National Employment Law Project to coordinate living wage campaigns across the country.

- **ACORN**: This now-defunct group successfully raised the minimum wage in many cities across the country in the late 1990s. At its peak, it had 400,000 member families belonging to 1,200 neighborhood chapters in 75 U.S. cities.

- **The Universal Living Wage Campaign**: This group seeks to tie increases in the minimum wage to the cost of housing. Its goal wants no one to pay more than 30 percent of income for housing.

- **Thirty percent is the federally recommended limit.**

### Living Wage Versus Poverty Level

In 2018, the Department of Health and Human Services set the federal poverty level at $24,600 for a family of four. That's equivalent to $11.83 per hour for a full-time worker. A worker making the minimum wage of $7.20 per hour would be below the poverty level. Both parents would need to work minimum wage jobs to stay above the poverty level.

On the other hand, a single person must earn $12,140 a year, or $5.83 an hour, to be above the poverty level. For that person, the minimum wage would be adequate.

#### Living Wage Compared to the Minimum Wage and Poverty Level

Even those making the minimum wage and living above the poverty level aren't making a living wage. For example, the cheapest city in the country is McAllen, Texas. The MIT living wage calculator says that a single person must earn $10.31 an hour to afford to live there. That covers the average housing, medical, food, and transportation costs. If the national minimum wage isn't a living wage in even the cheapest city in the country, it’s not a living wage anywhere.

On the other hand, the most expensive U.S. city is Manhattan, New York. MIT’s calculator estimates the living wage to be $16.14 an hour for a single adult. The calculator assumes housing costs of $16,224 a year. It would be difficult to find an apartment in Manhattan for $1,352 a month. Even at a living wage, you’d need roommates.

**Mandating a national living wage would be complicated to implement. The cost of living varies from city to city and region to region. Many cities and states have indexed their minimum wages to inflation, which compensates for any rises in the cost of living. If the government were to try and institute a living wage for everyone, it would require meticulous planning and regulation. It would need to vary by region and by family size.**

When the government gets that detailed, the whole system becomes a command economy, where all economic decisions are made by a central government. This restricts the natural dynamics of the free market economy and leads to unanticipated negative results.

There would be a similar problem in instituting a universal basic income. It is a government guarantee that everyone receives a minimum income. The concept has gained popularity as a way to offset job losses caused by technological advancements.

The government has a legitimate role in setting a minimum wage. Congress should increase the minimum wage to $10.41 an hour to make sure it keeps up with inflation. But it shouldn't make sure that the minimum wage is equivalent to the living wage in each town and city.
### Taxes

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<td>47</td>
<td>How to File Taxes: 7 Tips for Students and Other First-Time Filers</td>
</tr>
</tbody>
</table>
**Discussion Plan**

**Identification of Central Discussion Topic**

Unfortunately, many young people embark on their adult lives without an adequate amount of knowledge about filing their taxes. As you will learn, this is something that must be done every year by “tax day” (April 15). The following link provides some tips to remember, as a young adult that pays taxes.

» *What 20-Somethings Should Know About Taxes*

**Mindset - Traditional vs. Current**

There are common misconceptions regarding income tax, i.e., how it is collected, and how to avoid paying more tax than you should. Read the following article to get a glimpse on how these common assumptions on income tax are incorrect.

» *4 Common Misconceptions About Taxes, Debunked*

**Statement of Enduring Understandings**

- It is extremely important to understand how taxes are assessed, and how they are utilized by local, state, and federal governments
- Distinguish between different types of local, state, and federal taxes

**Statement of Skills**

- Identify the various services that tax dollars fund
- Explain the importance of taxes to the overall economy
For those relatively new to the tax scene, these pointers can help preserve your take-home pay.

WITH THE TAX DEADLINE (April 15) fast approaching, it’s time to check up on all of the deductions and credits available to you. If you’re a millennial and filing taxes is still a relatively new undertaking, then you might want to consider these strategies, especially if you want to avoid the dreaded tax audit. Here are seven tips to keep in mind before you file your paperwork to Uncle Sam:

1. **Coordinate your filing plans with your parents.**

If your parents plan to claim you as a dependent, then that affects your own filing status. So make sure to coordinate with them, especially if you’re still living with them or otherwise getting support from them, says Mark Luscombe, principal federal tax analyst for Wolters Kluwer Tax & Accounting US, formerly Wolters Kluwer, CCH. The Internal Revenue Service specifies that parents can claim qualifying children who are under age 19 or a full-time student under age 24, as long as they are not earning above a certain income. “If you’re living at home because you have no job, then yes, you probably qualify, but if you have a job, then you probably have to file on your own,” Luscombe explains.

2. **Take relevant education credits.**

Student loan interest is eligible for a deduction up to $2,500, says tax expert and former U.S. News contributor Barbara Weltman. She adds that you don’t have to itemize your deductions in order to take it, but there are income limits. Other education-related credits include the American Opportunity Tax Credit, which offers a tax credit up to $2,500 for the first four years of college (there are also income limits on eligibility). The Lifetime Learning Credit, which covers courses for academic credit or career development, offers up to $2,000, she says.

3. **File electronically.**

Weltman urges millennials to file taxes electronically, as 90 percent of taxpayers do, which saves time and can also reduce errors. She adds that the Free File program from the IRS and tax software industry gives those earning below $60,000 access to free tax software. (All taxpayers can file for free through the IRS.gov website with online fillable forms.)

4. **If you moved for a job, you might be able to deduct the costs.**

Weltman points out that you have to move at least 50 miles from your former location, but if you qualify, then you can write off moving expenses, which include the cost of moving household goods and driving from one location to the other. You don’t need to itemize to take this deduction, she says, but you have to work in the new location full time for at least 39 weeks. This deduction applies to new college graduates, too, Weltman says.

5. **If you bought a home, deduct your mortgage interest.**

For millennials who are homeowners, mortgage interest is often eligible to be a tax deduction, but you’ll have to itemize your deductions to claim it, Luscombe says. You can also check IRS.gov to see if other home-related expenses are eligible for credits, like energy-efficiency improvements.
6. If you have children, then an array of deductions and credits might apply.

Parents can qualify for a dependent care credit if both spouses work and pay for child care; you can claim up to $6,000 of child care costs for two or more children. A child tax credit of $1,000 per child is also available, but phases out for higher incomes, Luscombe says. For married taxpayers filing jointly, the phaseout begins at an income of $110,000. For single taxpayers, it begins at $75,000. Parents can also take advantage of tax-advantaged college savings accounts for their children, such as 529 or Coverdell accounts.

7. Remember to update your name if you change it.

Luscombe notes that newlyweds who change their name often forget to inform the Social Security office, which can cause problems with a tax return that appears to list an incorrect name. “That could be a reason for a return to get kicked back to you,” Luscombe notes. Making sure all your paperwork is in order before you file can help save you headaches – and IRS inquires – later.
Even if you're hiring a professional to do your taxes, it's important to understand a few things about how they work.

Most people end up hiring a CPA or a tax preparer or buying software like H&R Block and TaxAct to file their taxes. You answer a bunch of questions and the preparer somehow puts the answers to those questions on a few sheets of paper. Then you send to the Internal Revenue Service (IRS). Because people don't often learn how to file the paperwork on their own, many have trouble understanding taxes.

As someone who used to prepare taxes, I've had people ask me some strange questions. After years of answering these questions, I've realized there are many misconceptions about how taxes work. Here are a few things people usually have trouble with:

1. Your tax bracket is your tax rate.

I can't tell you how many times I've heard someone say they aren't working any more hours or overtime because it would put them in the next tax bracket.

While earning more money may put you in the next tax bracket, it doesn't mean all of your income will be taxed at a higher rate.

The U.S. system is called a "marginal tax system." This means that you're taxed on your income in stages. For this example, the tax brackets are as follows:

<table>
<thead>
<tr>
<th>Taxable Income</th>
<th>Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 to $15,000</td>
<td>10 percent</td>
</tr>
<tr>
<td>$15,001 to $30,000</td>
<td>12 percent</td>
</tr>
<tr>
<td>$30,001 to $100,000</td>
<td>22 percent</td>
</tr>
</tbody>
</table>

Using theoretical numbers, if you had taxable income of $30,000 last year, you would pay 10 percent on the first $15,000 and 15 percent on the 15,001st dollar through the 30,000th dollar. If you earned $30,001, you'd pay only 25 percent tax on that one dollar over $30,000! You wouldn't pay 25 percent in taxes on all $30,001.

2. Itemized deductions save everyone a ton of money.

For some reason, people seem to think that itemizing deductions means that you're saving a lot of money on your taxes. And this may be true in some cases. But many who itemize deductions aren't saving nearly as much money as they think they are.

When you take itemized deductions on your tax return, you no longer get the standard deduction.

If your itemized deductions don't exceed your standard deduction by a lot, you won't save much in taxes.

All that you're saving is the difference between your standard deduction and the total of your itemized deductions. Plus, a deduction reduces only your taxable income -- not your actual tax due. So if you're in the 22-percent tax bracket, each dollar of deduction saves you only 22 cents in taxes paid.
3. You shouldn't pay off loans that have tax-deductible interest.

I've heard several people argue that you shouldn't pay off student loans or mortgages early because the interest is tax-deductible. But while there could be other legitimate arguments for not paying off these types of loans quickly, tax deductibility isn't one of them.

As discussed above, a tax deduction lowers only your taxable income, not your tax due. So for every dollar in interest you pay, you save just a small portion. It usually comes out to 22 cents or less per dollar of interest you pay. While paying 78 cents is better than paying $1, paying nothing is the best in my book. Paying off your loan saves you 100 percent of the interest you were paying.

4. You pay more taxes on bonuses.

Bonuses are a great way companies reward their employees. Unfortunately, the IRS has special rules for how taxes are withheld on bonuses. Most companies opt to take the easy route and simply withhold 22 percent of the bonus for federal income-tax purposes.

Some people think this means they're paying more in taxes on their bonuses because their usual federal tax withholding from their paychecks is much less than 22 percent. The key difference is that 22 percent is withheld, not actually paid in taxes. While more money is withheld from your bonus, the actual tax you owe is calculated when you file your tax return.

You then apply the money that was withheld or paid in estimated tax payments to calculate whether you receive a refund or owe money at tax time. If more money was withheld than you owed, you'll get a refund. Some may end up getting back part of the money withheld from a bonus in the form of a tax refund at tax time, assuming enough money was withheld throughout the year to cover tax liability for other income.

Armed with this new information, you can help spread awareness and understanding of how taxes work.
Tax Day
- Unfortunately, many young people embark on their adult lives without an adequate amount of knowledge about filing their taxes.
- As you will learn, this is something that must be done every year by “tax day” (April 15).
- The following link provides some tips to remember, as a young adult that pays taxes.
  » *What 20-Somethings Should Know About Taxes*

Mindset
- There are common misconceptions regarding income tax, i.e., how it is collected, and how to avoid paying more tax than you should.
- Read the following article to get a glimpse on how these common assumptions on income tax are incorrect.
  » *4 Common Misconceptions About Taxes, Debunked*

### Discussion Focus Activity

**Do Now:** Think-Pair-Share Activity: With a partner, brainstorm for 2 minutes on the following question and record your response below:

“What sort of government services are funded through the collection of taxes?”

**Brainstorm:**

_________________________________________________________________________
_________________________________________________________________________
_________________________________________________________________________
_________________________________________________________________________

After each pair has been given 2 minutes with a partner, ask them to share their responses with another pair close by, for the next 2 minutes.

*Participants will likely produce the following types of responses:*
*Education, police, fire, emergency services, military defense, border security, airport security, libraries, paving of roads, etc.*

The term taxes has such a negative connotation to some people, but when you really break down the concept of taxes, you find out that tax revenues are utilized to pay for a wide variety of important government services.

- **Taxes** - fees imposed by the government, which are utilized to fund government programs.
As your Do Now discussions likely proved, tax revenues are used to pay for important programs like education, police, fire, emergency services, military defense, border security, airport security, libraries, paving of roads, etc.

**Your Tax Dollars at Work**

- **Taxes**

Different types of taxes are collected by all three levels of government (local, state, & federal). These tax revenues are then used for different types of government services, as indicated below:

- **Local taxes** → property taxes → education
- **State taxes** → income & sales tax → variety of state government expenses
- **Federal taxes** → income & FICA → variety of federal government expenses

**Taxes on All Levels**

- **Taxes on All Levels**

Tax deductions would include the following:

- **Property tax** - a local government (township, city, or municipality) tax paid, based on the value of one’s owned property, in the form of a set percentage, which is the primary source of funding for local public schools
- **Sales tax** - a state government tax, which adds a decided-upon percentage onto the purchase price of purchased items
- **Income tax** - a tax collected by state and federal governments, out of one's paychecks, in a set percentage, which is used to fund a variety of government programs

As well as these:

- **FICA tax** (Federal Insurance Contributions Act) - a federal government tax, collected out of one’s paychecks, in a set percentage, which is used to fund Social Security and Medicare
- **Social Security** - a federal government program, which provides monetary benefits to retired Americans (who have worked), or disabled Americans (who are not able to work)
- **Medicare** - a federal government program, which provides healthcare benefits to retired Americans or disabled Americans
Another very important aspect of taxes is the process of filing one’s taxes. This is the name for the process of reporting to the government (every calendar year) how much income they have made, as well as how much was paid in taxes. This must be done by ‘tax day’ (April 15, most years), for the previous calendar year. The Internal Revenue Service (IRS) is responsible for administering and enforcing U.S. tax laws.

- **Filing taxes** - name for the process of reporting one’s income and taxes paid, from the previous calendar year, by ‘tax day’ of each year
- **Internal Revenue Service (IRS)** - the federal agency responsible for administering and enforcing the United States’ tax laws

### 1040 Form Completion

As part of filing taxes, you will file a 1040 form.

Please watch the video for a better understanding on how to file your taxes using the 1040 form.

» [https://www.youtube.com/watch?v=McRZ2vWKlag](https://www.youtube.com/watch?v=McRZ2vWKlag)

Participants will then complete a Form 1040 tax estimator using this link:


In order to file your return, you will need your W-2 to file. This document is issued to you by your employer. If you have more than one job, you will be issued a W-2 from each of your employers. Keep in mind that a copy of your W-2 is sent directly to the IRS.
Use this sample W-2 as a guide to fill out the tax simulator.

When it comes to taxes, the more knowledgeable one is, the better as it can get really complicated; the U.S. tax code of tax rules is 70,000 pages long. For this reason, many Americans will hire professionals to help to best-file their taxes. In the meantime, check out the following link for more information about taxes:

» How to File Taxes: 7 Tips for Students and Other First-Time Filers

REFLECTION

Ask participants to consider whether their increased knowledge of taxes has changed their outlook on taxes (for example, if they feel more positively, more negatively, or the same about taxes). If time permits, hold a brief discussion.
How to File Taxes: 7 Tips for Students and Other First-Time Filers

June 17, 2019
By: Tina Orem & Gianna Sen-Gupta @ NerdWallet

Here’s how to get started if you’re learning how to file taxes.

At NerdWallet, we strive to help you make financial decisions with confidence. To do this, many or all of the products featured here are from our partners. However, this doesn’t influence our evaluations. Our opinions are our own.

Filing your federal income taxes for the first time can be daunting, but if you’re wondering how to file taxes, here’s a cheat sheet that might make it easier to get started filing your first tax return.

1. Do you have to file a return? Probably yes.

It depends on your income, filing status, age and other factors. It also depends on whether someone else can claim you as a dependent.

Even if you don’t have to file, you might want to do it anyway: You might qualify for a tax break that could generate a tax refund. So give filing some serious consideration if:

- You had income tax withheld from your pay
- You made estimated tax payments or had last year’s refund applied to this year’s estimated tax
- You qualify for education credits or other tax credits

2. Gather the information you need

You’ll need to do this whether you’re hiring a tax preparer or doing your taxes yourself. The goal is to gather proof of income, expenses that might be tax-deductible or win you a tax credit, and evidence of taxes you already paid throughout the year. Our tax prep checklist can give you more guidance, but here’s a short version of what to round up:

- Social Security numbers for yourself, as well as for your spouse and dependents if any
- W-2 form, which tells how much you earned in the past year and how much you already paid in taxes on those earnings (if you had more than one job, you might have more than one W-2)
- 1099 forms, which are a record that some entity or person — not your employer — gave or paid you money
- Retirement account contributions
- Educational expenses
- Unreimbursed medical bills
- Property taxes and mortgage interest
- Charitable donations
- Classroom expenses
- State and local taxes you paid
- Last year’s federal and state tax returns (if this isn’t your first time filing and you’re just refreshing yourself here)

3. Get the right tax forms

Filling out schedules and worksheets is a common part of learning how to file taxes, but first you have to figure out which ones to file. The big one is Form 1040. It’s the standard federal form people use to report their income, claim tax deductions and credits, and calculate the amount of their tax refund or tax bill for the year. There are six additional schedules that you may or may not have to tack onto that, depending on your tax situation and whether you want to claim certain deductions and credits.
4. Decide if you’re going to DIY or hire a pro

<table>
<thead>
<tr>
<th>It might be best to hire someone if..</th>
<th>You can probably use tax software if..</th>
</tr>
</thead>
<tbody>
<tr>
<td>• You have a business or a side hustle</td>
<td>• All of your income came from your employer</td>
</tr>
<tr>
<td>• You don’t understand the forms you’re getting in the mail</td>
<td>• Nothing financially complicated is going on in your life — you didn’t get married or divorced, have a baby, lose a spouse or child, buy or sell a home, own a rental or make a lot of investments — and won’t itemize deductions.</td>
</tr>
<tr>
<td>• You want tax advice and strategic planning</td>
<td>• You understand what the software is asking you</td>
</tr>
</tbody>
</table>

You may be able to get free name-brand tax software. Many major tax software providers offer free versions for people with simple tax situations. Also, the IRS’s Free File program gives away tax software if your adjusted gross income is less than $66,000.

5. Take advantage of free tax help

The IRS’s Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) program provide free tax prep services generally to people who make $54,000 or less, have disabilities, are older than 60 or speak limited English. This can be a huge money-saver if you qualify. To find locations in your area, go to irs.treasury.gov/freetaxprep.

6. Start preparing early

An important part of learning how to file taxes is to start the tax-filing process in advance. The IRS charges interest on whatever is outstanding if you don’t pay your tax bill in full by the April deadline. The annual interest rate is usually around 5% or 6%.

• The IRS may also sock you with a late-payment penalty of 0.5% per month, with a maximum penalty of 25%.

• On top of all that, there’s a late-filing penalty if you don’t file the tax return itself on time. That runs 5% of the amount due for each month or partial month your return is late. The maximum penalty is 25%.

You can get more time to file your tax return by filing IRS Form 4868. But beware: Getting an extension gives you more time to file your return, not more time to pay your taxes. When you file for an extension, make a good estimate of what you owe the IRS and send some or all of that amount along with your extension request in April.

7. Do something about that refund or giant tax bill

Learning how to file taxes also means learning how to manage your tax situation.

• If you end up having to write a giant check to the IRS and/or the state in April, it may be because you’re having too little tax withheld from your paycheck during the year.

• Likewise, if you end up getting a giant refund in April you may have had too much tax withheld from your paycheck during the year. Refunds may seem great, but think about what life might’ve been like if you’d had that money all year instead for groceries, gas and car repairs, monthly credit card payments or other bills you have to pay.

Avoid the big swings by adjusting your W-4 — the form that tells your employer how much tax to withhold from each paycheck. You can change your W-4 any time. Finally, if you’re expecting to get a refund and want the fastest turnaround, file your tax return online and have your refund deposited directly to your bank account. The IRS says it will issue most refunds within 21 days, but many filers receive federal refunds within 10 days.
Budgeting

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51 *8 Money Experts Answer: ‘What Are the Best Ways to Stretch a Dollar?’*
54 *Reasons Why You Should Budget Your Money*

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58 Discussion Handout 4.1 (a)

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60 Discussion Handout 4.2 (a)

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**Discussion Plan**

**Identification of Central Discussion Topic**

As we will learn, budgeting has to do with handling one’s income and expenses. One’s budget will likely look quite different when they are just starting out their career, compared to later in their life when their career may be more established, and/or they may be in a relationship in which multiple incomes are sustaining their lives. The following link will bring you to an article which explains eight ways to stretch your budget and maximize your happiness.

» [8 Money Experts Answer: ‘What Are the Best Ways to Stretch a Dollar?’](#)

**Mindset - Traditional vs. Current**

Most people hear the word budget and it sounds like being on a diet (no fun). Changing the way you think about budgeting is key to being financially responsible. Other than having the money to meet your obligations, there are other benefits to creating a personal budget. Read the following article to take advantage of some of these benefits:

» [Reasons Why You Should Budget Your Money](#)

**Statement of Enduring Understandings**

- It is extremely important to understand how to budget one’s money
- Some of the purchases one makes are needs, while others are wants. When we make decisions about how to utilize our money, other things will be given up or sacrificed

**Statement of Skills**

- Define and provide examples of needs and wants
- Determine the opportunity cost of financial decisions
Robert Kiyosaki, Tony Robbins and other personal finance gurus share tricks to make your money last.

As the beginning of a new year approaches, there’s no better time to assess how you can improve your finances in 2016. Sometimes, the most effective change you can make is to stretch your money just a little further.

But as simple as it sounds, asking yourself, "What are the best ways to stretch a dollar?" doesn’t have one clear-cut answer. GOBankingRates posed the question to eight influential experts in personal finance today, each of them finalists in the fifth annual GOBankingRates Best Money Expert competition.

Here’s how they responded to the question.

1. Freeze your spending habits.
"Go on a spending freeze with your partner, colleagues or best friends," says Nicole Lapin, news anchor, author of "Ritch Bitch" and U.S. News My Money blogger. "Create a support system and help each other."

Lapin suggests several ways to team up and make saving money a group effort. Avoid the inflated costs of eating and drinking out – instead, make it a "friends' night in" by buying inexpensive wine and snacks. Another fun way to stretch your dollars, Lapin says, is to start a friendly "Biggest Debt Loser" competition with your friends. That way, you can share with each other how you’re cutting your costs; negotiating lower cellphone bills or interest rates are just a couple examples.

Having a support network is helpful to "talk you off the edge" of making impulsive purchases, Lapin says. Interested in a new handbag? Before splurging, take a photo of it and text it to a friend. Show that you have the willpower to put it down and pass up on buying it.

Lapin also advocates swapping clothing among friends instead of wasting money on new items. "As money issues become more intense, a like-minded community will keep you sane and moving in the right direction," she says.

2. Invest your money.

Robert Kiyosaki, a three-time Best Money Expert winner, is known the world over for "Rich Dad Poor Dad," the No. 1 best-selling personal finance book of all time. If you’re living paycheck to paycheck or letting your earnings stagnate in a low-yield bank account, Kiyosaki’s advice is simple:

"Invest it! Put your money to work for you instead of working for money all your life," he says.

Over time, investing in well-performing stocks and bonds can build a sizable nest egg, helping you get more out of your finances.

3. Pay with cash whenever possible.

In this day and age of online banking and mobile payments, using physical cash might seem passe. But Clark Howard of "The Clark Howard Radio Show" says you should be using it as often as you can.

"Pay in cash for whatever you can, using envelopes to divvy up your money and keep you within budget," Howard says.
This strategy is in line with his "money in your pocket" mantra. Using the envelope method as a budgeting tool is a simple way to divide up cash according to your monthly expenses.

"You simply take envelopes and write 'groceries' on one, 'utilities' on another, 'walking around money' on a third – whatever it is in your life that requires money," Howard says. Using this system, you'll find that you have exactly the amount you need in each envelope and for each spending category, which can prevent going over budget.

4. Maximize your saving opportunities.

Author and financial reporter Jeanette Pavini is well-acquainted with helping people stretch their dollars as far as they can go. As the national spokeswoman for Coupons.com, she's a staunch advocate of finding discounts and deals wherever and whenever you can.

"Always look for a way to save and don't let saving opportunities pass you by," Pavini says. "I never make a purchase without looking for a coupon or coupon code. In fact, I almost never make a purchase without applying some type of savings."

To start, Pavini suggests signing up for a rewards credit card offering bonuses on gas or groceries. With the card in hand, buying something as simple as a box of cereal is an opportunity to save.

"[I'll] apply a coupon from Coupons.com, get 2 percent back in credit card rewards, clip the box top so 10 cents goes to my child's school and use my grocery store loyalty card so I get points towards gas saving," she says. "One box of cereal, four different savings strategies. There are so many opportunities to save out there, and it typically only takes a nominal amount of effort to take advantage of them."

5. Maintain your cash flow.

"Always have a consistent flow so you don't have to stretch" is the simple advice from Josh Felber, author, career coach, entrepreneur and the 2014 Best Money Expert winner. Felber implores people to compare their savings versus their spending and to work toward spending less than they earn.

Making this happen is as easy as weighing your wants versus your needs and long-term financial goals. Curbing your spending on frivolous or unnecessary purchases leaves more money available to free up your budget.

6. Put grocery spending on a diet.

"We all know about couponing, but saving money is way easier when you know how to stack discounts," says Kyle Taylor, founder of ThePennyHoarder.com. Taylor believes grocery shopping is one of the best ways to save money in this fashion.

A surefire way to stack up discounts is to visit discounted gift card sites like Raise.com, where cards are reduced up to 25 percent below their face value. As Taylor explains, you'll save money before even stepping into the store. Then you can stack those savings in tandem with regular coupons and grocery rebates apps such as Ibotta and Checkout 51. Use this method every time you go food shopping.

"Utilizing an all-of-the-above strategy has helped me reduce my grocery bill by more than half," Taylor says.

7. Learn the art of negotiation.

Whether it's haggling over the price of a new car or seeking a raise at work, negotiating for a better rate is a proactive, successful way to stretch those dollars far, according to Whitney Johnson, best-selling financial author of "Dare, Dream, Do."

"Negotiate, even when you think you 'shouldn't,'" Johnson says. If you don't ask, she says, "you will earn too little or spend too much."

Don't be afraid to ask; you never know what kind of deal you could get. You can even negotiate revolving expenses, such as your insurance rates, cellphone bill or even your monthly rent. You'll be glad you did when the savings add up.
8. Be mindful of your spending.

Life coach, motivational speaker and author Tony Robbins says getting the most value out of your dollars means spending them on valuable things.

"The key to stretching the value of a dollar is to spend on things that dramatically enhance your quality of life and stop mindless spending that doesn't add any value to your life," he says. "Focus instead on the returns you'll reap tomorrow."

Too often, people pressure themselves to think that spending less money – say, when eating out – equates a lesser experience. Not so, according to Robbins.

"Often, you can have the same level of enjoyment, if not more, by doing something simple," he says. "Next time you're getting together with your friends, instead of going out for dinner – at a cost, say, of $50 – why not order in a couple pizzas and beers and split the cost among your group? Trade one good time for another, save yourself about $40 each time out and you'll be way ahead of the game."

Take this approach as often as you can, and watch the financial benefits pay off. "Do the math," Robbins says. "Forty dollars a week can save you approximately $2,000 each year – and that $2,000 can help to harness the power of compounding and help you to realize big, big gains over time. How big? How about $500,000 big?" That's right – with the power of compounding at 8 percent over 40 years, that $40 weekly savings ($2,080 per year) can net you nearly $580,000.
Budgeting is one of the biggest keys to managing your money. Many people are often turned off by the simple term budget. They associate it with restrictions and a lot of hassle and headaches. They may feel like they are too poor to budget or have other budgeting excuses. However, budgeting can save you money, and allow you to have more to spend by helping you to make the most of your money. Your budgeting style can determine how successful you are at budgeting.

Here are seven things that will help you look at budgeting in a new light. You may also want to review these reasons to start budgeting.

01 Stops Overspending
Most people who do not have a budget end up overspending each month. It limits their spending power in the future as more and more of their salaries have to be applied to debt payments. If you are worried about restricting your spending, consider what it would feel like to have the majority of your paycheck be applied to credit card payments. The stress of finding a way to pay for the rising cost of gas and food can be astronomically when most of your paycheck is already planned.

• Use your budget to help you determine when to stop spending.
• An envelope system or budgeting software can make the process easier.

02 Helps You Reach Your Goals
A budget is a plan that helps you prioritize your spending. With a budget, you can move to focus your money on the things that are most important to you. It may be getting out of debt, saving up for a home or working on starting your own business. Your budget creates a plan and lets you track it to make sure you are reaching your goals.

• Set aside money in your budget each month for your goals.
• Your budget will help protect the money you have already saved.

03 Helps You Save Money
People who do not have a budget tend to save less money than people who do. It is because when you budget you assign your money to do certain things. It allows you to automatically put money into a savings or investment account each month. A budget can help you stop dipping into your savings each month. As you do this, you will begin to build wealth. It will give you true financial freedom in the future.

• Budget money to transfer into savings each month.
• Use your budget to help you stop dipping into your savings or emergency fund by planning for your expenses in advance.
04 Helps You Stop Worrying
Most people do not like the restrictions that having a budget puts on them. However, you decide how much you spend in each category. So if you want to put a large portion of your money towards your leisure activities, as long as you are saving and meeting your other needs, you shouldn’t feel bad about that. However, once you set up limits, you need to stick to them. If you aren’t doing that, you may have a budgeting weakness that you need to address. Budgeting is not about limiting the fun in your life, but opening up opportunities and money to have more fun. The key is remembering to include these categories in your budget.

- You will know how much you have to spend on each category.
- You will be able to stop spending when you no longer have money available.

05 Allows You to Be Flexible
Budgeting can be flexible. You can move money between categories as you need to throughout the month. Generally, you should restrict yourself from touching the money you have set aside for savings, but you can adjust the amount you spend on each category as you go. It is another way that you can keep yourself from overspending. It also allows you to recognize issues and adjust so that you do not end up eating ramen at the end of every month.

- Budgeting lets you adjust to cover unexpected expenses as they happen.
- Learn how to transfer money between categories in your budgeting software.

06 Budgeting Puts You Into Control
If you feel like you are not in control of your money and you are constantly wondering where it went and what happened to it, budgeting can put you in control. It allows you to prioritize your spending, track how you are doing and realize when you need to stop. It puts a solid plan into place that is easy to flow and gives you the chance to plan and prepare for the future. It is the biggest tool you have to change your financial future, and it gives you the power to make changes starting today.

- Checking on your budget each day can help you to monitor it and keep you from overspending.
- Making decisions at the beginning of the month makes it easier to manage your money.

07 Budgeting Can Be Simple
Budgeting can be simple. You can simplify the process by using percentages of your income to cover your set expenses, savings amounts, and your spending money. Then you simply track the money as you spend it. This means there are fewer categories and a lot more flexibility. You may decide to switch to an envelope system, which eliminates the need to track your spending.

- Keep at it--the first few months of budgeting are a bit more difficult as you adjust your categories to find the amounts that work for your situation.
- Cash can help make it easier as can budgeting software. If you are married budgeting meetings with your spouse can make handling your money much easier.
Why Budget?

» The Importance of Having a Budget

The Importance of Budgeting

• As we will learn, budgeting has to do with handling one’s income and expenses.
• One’s budget will likely look quite different when they are just starting out their career, compared to later in their life when their career may be more established, and/or they may be in a relationship in which multiple incomes are sustaining their lives.
• The following link will bring you to an article which explains eight ways to stretch your budget and maximize your happiness.

» 8 Money Experts Answer: “What Are the Best Ways to Stretch a Dollar?”

Mindset

• Most people hear the word budget and it sounds like being on a diet (no fun). Changing the way you think about budgeting is key to being financially responsible.
• Other than having the money to meet your obligations, there are other benefits to creating a personal budget.
• Read the following article to take advantage of some of these benefits:

» Reasons Why You Should Budget Your Money

Discussion Focus Activity

Do Now: Think-Pair-Share Activity: With a partner, brainstorm for 2 minutes on the following question and record your response below:

“Why is it important to budget one’s money?”

Brainstorm:

_________________________________________________________________________
_________________________________________________________________________
_________________________________________________________________________
_________________________________________________________________________
_________________________________________________________________________

After each pair has been given 2 minutes with a partner, ask them to share their responses with another pair close by, for the next 2 minutes.
Participants will likely produce the following types of responses:

So that one:

- doesn’t run out of money
- is disciplined with their spending
- thinks about their money in a deeper way
- pays for the things that they need before buying things that they want
- saves money for bigger purchases in the future, etc.

As already focused upon, it’s not only important to focus on earning money, but what is done with one’s money after earning it.

- **Money management** - keeping track of income, all living expenses, and creating a plan for the future use of money, including saving and investing

One of the most important money management tools is establishing a budget.

- **Budget** - a plan detailing one’s cash flows (income and expenses), generally for one month at a time

- **Cashflow** - the concept of money coming in (income) and going out (expenses)

A budget is typically completed in advance, including an educated prediction of the values associated with future income and expense amounts.

All expenses can be categorized as fixed or variable expenses.

- **Fixed expense** - an expense that generally does not change in value from month-to-month (e.g. apartment rent, car loan payment, health insurance premium, etc.)

- **Variable expense** - an expense that may vary in value from month-to-month (e.g. a utility bill, food costs, automobile gasoline, etc.)

Participants should, on the accompanying worksheet, identify how they would categorize (either fixed or variable) the listed expenses.

*After participants have been provided with some time to complete this portion of the worksheet, ask them to share their responses with the same partner that they worked with prior.*
**Directions:** For the following types of expenses, identify whether you would categorize them as a fixed or variable expense. Please list on the table below:

Expenses List:
- Groceries
- Gasoline for car
- Apartment rent
- Vacation
- Insurance payment (premium)

<table>
<thead>
<tr>
<th>Fixed Expenses</th>
<th>Variable Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Apartment Rent</strong></td>
<td><strong>Groceries</strong></td>
</tr>
<tr>
<td><strong>Insurance payment (premium)</strong></td>
<td><strong>Gasoline for car</strong></td>
</tr>
<tr>
<td><strong>Car loan payment</strong></td>
<td><strong>Cell phone bill</strong></td>
</tr>
</tbody>
</table>

Discussion 4: Budgeting
Sometimes a monthly budget will leave one with extra money, leaving discretionary income; other times, a monthly budget will leave one without enough money.

- **Budget surplus** - a budgetary scenario where, after accounting for all expenses, there is income left over from the original budget

- **Discretionary income** - money remaining after mandatory expenses, which can be used as one sees best-fit (saving, investing, entertainment, or other ‘wants’)

- **Budget deficit** - a budgetary scenario where, after accounting for some expenses, there is not enough money available to cover all expenses. This scenario often leads into credit being used to meet shortfalls

One of the things that should be thought of, immediately, if one has a budget surplus, is the capabilities of their emergency fund. Perhaps surplus/discretionary income would be best used to add to one’s emergency fund.

- **Emergency fund** - money set aside for unanticipated necessary expenses (e.g. if one gets sick, gets injured, loses a job, has to fix their car, etc.)

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**Wants vs. Needs**

Planning Your Monthly Budget

No matter what, we will likely not have as much money as we would ever want; therefore, one needs to make decisions about how to best utilize their money, considering opportunity cost at all times. One should also always consider what types of expenses are needs, and what expenses are wants.

- **Opportunity cost** - the cost of making a choice, i.e., what is given up when one makes a decision about how to prioritize their use of time or money

- **Needs** - goods and services that an individual must have to survive (e.g. food, clothing, shelter, etc.)

- **Wants** - goods and services that add pleasure to one’s life, but are not necessary for survival (e.g. a better computer, sports car, baseball camp, vacation, concert tickets, etc.)

Participants should, on the accompanying worksheet, complete the next two activities that prompt them to:

- Identify how they would categorize the listed expenses as a want or need.
- Identify at least one example of how the concept/thought process of opportunity cost would lead the participants to make a prioritized purchasing decision with the already utilized expense samples.

*After participants have been provided with some time to complete these portions of the worksheet, ask them to share their responses with the same partner that they worked with prior.*
**Directions:** Fill in the table using the expenses list below and then address the follow-up statement on prioritizing a purchase.

1. For the following types of expenses, identify whether you would categorize them as a want or a need.

   **Expenses List:**
   - Vacation
   - Groceries
   - Concert ticket
   - New cell phone
   - Apartment rent
   - School supplies (pens, pencils, notebooks, etc.)
   - Netflix subscription
   - Clothing
   - New sneakers
   - Gasoline for your car
   - Car insurance
   - Coffee
   - Water
   - Newspaper
   - Computer
   - Restaurant

<table>
<thead>
<tr>
<th>Wants</th>
<th>Needs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vacation</td>
<td>Groceries</td>
</tr>
<tr>
<td>Concert ticket</td>
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</tr>
<tr>
<td>Coffee</td>
<td>Car insurance</td>
</tr>
<tr>
<td>Newspaper</td>
<td>Water</td>
</tr>
<tr>
<td>Computer</td>
<td>Newspaper</td>
</tr>
<tr>
<td>Netflix subscription</td>
<td>Computer</td>
</tr>
<tr>
<td>Restaurant</td>
<td>Water</td>
</tr>
</tbody>
</table>

2. Using the options above, identify at least one example of how the concept/thought process of opportunity cost would lead to prioritizing a purchase.

   *Answers will vary. They should be similar to: If I want a computer I will give up certain wants like buying a cup of coffee every day, getting new sneakers, and getting a new phone, so that I can still pay for my needs.*
When it comes to personal finance, one’s monthly budget is really a foundational piece. A central part of creating a budget is knowing your expected expenses and income. What happens if you are changing jobs? How can you account for the end of your last paycheck of your current job until the first paycheck of your new job?

The following article gives sound suggestions for weathering that transition period:

» Changing Jobs? How to Budget for a Smooth Transition

REFLECTION

More often than not, a person does not create a budget simply because they feel they do not make enough money to warrant making one. This creates a cycle of living paycheck to paycheck.

Participants should, on the accompanying worksheet, complete the activity that prompts them to:

a. Take a quick look at their monthly income versus their monthly expenses.
b. Write all their monthly expenses and deduct them from their monthly income.
c. Remember to always set aside a percentage of income for savings (or emergency savings) to stay out of the credit card quicksand.
Thanks to the idiosyncrasies of payroll, changing jobs can mean going without a paycheck for up to a month. Here’s how to budget for that awkward period in-between—and figure out if you can afford to take some extra time off before the new gig begins.

Taking a new job is an exciting time. It’s also a major life event that can cause stress—financial and otherwise.

The short-term stress of changing jobs usually pays off in the long run. External hires have the potential to make 18 to 20 percent more than employees promoted from within, according to a study by the Wharton School. If you can combine better pay with a shorter commute or better benefits, saying “yes” to a new job could be a no-brainer.

Budgeting around your career transition can prevent your new gig from creating a financial setback. Before you decide when you’re going to quit your old job and start your new one, crunch a few numbers first. No one wants to get stuck in a bind with a paycheck nowhere in sight. (Or in my case, nearly stuck in Puerto Rico with only a few dollars to spare.)

Here’s how to create a transitional spending plan when you’re going to be changing jobs—or in-between paychecks.

**Figure out your old and new pay schedules**

Every employer has slightly different payroll policies. And they can get complicated!

You may have been paid monthly, twice monthly, weekly or bi-weekly. In addition, some employers pay ahead of time, while others pay after the work was put in.

Confusing? It can be. Here are some examples:

- Employee A wants to quit his job. He receives his paycheck for time worked January 1–January 15 on January 31.
- Employee B, on the other hand, is paid for that same pay period on January 15.
- Employee C gets paid before she puts the time in. She receives her paycheck on January 1.

In these three scenarios, Employee A can expect to still be paid nearly two weeks after his last day of work. Employee B will likely be paid on or close to his last day, and Employee C will receive her last paycheck before she finishes work!

For someone taking time off in between jobs, Employee A is in the most favorable position.

**Plan for your last and first paychecks**

You could find yourself in a tricky situation if you don’t consider when you will receive your first paycheck at your new job.

Even if Employee C isn’t taking time off, if her new employer doesn’t pay in advance, she could go a month or more without a paycheck!

Again, the cadence possibilities vary, so be sure to ask when finalizing the deal with your new employer. Some employers may issue paychecks on your first day, while others lump it in with

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Discussion 4: Budgeting
your second paycheck. And if’ve gone from a biweekly pay cycle to a monthly pay schedule, you’re going to have to really stretch your dollar. You could, again, need to go more than a month without a paycheck.

If that’s the case, make sure you have funds set on reserve. And if you need to dip into savings, hold yourself responsible and reimburse your savings account when you receive that first paycheck.

Look at when your bills are due
If you’re good at maintaining a budget, you probably know what your average monthly expenses are. Rent or mortgage, utility bills and other monthly bills—these dues don’t stop just because you’re in the middle of changing jobs.

It could be helpful for some to pay these bills ahead of time, though this isn’t always possible. My landlord, for example, won’t accept early rent payments.

Some bills can also be put on hold for a month. Call your bank, credit card company or loan company and explain your situation to see what they might be able to do for you. If you’ve paid all your bills on time up to this point, they’re likely to be more lenient. It never hurts to task!

Ask what kind of payout your job will give you
Sometimes, you may receive a cash payout for unused benefits, like vacation days.

Some employers lump together sick time and vacation time. Others allocate days for different reasons.

In my case, my old employer offered X number of paid vacation and personal days per year, and these did not roll over. They also offered X number of sick days per year. These did roll over every year.
When I got my last paycheck, I was paid for vacation and personal days I had accrued for the year but did not use, but the sick days didn’t count for anything. I was only paid for the days that I earned, and not the total number of days.

This policy varies per employer. A good reference is the employee handbook and whatever system they use to track days off. You should be able to research these on your own without anyone catching wind of the fact that you may be submitting your notice in the near future.

But don’t touch your 401(k)
If you’ve contributed to a 401(k) or other workplace retirement plan, you have a few options when you leave. Even if you need some extra money to get you through to your next paycheck, DO NOT cash out your 401(k)!

You put money into your retirement plan for a reason—to be there for you years down the road, when you’ll really need it! Cashing out your 401(k) is like robbing yourself.

Worse, the government charges a 10 percent penalty if you cash out your 401(k) before retirement age. With a traditional 401(k) account, you will also owe income taxes on any cash distributions. If you take an early 401(k) distribution, plan on only getting 70 cents on the dollar. This assumes 20 percent in federal and state income taxes plus the 10 percent penalty.

The better move is to rollover your 401(k) into a self-directed IRA. In many cases, you don’t have to do this immediately—you can leave your money invested in your old employer’s 401(k) plan until you decide what to do. But be sure to ask if your employer requires you to move the money by a certain deadline. For example, in some cases 401(k) plans will automatically cash out plans with balances less than $1,000 or $5,000 if you don’t provide instructions for rolling the money into another account.

Do you need to buy new work clothes?
In some cases, a new job requires new expenses—tools, uniforms or simply a new wardrobe.

Make sure you can afford these added expenses. To get a clearer gauge on what it might cost you, inquire about the dress code.
Plan to dress to impress when you’re just starting out. It’s important to make a good first impression. Here are some tips for building your wardrobe on a budget.

And remember to save those receipts! You could qualify for a tax deduction for certain purchases (if they’re required for work, used only for work and your employer doesn’t reimburse you).

**Can you afford to take time off in between?**

If you can afford it, consider taking some time off in between jobs—there are a lot of benefits.

Consider how you plan to spend this time off. Are you going to take a trip? Factor in flights, accommodation and other trip expenses. When in doubt, overestimate. You’d much rather have money to spare than run your funds dry.

If you’re going to enjoy a staycation, know how much money you have set aside to spend each day, and stick to it.

**How much time can you afford to take between jobs?**

In order to figure out how much time to take in between, come up with an estimated amount of money you plan to spend each day. Then add together any funds you have set aside, paychecks and additional income streams. From that figure, subtract known expenses including bills and rent or mortgage, as well as new clothing (if needed). This will give you an idea of how many days you can take off. Remember to include the number of days between starting your new job and when you’ll receive your first paycheck.

Here’s an easier way to think about it:

- Non-emergency savings + Last paycheck + Other income = Available funds
- Available funds / Daily expenses = Days of savings
- Days of savings – Days between first day of new job and first paycheck = Days you can take off

If you plan to travel during your time between jobs, don’t forget to factor airfare, gas or other travel expenses into your daily expenses.

**Summary**

The benefits of changing jobs can take a while to materialize. In the meantime, a bit of planning—along with a willingness to live frugally for a few weeks—can ensure a smooth transition and minimize financial stress.
**Directions:** Fill out the chart below to create a basic budget.

Let’s create a basic budget. The first step in creating a budget is to identify income and expenses. Use the table below to begin the process. Remember to include items such as haircuts, eating out, and birthday/other gifts. Second, total your income and expenses. Finally, subtract your expenses from your income.

<table>
<thead>
<tr>
<th>Monthly Net Income (list sources and amounts of monthly net income)</th>
<th>Monthly Expenses (list monthly expenses along with the monthly dollar amount for each)</th>
</tr>
</thead>
<tbody>
<tr>
<td><code>Answers may vary</code></td>
<td><code>Answers may vary</code></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total Income =</th>
<th>Total Expenses =</th>
</tr>
</thead>
</table>

| Total Income - Total Expenses = Budget surplus (deficit) |
Discussion Plan
25% of US Households Are Either Unbanked or Underbanked
Features Your Next Bank Account Needs
5.1 — Banks and Banking
5.2 — Deposit and Withdrawal Services
Discussion Handout 5.2 (a)
Closure
The FED Today, History of Money and Banking in The U.S.
IDENTIFICATION OF CENTRAL DISCUSSION TOPIC

Not all American citizens use banks or the banking industry. These people are considered to be unbanked or underbanked. Those who fall in this category can suffer financial repercussions and are not able to build the type of financial stability that most Americans enjoy. Read the following article as it sheds light on the unbanked and underbanked problem and provides insight on banks that are trying to meet the needs of those individuals.

» 25% of US Households Are Either Unbanked or Underbanked

MINDSET - TRADITIONAL VS. CURRENT

When looking for the lowest interest rate for a loan or the best interest rate you can earn from your savings or certificate of deposit accounts, you have to shop different banks to see what features meet your financial needs. Read the following article to gain an insight on six essential components that should be present before opening your next account.

» Features Your Next Bank Account Needs

STATEMENT OF ENDURING UNDERSTANDINGS

- Banking institutions provide various services to meet everyday financial needs.
- Banking needs/service usage will vary based upon an individual’s financial situation

STATEMENT OF SKILLS

- Identify the purpose(s) for using a bank
- Identify the basic functions that a bank performs
- List the benefits of various banking services
25% of US Households Are Either Unbanked or Underbanked

March 9, 2019
By: Erin Barry @ CNBC

Key Points

• According to a 2017 survey by the FDIC, 25 percent of U.S. households are unbanked or underbanked.

• More than half of unbanked households cited not having enough money to keep in an account, according to the survey.

After two fires in her homes in the Mississippi Delta, Farrah Appleberry and her four daughters were left destitute and in bankruptcy.

But there was hope – literally.

Hope Credit Union, focused on economically distressed areas in the South, brings basic banking services to the nation’s poorest.

Twenty-five percent of U.S. households are unbanked or underbanked, according to a 2017 survey by the Federal Deposit Insurance Corp. Those are people who either don’t have a bank account, or have an account, but still use financial services outside the banking system like payday loans to make ends meet.

Why are the numbers so high?

More than half of unbanked households cited not having enough money to keep in an account, 30 percent said they don’t trust banks and 9 percent reported banks are in an inconvenient location, according to the survey.

A lack of access to banks continues to worsen as more and more branches close.

Between 2014 and 2018, 1,915 more branches in lower-income areas closed than were opened, according to data from S&P Global.

In February, Federal Reserve Chairman Jerome Powell made a historic visit to the Mississippi Delta, speaking with students at Mississippi Valley State University and delivering remarks at a conference to shine a light on the problem of the unbanked.

“Access to safe and affordable financial services is vital, especially among families with limited wealth, whether they are looking to invest in education, start a business, or simply manage the ups and downs of life,” Powell said.

For Appleberry, the credit counseling provided by Hope means she should exit bankruptcy by November.

“Once I get out of bankruptcy, it may not be the biggest account, but I’m looking to have enough money in Hope, if I have a dry day, me and my girls will still make it. I have to learn to save small to get to big.”

Hope Credit Union is part of Hope Enterprise and is considered a community development financial institution. There are nearly 1,200 CDFIs across the country that are on a mission to help low-income communities.

And organizations like the Opportunity Finance Network help connect public and private funding to CDFIs.
“Our job is to help those credit unions and loan funds and community banks do more, help more people so they can move on with their lives,” Lisa Mensah, CEO of the Opportunity Finance Network, told CNBC’s “On the Money” in an interview.

She added: “The good part about working with CDFIs – is that CDFIs help the people get on with their lives but they also help the places rise. You also need to not just transact, but to get ready for a mortgage, to help send kids to school, and to do the things that help you move into the middle class, and that’s where these mission oriented loan funds, or banks or credit unions are very strong.”

Mensah says while CDFIs are mission oriented, they do make money as well.

“We are profitable, but we are not profit maximizing, we seek to maximize impacts, so we help more people get jobs, more people move into mortgages, but we are profitable.”
What to look for before you open an account

If you’re going to open a new bank account, choose wisely. Switching accounts is a pain, and living with an ill-fitting account can be a drain on your time and your account balance. Banking services are very similar from bank to bank, so focusing on a few key features might be all you need to get set up for success.

**Low Fees**

One of the most important features of your next bank account should be an affordable fee structure – preferably without any fees at all. Bank charges easily blow through any interest you earn in your account, and automatic monthly maintenance fees put you in catch-up mode before you’ve even had a chance to use your account.

Free checking is not dead. Finding a fee-free account is especially easy if you’re open to online banking, but you should be able to find free checking at brick-and-mortar institutions in most areas as well. Credit unions, in particular, are often a good choice for free checking, and small local banks are also worth checking out.

**Fee Waivers**

If you can’t find a completely free account, qualifying for free service is the next best thing. Most banks and credit unions that charge maintenance fees also offer ways to dodge those fees: if you meet certain criteria, the fee will be waived. For example, if you set up direct deposit with your employer or keep a certain amount in your account, you’ll avoid monthly maintenance fees.

Options for Overdraft and Insufficient Funds

Some fees automatically come with your account, and others are the result of transactions in your account. Overdraft protection is an optional service that you can add to your account, but that’s probably a bad idea if you’re actually going to use the service: banks often charge about $35 for the privilege of using your debit card to buy something when your checking account is empty.

That said, sometimes you’ll end up paying insufficient funds fees – even if you opted-out of overdraft protection (opting out only affects one-time debit card transactions). Those fees are just as bad as overdraft charges. If you’re paying them, it’s worth finding out if your bank has a more affordable solution. You might be able to set up a transfer from your savings account (which probably costs $10 or so) or an overdraft line of credit.

**Mobile Deposit**

Every bank has a website that allows you to view your account balances and move money between accounts. Most banks also offer apps and mobile websites optimized for your phone or tablet (and those apps all do more or less the same thing). So what should you look for in your next bank’s app?

In the age of online banking, there are very few situations in which you need to physically go to a branch (which means dealing with traffic, lines, and banking hours). Depositing a check is one of those situations – you want to get the check in your account safely and quickly.
Fortunately, you can also deposit checks by sending a picture to your bank – no teller required. The service is generally free, and you might even be able to get deposits into your account after standard branch hours. Almost any mobile device with a camera will do the trick, but it’s a good idea to make sure your bank has an app for your device.

You might not get many checks, but when you do it’s nice not to have to visit a bank branch. Checks are still used for important (often large-dollar) transactions when your life is in transition: a new job, a new apartment, and so on. Mobile check deposit makes those transitions a lot easier.

As a runner-up – especially if you occasionally need to deposit cash – you might opt for a bank with numerous local ATMs that accept deposits.

**Online Transfers and Bill Pay**

Money is electronic. Make sure you can take advantage of that fact.

At a bare minimum, your bank should offer free online bill pay. You need the ability to schedule payments from anywhere, anytime (whether your bank prints and mails a check or sends the funds by ACH).

Another key feature is the ability to transfer funds to another bank account. You might keep accounts at several different banks, each serving a different purpose: one bank might pay a high APY on savings and another might offer a convenient ATM network. Physically moving cash around – or even working with checks – is cumbersome, and wire transfers are too expensive for everyday use. Pick a bank that allows bank-to-bank transfers so that you can move money with just a few clicks.

Want to send money to friends and family (to pay for your share of dinner, for example)? Some banks provide person-to-person (P2P) payment services as well. For the most part, these services are bank-specific, and they’re most useful when everybody involved uses the same bank. If everybody has a different bank, which is most often the case, there are usually better options.

**Free ATMs**

Money isn’t always electronic. Whether you’re headed to a restaurant that doesn’t accept plastic or you’re buying used parts on Craigslist, sometimes old-fashioned cash is the only way to go.

Getting cash is as easy as visiting an ATM, and there is no shortage of those, but you’ll pay several fees if you use any ATM except your bank’s ATM. After your bank and the ATM operator ding you, those fees end up being relatively high in percentage terms.

If you go to the ATM more than a few times per year, find a way to minimize those fees. You can always use ATMs that are part of your bank’s network for free (or, if you use a credit union, there’s a good chance you can visit a different credit union’s ATM at no charge).

If using in-network ATMs is not an option, use a bank that reimburses your ATM fees. Numerous banks (online and brick-and-mortar) offer this feature. Be sure to read the fine print to find out about any limitations – there might be a maximum dollar limit each month, and certain types of ATM fees might not be covered.
Banks and Banking
Not all American citizens use banks or the banking industry. These people are considered to be unbanked or underbanked. Those who fall in this category can suffer financial repercussions and are not able to build the type of financial stability that most Americans enjoy. Read the following article as it sheds light on the unbanked and underbanked problem and provides insight on banks that are trying to meet the needs of those individuals.

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Mindset
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Discussion Focus Activity

**Do Now:** Think-Pair-Share Activity: With a partner, brainstorm for 2 minutes on the following question and record your response below:

“What do people use banks for?”

**Brainstorm:**

_________________________________________________________________________
_________________________________________________________________________
_________________________________________________________________________
_________________________________________________________________________
_________________________________________________________________________

After each pair has been given 2 minutes with a partner, ask them to share their responses with another pair close by, for the next 2 minutes.

*Ask each group to keep the examples they thought of in mind, as the upcoming slide presentation will likely review the examples which were brought up in their discussions.*

Services Provided by Financial Institution

» **Services Provided by Your Banks**
Basic Functions of a Bank

There are various reasons why people use banks, many of which your discussions likely brought up. One of the most important functions for banks is offering a safe place for you to keep your money, within a bank account. Once you open up a bank account, you can continue to deposit and/or withdraw money from it.

- **Bank** - an establishment that provides financial services such as money deposits, money withdrawals, and loans
- **Deposit** - an addition of funds into one’s bank account, generally in the form of cash or a paycheck
- **Withdrawal** - the removal of money from a bank account

Besides bank account related services, banks are also a great source for obtaining a loan. People will use bank loans for bigger purchases, such as a car or home loan.

- **Loan** - a temporary transfer of money from one person or institution to another, with this money being repaid over time, generally with an interest component

Credit allows people to purchase goods and services that they can use today and pay for the goods and services in the future, usually with interest.

- **Interest** - a fee paid, generally in the form of a percent, for the right to use borrowed money

Credit services are available due to the agreement made between a creditor and a debtor.

- **Creditor** - a person or company who lends money, goods, or services.
- **Debtor** - a person or company who borrows money for the purchase of goods and services, with an agreement in place to repay this borrowed money within a certain timeframe

Discussion 5: Banks and Banking
As already discussed, banks will offer deposit and withdrawal services. The most common way in which these services are used is through having a checking account. Checking accounts allow users to deposit/withdraw money using checks, debit cards, and/or ATMs. You will be prompted by your bank to set up a PIN for your debit card use.

- **Checking account** - a bank account that allows the account holder to deposit and withdraw money, write checks to make a purchase/pay a bill, and utilize a debit card to access ATMs.

These are some very common resources for utilizing one's checking account:

- **Check** - a pre-printed document ordering a bank to withdraw money from an account and pay it to someone else.

- **Debit card** - a card which looks like a credit card, but is linked to money that one has in a checking account; this card can be used to make purchases and/or withdraw money at an ATM.

- **PIN (personal identification number)** - a sequence of numbers (usually 4) that act as a password to access your checking account's funds.

When a check is written, there are some important things to keep in mind. A check is issued by a payer, to be deposited/cashed (exchanged for money) by a payee, who must endorse the check prior to depositing/cashing the check. Both the payer and payee will need to account for the change in their account balances when this check is deposited or cashed. This is completed in what is known as a check register.

The definitions for these terms are on the following slide.

- **Payer** - the person that issues the check.

- **Payee** - the person to whom a check is paid.

- **Endorse** - to sign the back of a check when depositing/cashing it, proving you are the intended payee.

- **Balance** - the amount of money that is 'currently' within a bank account, following deposit and/or withdrawal transactions.

- **Check register** - a booklet for keeping a record of checking account transactions and balances.

Participants should, on the accompanying worksheet, follow the prompted instructions to account for the adjusted balances of a checking account, after several deposit/withdrawal transactions.

*After participants have been provided with some time to complete this portion of the worksheet, ask them to share their responses with the same partner that they worked with prior.*
**Directions:** Fill in the table based on the prompted instructions to account for the adjusted balances of a checking account, after several deposit/withdrawal transactions.

<table>
<thead>
<tr>
<th>Transaction Type</th>
<th>Transaction Amount</th>
<th>Account Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Starting Balance</strong></td>
<td>$1,758.00</td>
<td></td>
</tr>
<tr>
<td>ATM Withdrawal</td>
<td>$450.00</td>
<td>$1,308</td>
</tr>
<tr>
<td>Cash Deposit</td>
<td>$75.00</td>
<td>$1,383</td>
</tr>
<tr>
<td>Cell Phone Bill Paid Using a Check</td>
<td>$120.00</td>
<td>$1,263</td>
</tr>
<tr>
<td>Paycheck from Work Deposit</td>
<td>$1,575.00</td>
<td>$2,838</td>
</tr>
<tr>
<td>Groceries Paid Using Debit Card</td>
<td>$89.37</td>
<td>$2,748.63</td>
</tr>
<tr>
<td>Gasoline for Car Paid Using Debit Card</td>
<td>$23.50</td>
<td>$2,725.13</td>
</tr>
<tr>
<td>Dinner with Friends Paid Using Debit Card</td>
<td>$23.00</td>
<td>$2,702.13</td>
</tr>
<tr>
<td>Electricity Bill Paid Using a Check</td>
<td>$74.00</td>
<td>$2,628.13</td>
</tr>
<tr>
<td><strong>Final Account Balance</strong></td>
<td></td>
<td>$2,628.13</td>
</tr>
</tbody>
</table>
Banking has been central to the United States throughout much of this country’s history. However, the timeline of central banking in the U.S. is an interesting one. If time permits, access the following link from the Federal Reserve, and read about the “REALITY” of banking history, including the “SIGNIFICANT EVENTS IN THE HISTORY OF U.S. MONEY & BANKING”.

» The FED Today, History of Money and Banking in The U.S.

Regardless of timing, make sure to emphasize the importance of becoming knowledgeable about banking services and the financial stability these services can provide.

REFLECTION

How can keeping up with your account balances in your check register help you attain your budget goals?

Lead the group in a discussion that connects banking and budgeting.
LESSON TWO:
HISTORY OF MONEY AND BANKING IN THE U.S.

LESSON OVERVIEW:
The historical footage in The Fed Today video introduced students to the origins of money and banking in the U.S. This lesson expands on the video content with activities that help students analyze the impact of important events in the history of money and banking. Students learn about the first paper money issued by the Continental Congress to finance the American Revolution. They evaluate early attempts at central banking, the Free Banking Era, bank panics, and the establishment of the Federal Reserve System. Small groups of students will complete a timeline that identifies 10 important money and banking events leading up to the establishment of the Federal Reserve System. Having placed the events correctly on the timeline, students will describe their economic impact.

STUDENT OBJECTIVES:
Students will:
• Analyze historical events leading up to the establishment of the Federal Reserve System.
• Identify reasons for the lack of confidence in the U.S. banking system early in the nation’s history.
• Evaluate the economic impact of important events in the history of money and banking in the U.S.

TIME NEEDED:
One-two 50-minute class periods

MATERIALS:
• Background: Significant Events in the History of U.S. Money and Banking
• Classroom Visual: Ten Important Events in the History of Money and Banking in the United States
• Student Handout: U.S. Banking and the Federal Reserve Timeline
• Answer Key: U.S. Banking and the Federal Reserve Timeline
• Access to the FED101 website: http://www.federalreserveeducation.org/fed101/history/ to learn more about the history of money and banking. On-line quiz available. (Optional)

TEACHER PREPARATION:
2. Prepare copies of Background as handouts for classrooms that need more historical knowledge to complete the timeline.
3. Review classroom visual and handouts.
4. Create group sets of Classroom Visual: Ten Important Events in the History of Money and Banking in the U.S.
6. Review history section on the FED101 website: http://www.federalreserveeducation.org/fed101/history for additional on-line activities about the history of money and banking.(Optional)
ACTIVITY:
Constructing a Money and Banking Timeline

PROCEDURES:

1. Have students recall some of the early historical events described in The Fed Today video. Ask students to analyze reasons why people during the 1800s did not have much confidence in the money and banking system. Remind students of all the various notes that were issued by states, banks, and even private companies. Students may also recall from the video that banks did not always have enough money to pay depositors, and they had to close down.

2. Explain that, in this lesson, they will analyze the impact of some important events in the history of money and banking. This analysis begins with currency printed to finance the American Revolution.

3. Project the Classroom Visual: Ten Important Events in the History of Money and Banking in the United States. Explain to students that these events are not listed in chronological order, and that they will soon be placing them in the appropriate spaces on a historical timeline. Emphasize to students that not all historians agree on the importance of these 10 events, but the establishment of the Federal Reserve System is certainly one of the most notable. Hand out and/or review the Background information, then discuss the ten events and their economic significance with the class.

4. Divide students into small groups. Give each group a copy of the Ten Important Events in the History of Money and Banking in the U.S. and a copy of the U.S. Banking and the Federal Reserve Timeline.

5. Explain to students that each group will need to enter the correct events for each of the 10 historical time periods in the blank box sections of the timeline. Students will then complete the information required in the “Impact” boxes based on earlier class discussion.

6. Ask the groups to report back on specific events, including their analysis of those events’ impact on the economy (an answer key is provided in this lesson for checking student responses).

7. Teacher Summary: Explain to students that although not all historians will agree on the most important events in the history of money and banking, the establishment of the Federal Reserve System is certainly one of the most important. Ask for student participation to summarize the following:

- During many periods in the 1800s, people lacked confidence in money and the banking system in the U.S.
- Before the issuance of paper money was effectively regulated, people preferred to use gold and silver coins.
- Establishing a central bank in the U.S. was a controversial issue because many people were afraid of giving too much financial power to a central government authority.

EXTENDING THE LESSON:

Have students visit the FED101 website at http://www.federalreserveeducation.org/fed101/history/. Students can learn more about the history of central banking, link to other historical sites, and take an on-line quiz.
DISCUSSION POINT:

Myth:

The Federal Reserve Act was passed illegally under a cloak of secrecy and was started by an elite group of private bankers.

REALITY:

The Federal Reserve System was created by the Federal Reserve Act and signed into law by President Woodrow Wilson on December 23, 1913. Although the Act was passed in the final days of the legislative session, it had been debated for some time in earlier versions. Because the regional Federal Reserve Banks are privately owned, and most of their directors are chosen by their stockholders, it is common to hear that control of the Fed is in the hands of elite bankers. However, individuals do not own stock in Federal Reserve Banks. Only banks that are members of the System hold the stock. Ownership and membership are synonymous.

SIGNIFICANT EVENTS IN THE HISTORY OF U.S. MONEY & BANKING
(Taken from FED101 at http://www.federalreserveeducation.org/fed101/history/)

1775-1791: U.S. Currency in the Beginning

To finance the American Revolution, the Continental Congress printed the new nation’s first paper money. Known as “Continentals,” the fiat currency notes were issued in a large quantity and that led to inflation, which, although mild at first, rapidly accelerated as the war progressed. Eventually people lost faith in the notes, and the phrase “Not worth a Continental” came to mean “utterly worthless.”

1791-1811: First Attempt at Central Banking

At the urging of Treasury Secretary Alexander Hamilton, in 1791 Congress established the First Bank of the United States, headquartered in Philadelphia, Pennsylvania. It was the largest corporation in the country and was dominated by big banking and money interests. Many agrarian-minded Americans, uncomfortable with the idea of a large and powerful central bank, opposed it. By 1811, when the bank’s 20-year charter expired, Congress refused, by one vote, to renew it.

1816-1836: A Second Try Fails

By 1816, the political climate was again in favor of a central bank; by a narrow margin, Congress agreed to charter the Second Bank of the United States. But when Andrew Jackson, a central bank foe, was elected president in 1828, he vowed to kill it. His attack on its banker-controlled power touched a popular nerve with Americans, and when the Second Bank’s charter expired in 1836, it was not renewed.

1836-1865: The Free Banking Era

State-chartered banks and unchartered “free banks” took hold during this period, issuing their own notes, redeemable in gold or specie. Banks also began offering demand deposits to enhance commerce. In response to a rising volume of check transactions, the New York Clearinghouse Association was established in 1853 to provide a
way for the city’s banks to exchange checks and settle accounts.

1863: National Banking Act
During the Civil War, the National Bank Act of 1863 was passed. This created national banks, which issued circulating notes that had to be backed by U.S. government securities. An amendment to the Act required taxation on state bank notes but not on national bank notes, effectively creating a uniform currency for the nation. Despite taxation on their notes, state banks continued to flourish because of the growing popularity of demand deposits, which had taken hold during the Free Banking Era.

1873-1907: Financial Panics Prevail
Although the National Bank Act of 1863 established some measure of currency stability for the growing nation, bank runs and financial panics continued to plague the economy. In 1893, a banking panic triggered the worst depression the United States had ever seen, and the economy stabilized only after the intervention of financial mogul J.P. Morgan. It was clear that the nation’s banking and financial system needed serious attention.

1907: A Very Bad Year
In 1907, a bout of speculation on Wall Street ended in failure, triggering a particularly severe banking panic. J.P. Morgan was again called upon to avert disaster. By this time, most Americans wanted reform of the banking system, but the structure of that reform was cause for deep division among the country’s citizens. Conservatives and powerful “money trusts” in the big Eastern cities were vehemently opposed by “progressives.” But there was a growing consensus among all Americans that a central banking authority was needed to ensure a healthy banking system and provide for an elastic currency.

1908-1912: The Stage is Set for a Decentralized Central Bank
The Aldrich-Vreeland Act of 1908, passed as an immediate response to the panic of 1907, provided for emergency currency issues during crises. It also established the National Monetary Commission to search for a long-term solution to the nation’s banking and financial problems. Under the leadership of Sen. Nelson Aldrich, the commission developed a banker-controlled plan. William Jennings Bryan and other progressives fiercely attacked the plan; they wanted a central bank under public, not banker, control. The 1912 election of Democrat Woodrow Wilson killed the Republican Aldrich plan, but the stage was set for the emergence of a decentralized central bank.

1912: Woodrow Wilson as Financial Reformer
Though not personally knowledgeable about banking and financial issues, Woodrow Wilson solicited expert advice from Virginia Rep. Carter Glass, soon to become the chairman of the House Committee on Banking and Finance, and from the Committee’s expert adviser, H. Parker Willis, formerly a professor of economics at Washington and Lee University. Throughout most of 1912, Glass and Willis labored over a central bank proposal, and by December 1912, they presented Wilson with what would become, with some modifications, the Federal Reserve Act.

1913: The Federal Reserve System is Born
From December 1912 to December 1913, the Glass-Willis proposal was hotly debated, molded, and reshaped. By December 23, 1913, when President Woodrow Wilson signed the Federal Reserve Act into law, it stood as a classic example of compromise—a decentralized central bank that balanced the competing interests of private banks and populist sentiment.

1914: Open for Business
Before the new central bank could begin operations, the Reserve Bank Organizing Committee, comprised of Treasury Secretary William McAdoo, Secretary of Agriculture David Houston, and Comptroller of the Currency John Skelton Williams, had the arduous task of building a working institution around the bare bones of the new law. But by Nov. 16, 1914, the 12 cities chosen as sites for regional Reserve Banks were open for business, just as hostilities in Europe erupted into World War I.
1914-1919: Fed Policy during the War
When World War I broke out in mid-1914, U.S. banks continued to operate normally, thanks to emergency currency issued under the Aldrich-Vreeland Act of 1908. But the greater impact in the United States came from the Reserve Banks’ ability to discount banker’s acceptances. Through this mechanism, the United States aided the flow of trade goods to Europe, indirectly helping to finance the war until 1917, when the United States officially declared war on Germany and financing our own war effort became paramount.

1920s: The Beginning of Open Market Operations
Following World War I, Benjamin Strong, head of the New York Fed from 1914 to his death in 1928, recognized that gold no longer served as the central factor in controlling credit. Strong’s aggressive action to stem a recession in 1923, through a large purchase of government securities, gave strong evidence of the power of open market operations to influence the availability of credit in the banking system. During the 1920s, the Fed began using open market operations as a monetary policy tool. During his tenure, Strong also elevated the stature of the Fed by promoting relations with other central banks, especially the Bank of England.

1929-1933: The Market Crash and the Great Depression
During the 1920s, Virginia Rep. Carter Glass warned that stock market speculation would lead to dire consequences. In October 1929, his predictions were realized when the stock market crashed, and the nation fell into the worst depression in its history. From 1930 to 1933, nearly 10,000 banks failed, and by March 6, 1933, newly inaugurated President Franklin Delano Roosevelt declared a bank holiday that lasted four days, while government officials grappled with ways to remedy the nation’s economic woes. Many people blamed the Fed for failing to stem speculative lending that led to the crash, and some also argued that inadequate understanding of monetary economics kept the Fed from pursuing policies that could have lessened the depth of the Depression.

1933: The Depression’s Aftermath
In reaction to the Great Depression, Congress passed the Banking Act of 1933, better known as the Glass-Steagall Act, calling for the separation of commercial and investment banking and requiring use of government securities as collateral for Federal Reserve notes. The Act also established the Federal Deposit Insurance Corporation (FDIC), placed open market operations under the Fed, and prohibited interstate banking. This prohibition had profound future implications, as holding companies became a prevalent structure for banks to do business across state lines.

1935: More Changes to Come
The Banking Act of 1935 called for further changes in the Fed’s structure, including the creation of the Federal Open Market Committee (FOMC) as a separate legal entity, removal of the Treasury Secretary and the Comptroller of the Currency from the Fed’s governing board, and the establishment of members’ terms at 14 years. Following World War II, the Employment Act added the goal of promoting maximum employment to the list of the Fed’s responsibilities. In 1956, the Bank Holding Company Act named the Fed as the regulator for bank holding companies, and in 1978 the Humphrey-Hawkins Act required the Fed chairman to report to Congress twice annually on monetary policy goals and objectives.

1951: The Treasury Accord
From its founding in 1913 to the years up to and following World War II, the Fed largely supported the Treasury’s fiscal policy goals. When the Korean War broke out in 1951, Fed chairman William McChesney Martin again faced pressure from the Treasury to maintain low interest rates to help provide funds for the war effort. Martin, however, worked closely with the Treasury to break the long-standing practice of supporting government bond interest rates. Since then, the Fed has remained staunchly independent in its use of open market operations to support its monetary policy goals.
1970s-1980s: Inflation and Disinflation
The 1970s saw inflation skyrocket as producer and consumer prices rose, oil prices soared, and the federal deficit more than doubled. By August 1979, when Paul Volcker was sworn in as Fed chairman, drastic action was needed to break inflation’s stranglehold on the U.S. economy. Volcker’s leadership as Fed chairman during the 1980s, though painful in the short term, was successful overall in bringing double-digit inflation under control.

1980: Setting the Stage for Financial Modernization
The Monetary Control Act of 1980 required the Fed to price its financial services competitively against private sector providers and to establish reserve requirements for all eligible financial institutions. The Act marks the beginning of a period of modern banking industry reforms. Following its passage, interstate banking proliferated, and banks began offering interest-paying accounts and instruments to attract customers from brokerage firms. Barriers to insurance activities, however, proved more difficult to circumvent. Nonetheless, momentum for change was steady, and by 1999 the Gramm-Leach-Bliley Act was passed, in essence overturning the Glass-Steagall Act of 1933 and allowing banks to offer a menu of financial services, including investment banking and insurance sales.

1990s: The Longest Economic Expansion
Two months after Alan Greenspan took office as Fed chairman, the stock market plummeted—on October 19, 1987. In response, he ordered the Fed to issue a one-sentence statement before the start of trading on October 20: “The Federal Reserve, consistent with its responsibilities as the nation’s central bank, affirmed today its readiness to serve as a source of liquidity to support the economic and financial system.” Since then, the Fed has used monetary policy on a number of occasions—including the credit crunch of the early 1990s and the Russian default on government bonds—to keep potential financial problems from adversely affecting the real economy. Greenspan’s tenure has been marked by generally declining inflation and the longest peacetime economic expansion in our country’s history.

2000 & Beyond
The Federal Reserve faces many new challenges in the financial services industry: deregulation, technological advances in the payments system, and the move to a global economy.
TEN IMPORTANT EVENTS IN THE HISTORY OF MONEY 
AND BANKING IN THE U.S.

1. The Federal Reserve Act was passed by Congress, orchestrated by President Woodrow Wilson, and established a much needed U.S. central bank.

2. The Monetary Control Act marked the beginning of a period of modern banking industry reforms. Following its passage, interstate banking proliferated, and banks began offering interest-paying accounts and instruments to attract customers from brokerage firms. By 1999 the Gramm-Leach-Bliley Act was passed, in essence overturning the Glass-Steagall Act of 1933 and allowing banks to offer a menu of financial services, including investment banking and insurance sales.

3. This was a time period that saw rapid increases in inflation, skyrocketing oil prices, and the doubling of the federal deficit.

4. The Great Depression resulted in the failure of nearly 10,000 banks during this four-year period. A “bank holiday” was declared by Franklin Delano Roosevelt to avoid bank runs.

5. President Andrew Jackson led the effort opposing the Second Bank of the United States. The charter for the Second Bank of the U.S. expired.

6. The Free Banking Era allowed many state-chartered, city, and private businesses to issue their own paper money.

7. During the Civil War the National Bank Act of 1863 was passed, creating a system of national banks whose currencies were backed by U.S. government securities. This Act allowed banks to issue a reliable and uniform currency for the nation. An amendment to the Act required taxation on state bank notes but not on national bank notes.

8. Intervention by J.P. Morgan, a private citizen and banker, kept a severe bank panic from becoming a national disaster. This led to a consensus in support of a central banking authority.


10. U.S. Congress established the First Bank of the United States with a 20-year charter as the nation’s first central bank.
<table>
<thead>
<tr>
<th>Event</th>
<th>Impact on U.S. Economy</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Continental Congress issued Continental Currency.</td>
<td>Printed in excess, Continental notes created inflation, decreasing public confidence in paper money.</td>
</tr>
<tr>
<td>U.S. Congress established the First Bank of the United States.</td>
<td>This was the first attempt at creating a central bank in the U.S., beginning a controversy that would continue into the next century.</td>
</tr>
<tr>
<td>The charter for the Second Bank of the U.S. expired.</td>
<td>Without a central bank, there were no federal regulations on the banking industry.</td>
</tr>
<tr>
<td>The Free Banking Era.</td>
<td>With no national currency, statechartered banks and unchartered “free banks” issued their own notes.</td>
</tr>
<tr>
<td>The National Bank Act of 1863 was passed.</td>
<td>The Act provided more reliable money and a stable banking industry by effectively creating a uniform currency for the nation.</td>
</tr>
<tr>
<td>Intervention by J.P. Morgan, a private citizen and banker, kept a severe bank panic from becoming a national disaster.</td>
<td>The Bank Panic of 1907 rekindled the debate about creating a central bank, leading to the passage of the Federal Reserve Act in 1913.</td>
</tr>
<tr>
<td>Federal Reserve Act is passed.</td>
<td>The Federal Reserve established a true central bank unlike the First and Second Banks of the United States.</td>
</tr>
<tr>
<td>A “bank holiday” was declared by President Franklin Delano Roosevelt.</td>
<td>Reduced bank panics.</td>
</tr>
<tr>
<td>Increases in inflation, skyrocketing oil prices.</td>
<td>The Federal Reserve's credibility increased when Paul Volcker’s leadership as Fed chairman was successful overall in bringing double-digit inflation under control.</td>
</tr>
<tr>
<td>The Monetary Control Act marks the beginning of a period of modern banking industry reforms.</td>
<td>The act marks the beginning of a period of modern banking industry reforms. Following its passage, interstate banking proliferated, and banks began offering interest-paying accounts and competing with mutual funds and brokerage firms.</td>
</tr>
</tbody>
</table>
Savings and Investments

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IDENTIFICATION OF CENTRAL DISCUSSION TOPIC

Most people carry some type of debt. The question is usually “Do I pay off my debt first, or do I begin a savings account as an emergency fund?” The answer is “It depends.” The key is to try to get yourself into a situation where you can financially protect yourself in case of emergencies, like a car breaking down or a boiler that needs replacement, without allowing the interest on your credit debt to outweigh the progress you have made in savings. The article below provides a thoughtful insight towards paying off debt and saving, and the circumstances for choosing one over the other.

» Should You Pay Off Debt or Save?

MINDSET - TRADITIONAL VS. CURRENT

While retirement seems so far away, it is recommended that you should invest some of your money. Individuals believe that you have to be making a lot of money in order to start investing. This myth is not true. Investing even small amounts at an early age will help you reap large returns in the long run. Read the following article to get an insight on 5 ways to start investing with little money.

» 6 Easy Ways To Start Investing With Little Money

STATEMENT OF ENDURING UNDERSTANDINGS

• Investing early in small amounts should be part of your budget regardless of income, thus ensuring financial stability
• Investing and saving money will maintain the purchasing power of one’s money
• Using investment tools to ensure a secure retirement at a reasonable age

STATEMENT OF SKILLS

• Analyze the characteristics of saving and investing
• Analyze various types of investment assets
When I finally realized that having savings built up for emergencies was something I needed, I had to make the hard choice of deciding to pay off my current debt or to start saving my money. This was a hard decision since I knew both were important. So how did I chose which one to tackle first?

I started crunching numbers. It’s easy to feel the pressure of needing to save but sometimes it’s just not worth it. For example, I had multiple high-interest credit cards that were maxed out that charged anywhere from 20%-25% interest. Just to keep up with my credit card payments, I was paying over $160/month in interest. The hard truth was that even if I paid the minimum payment and allocated my extra funds towards savings, I would still lose money.

Today, if you are trying to make the hard decision of whether you should pay down debt or start saving, I hope this article gives you the knowledge to make the right decision for you.

**PAYING DEBT BEFORE SAVING**

I have learned from experience that it’s better to get rid of high-interest debt before saving for an emergency fund or adding to your retirement. In general, if you have high-interest debt with interest more than 5%-7% and it is not tax-deductible, you should pay it off before saving. The simple truth is, you will not earn that much in interest on your savings but you have to pay interest on your debt. The simple math concludes that if the interest you pay is higher than the interest your earn, you are losing money.

Keep in mind, paying off debt before you begin to save is not for everyone. If you decide to pay off your debt first, this means you will not have money set aside for emergencies which could mean setting you up to take on more debt when an unexpected expense hits.

The main debt you need to be focused on is consumer debt. Consumer debt is used to fund consumption rather than an investment and includes things like credit card debt, payday loans, and rent-to-own agreements.

Consider this example. Suppose you have $1,000 in your savings earning 0% interest and you have $1,000 of credit card debt that costs you 10% interest. Essentially, your net worth is zero, since your assets ($1,000 in savings) minus your liabilities ($1,000 of credit card debt) equals zero. Every single month, your net worth will decrease as you accrue interest on your debt while you earn nothing on your savings.

If you pay off your credit card debt with your savings, your net worth remains unchanged but you essentially stop losing money. The hard part is that you might not have the $1,000 sitting around to give you comfort, but that comfort comes with a low return at a very high cost.

There is also another great benefit to paying off high-interest debt first. If you are struggling to improve your credit score, making the decision to tackle your debt first can really jump-start your plans to improve it. Consumer debt like credit cards and loans factor into your FICO credit score and it has a huge impact. In fact, the amount you owe accounts for 30% of your score. That’s HUGE!

The number one thing you need to do to improve your credit score is to prove your credit worthiness.
You can do this in a relatively short amount of time by paying off what you owe and lowering your balances. This will give you the opportunity to be eligible for lower interest rates which you could use to pay off your debt faster. This is the exact method I used to pay off over $7,500 in credit card debt.

**SAVING BEFORE PAYING OFF YOUR DEBT**

I would only recommend this option if your debt has a very low-interest rate. If you decide to save money before tackling your debt, I highly suggest building your emergency savings first before you focus on saving for anything else.

Unexpected costs are a huge reason on why people get into debt in the first place. If you have low-interest debt and you are only focused on paying it off, it can have huge consequences if unexpected needs arise. This might lead to you having to borrow again and it becomes a vicious cycle that’s hard to get out of.

If you are wanting to focus on saving, I suggest you focus on a small emergency fund of at least $1,000. This will cover minor emergencies and gives you a great place to start. In you are wanting to plan for the long run, I suggest you save enough for 3-6 months worth of expenses. The best way to figure this out is by adding all of your monthly expenses (bills, groceries, kid’s expenses, etc.) and multiplying that amount by 3.

Another area you should focus on is your retirement fund. If you have an employer that offers a retirement plan with an employer match, this is something you should definitely be taking advantage of. You don’t have to devote all extra funds to your retirement but you should be contributing at least enough to receive the employer match. That’s basically free, guaranteed money that you can’t afford to miss out on. Thanks to compounding, even the smallest contributions to your retirement plan can have huge rewards in the long run.

**YOU CAN DO BOTH**

To this day, I still have debt that I am trying to tackle. Sometimes you just don’t feel comfortable with any strategy, no matter how financially logical it may be. This is where I found myself. If you are like me and need the peace of mind of having savings set aside and still need to pay down debt, you can come up with a strategy to do both.

If you want to pay down debt and still save and improve your overall financial picture, the first thing you need to do is figure out what you are trying to achieve.

For example, if your goal is to build a mini emergency fund of $1,000 and pay off debt at the same time, maybe you can set aside $50/month for savings while using the rest of your funds to pay off debt.

Having savings built up to fall back on will give anyone peace of mind. The fact is, no matter what strategy you focus on if you are uncomfortable or feel stressed, it will only prevent you from sticking to your financial plan. It’s important that you do what’s best for you regardless of what you might read or hear.

I was able to save over $4,000 and still pay off over $7,500 in credit card debt by completing both strategies, paying off debt and saving money. I started with putting a huge chunk of my extra funds towards paying off my high-interest credit cards. At the same time, I put small amounts into my savings account every single pay-day. It was a small amount, only $25/twice a month at the time, but it gave me peace of mind that I was building savings that I could fall back on if something happened. It was this peace of mind and comfort that gave me the right financial mindset to continue on my financial journey.

As time passed, my credit score slowly improved and I was able to use balance transfers to help me cut down my credit card debt even faster.

If you have a ton of high-interest debt with limited income and not a lot of extra funds, I suggest you tackle paying off your debt first. After 6 months, if you feel like you are making significant progress, try putting $25-$50/month into a savings account. It’s important to remember that you don’t have to do only one or the other.
6 Easy Ways To Start Investing With Little Money

November 24, 2019
By: David Weliver @ Money Under 30

Investing even very small amounts can reap big rewards. Here are 6 ways you can start investing with little money today.

Many people put off investing because they think you need a lot of money—thousands of dollars!—to start investing. This just isn’t true. You can start investing for as little as $50 per month.

Even at this time of year in the late fall when you’re spending more money on all the holiday presents, you can find a way to put aside just a bit.

It’s hard though.

The key to building wealth is developing good habits—like regularly putting money away every month. If you make investing a habit now, you’ll be in a much stronger financial position down the road.

Don’t believe me? Here are five ways you can start investing with very little money:

1. Try the cookie jar approach

Saving money and investing it are closely connected. In order to invest money, you first have to save some up. That will take a lot less time than you think, and you can do it in very small steps.

If you’ve never been a saver, you can start by putting away just $10 per week. That may not seem like a lot, but over the course of a year it comes to over $500.

Ally Bank currently offers a strong 1.70% Annual Percentage Yield on their online savings account.

There is no minimum deposit required and no monthly maintenance fees associated with an Ally Bank online savings account so the yield is earned on all balances.

The brand also offers high-yield CD’s, checking, savings and investment services if you’re in the market for a place to park your cash and are in need of high interest rates (or are willing to take a little risk).

The electronic equivalent of the cookie jar is the online savings account; it’s separate from your checking account. The money can be withdrawn in two business days if you need it, but it’s not linked to your debit card. Then when the stash is large enough, you can take it out and move it into some actual investment vehicles.

Start with small amounts of money, and then increase as you get more comfortable with the process. It may be a matter of deciding not to go to McDonald’s or passing on the movies, and putting that money into the cookie jar instead.

Prefer that money to be invested right away? Acorns is an app that rounds up your credit and debit card purchases and invests the difference. It’s not fancy, but it’s a start. And for people who’ve never been savers, getting that start is all the more important.

2. Let a roboadvisor invest your money for you

Roboadvisors were created to make investing as simple and accessible as possible. No prior investment experience is required and set-up is easy. Let their automated intelligence track your

Discussion 6: Savings and Investments

FitKit™ EXPRESS 89
investments in the background, and pay lower fees in the process.

**Wealthfront**

One great roboadvisor that I recommend to first-time investors is Wealthfront.

Their fees are reasonable at 0.25%, but the kicker is that you can get your first $5,000 managed free (specific to MU30 readers).

So if you’re looking to start investing with little money, Wealthfront could be the way to go. You will need $500 to get started though with Wealthfront so keep that in mind.

**M1 Finance**

If you don’t have that $500 starting balance, there are still great options for you in the roboadvising space.

M1 Finance charges no commissions or management fees, and their minimum starting balance is just $100.

You can choose from one of their pre-made diversified portfolios or customize your own by purchasing stocks and ETFs through their platform. The user-interface is super easy to use.

**Betterment**

If you’re starting out with less than $100, you may want to consider betterment Betterment, which has no minimum starting balance whatsoever.

Like M1, it’s also great for beginners as it provides a super simple platform and a hassle-free approach to investing.

**3. Make your first steps in real estate market**

Real estate investing does not have to be for the very rich. There are many options for real estate crowdfunding and though this may seem like something you’d be nervous about looking into – it actually can be an intriguing investment.

With Fundrise’s really easy-to-use online platform, you simply need a starting minimum investment of $500. So if you’re an unaccredited investor, you can buy properties without paying those very large fees that end up being a deal-breaker if you want to start dabbling in real estate. By managing your own portfolio, the fees come to just 1% and Fundrise always offers a 90 days satisfaction guarantee.

**4. Enroll in your employer’s retirement plan**

If you’re on a tight budget, even the simple step of enrolling in your 401(k) or other employer retirement plan may seem beyond your reach. But there is a way that you can begin investing in an employer-sponsored retirement plan with amounts that are so small you won’t even notice them.

For example, plan to invest just 1 percent of your salary into the employer plan.

You probably won’t even miss a contribution that small, but what makes it even easier is that the tax deduction that you’ll get for doing so will make the contribution even smaller.

Once you commit to a 1 percent contribution, you can increase it gradually each year. For example, in year two, you can increase your contribution to 2 percent of your pay. In year three, you can increase your contribution to 3 percent of your pay, and so on.

If you time the increases with your annual pay raise, you’ll notice the increased contribution even less. So if you get a 2 percent increase in pay, it will effectively be splitting the increase between your retirement plan and your checking

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Discussion 6: Savings and Investments
account. And if your employer provides a matching contribution, that will make the arrangement even better.

Blooom is a great tool for hands-off investment management of your 401(k). They’ll give you a free 401(k) analysis, telling you where and how they can optimize your investments. If you decide to use their services, you’ll be charged a reasonable $10 per month.

**5. Put your money in low-initial-investment mutual funds**

Mutual funds are investment securities that allow you to invest in a portfolio of stocks and bonds with a single transaction, making them perfect for new investors.

The trouble is many mutual fund companies require initial minimum investments of between $500 and $5,000. If you’re a first-time investor with little money to invest, those minimums can be out of reach. But some mutual fund companies will waive the account minimums if you agree to automatic monthly investments of between $50 and $100.

Automatic investing is a common feature with mutual fund and ETF IRA accounts. It’s less common with taxable accounts, though it’s always worth asking if it’s available. Mutual fund companies that have been known to do this include Dreyfus, Transamerica, and T. Rowe Price.

An automatic investing arrangement is particularly convenient if you can do it through payroll savings. You can typically set up an automatic deposit situation through your payroll, in much the same way that you do with an employer-sponsored retirement plan. Just ask your human resources department how to set it up.

**6. Play it safe with Treasury securities**

Not many small investors begin their investment journey with US Treasury securities, but you can. You’ll never get rich with these securities, but it is an excellent place to park your money—and earn some interest—until you are ready to go into higher risk/higher return investments.

Treasury securities, also known as savings bonds, are easy to buy through the US Treasury’s bond portal Treasury Direct. There you can buy fixed-income US government securities with maturities of anywhere from 30 days to 30 years in denominations as low as $100.

You can also use Treasury Direct to buy Treasury Inflation Protected Securities, or TIPS. These not only pay interest, but they also make periodic principal adjustments to account for inflation based on changes in the consumer price index.

And as is the case with mutual funds, you can also arrange to have your Treasury Direct account funded through payroll savings.

**Bonus idea – Consider a 5% return with Worthy Bonds**

For as little as $10, you can invest in Worthy Bonds. Worthy Bonds are fixed interest bonds that fund loans for creditworthy American businesses. The bonds have a term of 36-months, but interest is paid weekly and you can withdraw your money at ANY time, without penalty. Buy as many $10 bonds as you’d like.

The simple idea is that Worthy is going to take the money you use to buy bonds and invest it into companies with a greater return than 5%. They win, you win and it’s a fixed rate so you know the rate of return every day.

The platform is open to all U.S. investors and can be a great way to diversify your portfolio with a low-risk solution. Worthy only invests in fully secured loans (liquid assets having a value significantly greater than the loan amount), so the quality of loan and investment is always high caliber.

**Summary**

There are plenty of ways to start investing with little money, with many online and app based platforms making it easier than ever. All you have to do is start somewhere. Once you do, it will get easier as time goes on, and your future self will love you for it.
Saving and Investment Needs

- Most people carry some type of debt. The question is usually “Do I pay off my debt first, or do I begin a savings account as an emergency fund?” The answer is “It depends.” The key is to try to get yourself into a situation where you can financially protect yourself in case of emergencies, like a car breaking down or a boiler that needs replacement, without allowing the interest on your credit debt to outweigh the progress you have made in savings.

- The article below provides a thoughtful insight towards paying off debt and saving, and the circumstances for choosing one over the other.

  » Should You Pay Off Debt or Save?

Mindset

- While retirement seems so far away, it is recommended that you should invest some of your money. Individuals believe that you have to be making a lot of money in order to start investing. This myth is not true. Investing even small amounts at an early age will help you reap large returns in the long run.

- Read the following article to get an insight on 5 ways to start investing with little money.

  » 6 Easy Ways To Start Investing With Little Money

Discussion Focus Activity

Do Now: Think-Pair-Share Activity: With a partner, brainstorm for 2 minutes on the following question and record your response below:

“What sort of things do people save money for?”

Brainstorm:

________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________

After each pair has been given 2 minutes with a partner, ask them to share their responses with another pair close by, for the next 2 minutes.

Answers may vary. They can include options that are small or large (i.e. saving to purchase a concert ticket or to purchase a home).
Investing, Savings, and Purchasing Power

Bank accounts are a very safe place for keeping/saving one’s money. With certain types of bank accounts, banks will pay the account holder interest.

- **Interest** - besides payments made for the right to borrow money, interest is paid to bank account holders for keeping money in certain types of bank accounts.

Simple Vs. Compound Interest/The Rule of 72

One’s deposited money becomes part of a pool of money held by the bank for various customers. The bank will use this pool of money as a source for other bank customers’ loans, and, since the bank is essentially borrowing your money, they pay you a bit of money for this.

When shopping around for bank accounts, it’s best if you find one that will offer compound interest.

- **Compound interest** - when interest is calculated on the original principal, and on the interest accrued from prior periods

Participants should, on the accompanying worksheet, calculate the compound interest earnings for the provided bank account example.

*After participants have been provided with some time to complete this portion of the worksheet, the presenter should review the correct answers.*
Directions: List some things people save money for and then fill out the table to calculate the amount of interest earned each year and the balance within the example bank account.

Imagine that you had a bank account, with a starting balance of $1,000. If the money in this account was left alone, following the examples provided below, using compound interest, calculate the amount of interest earned each year, as well as the account balance.

<table>
<thead>
<tr>
<th>End of Year</th>
<th>Old Balance</th>
<th>Interest Rate</th>
<th>Interest Earned</th>
<th>New Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$1,000</td>
<td>10%</td>
<td>$100</td>
<td>$1,100</td>
</tr>
<tr>
<td>2</td>
<td>$1,100</td>
<td>10%</td>
<td>$110</td>
<td>$1,210</td>
</tr>
<tr>
<td>3</td>
<td>$1,210</td>
<td>10%</td>
<td>$121</td>
<td>$1,331</td>
</tr>
<tr>
<td>4</td>
<td>$1,331</td>
<td>10%</td>
<td>$133.10</td>
<td>$1,464.10</td>
</tr>
<tr>
<td>5</td>
<td>$1,464.10</td>
<td>10%</td>
<td>$146.41</td>
<td>$1,610.51</td>
</tr>
<tr>
<td>6</td>
<td>$1,610.51</td>
<td>10%</td>
<td>$161.05</td>
<td>$1,771.56</td>
</tr>
<tr>
<td>7</td>
<td>$1,771.56</td>
<td>10%</td>
<td>$177.16</td>
<td>$1,948.72</td>
</tr>
<tr>
<td>8</td>
<td>$1,948.72</td>
<td>10%</td>
<td>$194.87</td>
<td>$2,143.59</td>
</tr>
<tr>
<td>9</td>
<td>$2,143.59</td>
<td>10%</td>
<td>$214.36</td>
<td>$2,357.95</td>
</tr>
<tr>
<td>10</td>
<td>$2,357.95</td>
<td>10%</td>
<td>$235.80</td>
<td>$2,593.75</td>
</tr>
</tbody>
</table>
If one finds themselves in a situation where they have paid all of their bills, and have adequate funds in an account to handle financial emergencies, then it is wise to consider using this money to purchase investments.

- **Investment** - an asset purchased with the hopes of earning a profit

Common examples of investments are stocks, bonds, mutual funds, real estate, and entrepreneurship.

- **Stocks** - an investment with which one purchases a unit known as a share, that represents a piece of ownership in a company

- **Bonds** - an investment which consists of a person providing a business or government with a sum of money, up front, with the agreement that they will be paid back a sum of money (usually the initial amount plus interest) at a later date; essentially the opposite of a personal loan

- **Mutual funds** - an investment in which a number (usually very large) of investors will pool their money together, which will then be used to purchase a wide variety of investment assets (stocks, bonds, etc.) with shared ownership, risks, and profits; a way to have a diverse set of investments at a cheaper cost

- **Real estate** - a category of investments that includes homes (including the one you live in), second homes (beach houses, mountain homes, etc.), apartment buildings, or land; will generally require a large amount of money up front (for down payment on the property)

- **Entrepreneurship** - an investment involving an investor, or a group of investors, opening up a business, taking on the financial risk in doing so; also generally requires a large up-front investment on the business venture

So, what kind of investment should you buy?

There is no perfect advice for purchasing investments; if there was, then everyone would be rich. However, since there is uncertainty associated with investments, it is important to know that they all will have some risk. All investments will have some degree of risk, but some are definitely more risky than others. You should let your financial advisor/investment broker know about how much risk you are looking to take.

- **Risk** - the possibility of financial loss

Participants should work on the “What is My Investment Risks Comfort Level?” worksheet and take the short survey. The results will shed a light on what level of risk for an individual means and what their particular comfort level is.
What is My Investment Risk Comfort Level?

**Directions:** Answer each question from 5-strongly agree to 2-strongly disagree. Total your answers to calculate your Risk Assessment Score. Then check the table at the bottom to determine your Investment Risk Comfort Level.

**FINANCIAL GOALS**

1. Investments

   I do not currently need a high level of income from my retirement investments:

<table>
<thead>
<tr>
<th>5 strongly agree</th>
<th>4 agree</th>
<th>3 disagree</th>
<th>2 strongly disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>_____</td>
<td>_____</td>
<td>_____</td>
<td>_____</td>
</tr>
</tbody>
</table>

2. Large Expenses

   I have set aside savings to cover major expenses like purchasing a home, college tuition, or a financial emergency:

<table>
<thead>
<tr>
<th>5 strongly agree</th>
<th>4 agree</th>
<th>3 disagree</th>
<th>2 strongly disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>_____</td>
<td>_____</td>
<td>_____</td>
<td>_____</td>
</tr>
</tbody>
</table>

3. Inflation

   I am concerned about the effects of inflation on my investments:

<table>
<thead>
<tr>
<th>5 strongly agree</th>
<th>4 agree</th>
<th>3 disagree</th>
<th>2 strongly disagree</th>
</tr>
</thead>
<tbody>
<tr>
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</tbody>
</table>

**RISK TOLERANCE**

4. Volatility

   I can tolerate sharp ups and downs in the short-term value of my investments in return for potential long-term gains:

<table>
<thead>
<tr>
<th>5 strongly agree</th>
<th>4 agree</th>
<th>3 disagree</th>
<th>2 strongly disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>_____</td>
<td>_____</td>
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</table>

5. Risk vs. Reward

   I prefer an investment that has a 50% chance of losing 5% and a 50% chance of gaining 20% in one year, rather than an investment that will assure me a 5% return in one year:

<table>
<thead>
<tr>
<th>5 strongly agree</th>
<th>4 agree</th>
<th>3 disagree</th>
<th>2 strongly disagree</th>
</tr>
</thead>
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<td>_____</td>
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</table>
6. Decline in Value

*I am comfortable holding on to an investment even though it drops sharply in value:*

5 strongly agree  4 agree  3 disagree  2 strongly disagree  _____

7. Equity Investing

*I am willing to take the risks associated with stocks to earn potential return that is higher than inflation:*

5 strongly agree  4 agree  3 disagree  2 strongly disagree  _____

8. Knowledge of risk:

*I consider myself having basic knowledge about the risks and potential returns associated with investing in stocks and other types of investments:*

5 strongly agree  4 agree  3 disagree  2 strongly disagree  _____

9. Your Personal Time Line

*I plan to use the results of my investments in:*

5 15 or more years  4 10-15 years  3 5-10 years  2 0-5 years  _____

10. Long-term investing

*I am comfortable with an investment that may take 10 years or more to provide the returns I expect:*

5 strongly agree  4 agree  3 disagree  2 strongly disagree  _____

**Risk Assessment Score**

<table>
<thead>
<tr>
<th>Risk Assessment Score</th>
<th>Investment Risk Comfort Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>20-26</td>
<td>Very Conservative</td>
</tr>
<tr>
<td>27-32</td>
<td>Conservative</td>
</tr>
<tr>
<td>33-38</td>
<td>Moderate</td>
</tr>
<tr>
<td>39-44</td>
<td>Moderately aggressive</td>
</tr>
<tr>
<td>45-50</td>
<td>Aggressive</td>
</tr>
</tbody>
</table>
Warren Buffet, billionaire and investment guru, has some simple sound advice for any investor. All investors should not invest blindly nor should they purchase anything blindly. Knowing some information about the type of business you are investing in or putting thought behind a purchase you are making, gives you power and control over your own money. Take a look at this short article in which Warren Buffet suggests simple ways to be a sound investor and shopper.

» Warren Buffett’s Winning Investing Strategy Can Be Applied To Any Purchase You Make

REFLECTION

Ask participants to think back to at least three things that stand out to them from this lesson about saving and investing, and how they may/will become applicable in their future.
When deciding whether or not to invest in a company, billionaire Warren Buffett looks for businesses that will continue to have a competitive advantage decades down the line. This “buy and hold” strategy is why Buffett says long-term investors in Apple shouldn’t obsess over iPhone X sales.

“Nobody buys a farm based on whether they think it’s going to rain next year,” he said on CNBC’s “Squawk Box.” “They buy it because they think it’s a good investment over 10 or 20 years.”

Simply put, Buffett decides a business is worth investing in because it will last, not because it’s doing well right now. He purchased See’s Candies with longtime business partner Charlie Munger in 1972 and spent more than $1 billion on Coca-Cola stock in 1988 — both of which turned out to be good bets and both of which he still owns today.

“Put together a portfolio of companies whose aggregate earnings march upward over the years, and so also will the portfolio’s market value,” Buffett wrote in his 1996 letter to shareholders. “If you aren’t willing to own a stock for ten years, don’t even think about owning it for ten minutes.”

While not everyone will garner the same results as Buffett on the stock market, his core principle can be applied to almost every purchase we make: Invest for the long-term.

When deciding whether or not to buy a home, one of the first questions to ask yourself is: How long do I plan on staying here? The longer you live there, usually, the more valuable an investment real estate becomes.

“As a renter, you can easily spend half a million dollars or more on rent over the years ($1,500 a month for 30 years comes to $540,000), and in the end wind up just where you started — owning nothing,” self-made millionaire David Bach writes in “The Automatic Millionaire.” “Or you can buy a house and spend the same amount paying down a mortgage, and in the end wind up owning your own home free and clear!”

The same goes for clothing, appliances, furniture and anything else that you use on a daily basis. While it’s tempting to skimp and get the cheapest option, especially if you’re on a tight budget, over time, nicer items may hold up better, making the initial outlay worth it.

Think of it in terms of cost per use. For example, say you invest in a $200 blazer from a high-end store. If it’s a wardrobe staple and you wear it twice a week for the whole year, that’s 104 days of wear. Divide the cost, $200, by the number of days, and you end up with less than $2 per wear. Not a bad deal, especially if you feel great in it.

Whether you’re shopping for a new pair of jeans or in the market for a new car, apply the Buffett rule to your next purchase: Is this something worth holding onto?

If the Oracle of Omaha serves as any example, the discipline to buy things only when you really, really like them pays off.
DISCUSSION PLAN

IDENTIFICATION OF CENTRAL DISCUSSION TOPIC

Young people do not realize the importance of one’s credit score. A credit score is a number based on one’s own credit history. In other words, how efficient you are in paying your debt determines your credit score. A credit score can be compared to your grades on your report card in school. This score is used in the process when buying a house or a car. The importance of the score determines the percentage of interest that you will pay for your mortgage or car loan. The higher credit score, the lower interest that you will have to pay to borrow money. So how do you obtain credit responsibly on a limited income? Take a look at the article below to get useful information on applying for credit.

» Building Credit For The First Time

MINDSET - TRADITIONAL VS. CURRENT

Using credit and carrying debt are not the same thing. You want to be able to have a healthy relationship with credit cards, thus allowing you to maximize the advantages of what credit cards have to offer without getting into credit card quicksand. When you open the link below scroll to the section with the heading "Why you should pay off your cards each month — using a credit card like a debit card" as the article illustrates how to establish yourself responsible in the world.

» Using Credit Cards Is Actually Really Important For Your Overall Financial Health — Here’s Why

STATEMENT OF ENDURING UNDERSTANDINGS

- Credit allows people to purchase goods and services that they can use today and pay for them in the future, usually with interest added
- It is important to build up one’s credit score, which is a number based on information in a credit report, assessing a person's credit risk

STATEMENT OF SKILLS

- Identify examples of how credit is used by individuals
- Define credit and identify the roles of the creditor and debtor
- Describe the advantages and disadvantages of credit
Building Credit For The First Time

By: Rocker HQ

Like so many invaluable, practical life skills, credit building isn’t generally something they teach you in school. It’s one of those important financial things you’re left to figure out on your own, like how to fill out a check or what the heck a mortgage is.

This is unfortunate, because credit is an important aspect of your overall financial health. You need it to lease a car, buy a house, rent an apartment or even get a cell phone.

No score? No sweat. We’re here to make it easy for you. Here’s our definitive guide as to how to start building a strong credit history.

Credit Basics – What You Need To Know

If you’re a complete credit first-timer, you might feel overwhelmed by all the unfamiliar terms and concepts associated with building and maintaining good credit. Before we dig into the how of building your credit, let’s go over some of the basic things you’ll need to know.

Essential Terms

- **Annual Percentage Rate (APR):** This number tells you the percentage of interest you’ll pay on your balances. Note that your APR is “annual,” meaning that’s what the yearly rate is. To find out what you’ll be charged in interest each month, divide your APR by 12. If your account accrues interest daily, you can divide the APR by 365 to get your daily rate.

- **Credit limit:** This is how much money a financial institution, like a credit card company, is willing to lend you at one time. Once you hit your credit limit, also called a credit line, you’ll need to pay down some of the debt you owe before you can continue purchasing things using that particular account.

- **Credit report:** This is a detailed report of your entire credit history, including how often you make on-time payments, whether you’ve had any delinquencies, etc. This information, which is tracked and provided by the three major credit bureaus – Experian®, Equifax® and TransUnion®— is used to calculate your credit score.

- **Credit score:** This number reflects the information in your credit report. There are a few different types of credit scoring models, but the one that is used most widely by lenders is the FICO® Score, created by Fair Isaac Corporation. These scores range from 300 – 850.

- **Utilization:** Your credit utilization rate is the amount you currently owe divided by your total credit limit. So, if you have one credit card with a limit of $6,000 and you currently owe $3,000, you’re at a utilization rate of 50%. It’s generally recommended that you keep your utilization below 30%.

What Makes Up Your Credit Score

Your credit score tells lenders how likely you are to pay them back if they lend you money. It’s calculated based on a few different factors.

Most lenders will look at your FICO® Score to determine your creditworthiness; however, the VantageScore® model, which was developed by the three major credit bureaus, is gaining popularity. Both models calculate scores within a range of 300 – 850, though they have slightly different ways of calculating your score.
Many personal finance sites and apps, including Rocket HQSM, offer users free access to their VantageScore®.

Since the FICO® Score model is the most widely used, we’re going to talk about its self-reported credit breakdown, but keep in mind that these factors are also used to calculate your VantageScore®; they just may be weighted in slightly different ways.

According to FICO®, your credit score is made up of five different factors, each making up a certain percentage of your total score:

- **Payment history:** Your ability to make on-time payments makes up the largest chunk of your credit score, 35%.

- **Utilization:** If you frequently use up a majority of your credit limit, that can be a red flag for creditors, which is why this factor makes up 30% of your score.

- **Age of accounts:** 15% of your score is determined by how long your credit accounts have been open. The longer you’ve had an account, the better, so don’t close an account unless you have a good reason to do so.

- **Credit mix:** Though a smaller factor – it only makes up 10% of your score – credit scoring models will also consider the types of accounts you have open. They typically like to see a good mix of both revolving and installment debt. For example, credit cards, a mortgage or a student loan.

- **Credit inquiries:** The final 10% of your score is determined by how often you’re applying for new credit. When you apply for a credit account, a hard inquiry is done on your credit, temporarily lowering your score by a few points. Multiple inquiries within a short span of time can damage your score. However, multiple inquiries for home, auto or student loans within a short period of time are typically treated as a single inquiry, as it indicates that the borrower is simply shopping around for rates.

According to the credit reporting bureau Experian®, a score over 800 is considered exceptional; a score between 740 – 799 is rated very good, 670 – 739 is good, 580 – 669 is fair and 300 – 579 is very poor.

**Revolving Vs. Installment Credit**

We’ll be referring to credit cards quite a bit as we go over how to build your credit, and with good reason: Credit cards are a great tool for building credit.

However, credit cards are only a part of the larger credit picture. There are other types of credit accounts out there. The two main ones you’ll likely deal with are called revolving and installment.

Credit cards are a type of revolving credit. With revolving credit, the creditor offers a maximum amount they’re willing to lend (the credit limit) and the borrower can use any amount within that limit. As long as you stay within your limit and pay the creditor what you owe each month, you can continue to borrow from this line of credit.

With installment credit, a borrower receives a loan for a set amount of money. Over the course of months or years, the borrower makes regular payments to the lender to pay down the initial loan balance and any interest accrued. For this type, think auto loans and mortgages.

**7 Ways To Establish Credit**

Before you can work on building and improving your credit score, you’ve got to put yourself on the map. That is, you need to establish a credit score. If you’ve never taken out a loan or been associated with any sort of credit account, you’ll probably be starting from scratch.

Remember, you can check your credit score for free through a variety of services, including Rocket HQSM, without hurting your credit. Even if you don’t think you have a credit history, it’s still a good idea to check before you start applying for credit. If someone has opened any credit accounts in your name without your knowledge, you’ll want to know about it as soon as possible.
Let’s look at some of the most common methods for establishing a credit score.

**Secured Credit Card**

Secured credit cards are great for credit first-timers because they provide a risk-free way for you to prove to a financial institution that you’re creditworthy.

With a secured card, you put down a refundable security deposit, which serves as your credit limit. Deposits can range from $200 - $2,000, depending on the credit card company’s requirements. You’ll borrow from the original amount you deposited, meaning there is little risk to the creditor. If you end up being unable to pay, the deposit serves as collateral.

After you’ve spent a while making on-time payments and keeping your utilization low, you’ll hopefully have built a good enough credit score to graduate to an unsecured card. The company you have your card with may even offer to convert you to an unsecured account, possibly with a higher credit limit.

**Unsecured Credit Card**

Unsecured credit cards are “traditional” credit cards – they don’t require a deposit for you to get approved.

If you have no credit history or credit score, it’s likely going to be tough to get approved for an unsecured card right out of the gate.

Even if you don’t start out with an unsecured credit card, it should ultimately be your goal to attain one. Unsecured cards, in addition to not requiring a deposit, tend to come with more benefits and higher credit limits.

**Student Credit Card**

If you’re still in college and are looking to build your credit, it might be a good idea to take advantage of your eligibility for a student card.

Student cards allow young adults with little to no credit histories to begin building credit. These types of cards generally require you to have some sort of income (such as a part-time job) to be eligible for approval.

They also tend to come with pretty low credit limits, which can make them good for younger people looking for a lower-risk way to get used to the responsibility of having credit.

**Authorized User**

Another option for those who are looking to boost their non-existent credit histories is becoming an authorized user on someone else’s credit card account.

If you have someone in your life, such as a family member or significant other, who has a great credit history, you may want to consider asking them to add you as an authorized user.

As an authorized user, you’ll receive your own credit card and have access to the account’s line of credit. You aren’t responsible for making payments, but you are left at the mercy of the account’s owner – and vice versa. If the owner isn’t great at making payments on time, that not only affects their credit, but yours, too. On the flip side, if you act irresponsibly with the account and borrow more than you or the owner can pay back in one month, that can lead to financial troubles and damaged trust.

If you’ve found someone who is financially responsible and willing to add you as an authorized user, have them double-check with their credit card company that authorized users are reported to the major credit bureaus. Otherwise, your efforts will be wasted.

**Credit Builder Loan**

If you want to build credit without a credit card, a credit builder loan can be a great option, provided you have the funds to afford the (usually small) monthly payment on top of your other financial obligations.

Credit builder loans work like this: You borrow a relatively small amount of money, usually between $300 – $1,000, which the lender puts
into an account that you don't have access to. You make regular payments to the lender, and once you've paid off the loan, you’re given access to the account with the lump sum that you originally borrowed.

Credit builder loans are often offered by credit unions or smaller, local banks. It can help to get a loan from a bank you already have an existing relationship with, so if your current bank offers this type of loan, see if they’d be willing to work with you.

As with other loans, you’ll pay interest along with your monthly payments. Some lenders may refund some of the interest you paid, while others may not. Be sure to learn all the terms and conditions before taking out the loan.

As you make regular, on-time payments, the lender will report your payment history to the major credit bureaus.

**Student Loan**

Often, the first encounter many of today’s young adults have with credit is taking out loans for school. While we don’t advocate taking out student loans you don’t need for the purpose of establishing credit, if you had to take out loans to pay for your education, you can use that to your advantage by using them to build your credit.

Remember that payment history makes up the largest chunk of your credit score, so do your best to avoid making late payments. If you’re having trouble staying on top of your loans, you may want to look into debt consolidation or see if you qualify for any loan modification options, such as an income-based repayment plan.

**Rent Payments**

You may have heard that it’s possible to use your regular rent payments to boost your credit score. While there are some landlords and services that will report your rent payment history to the major credit bureaus, it may not be the most efficient way for you to establish a credit score – though it has become more common in recent years.

Your landlord can report your payment history so it gets added to your credit report, or you can enlist a rent reporting service to do it. However, once it’s on your credit report, your on-time payments may not be reflected in your credit score.

Why is this? Not every credit scoring model factors in rent payment history. Within the FICO® scoring model, there are several different versions. FICO® Score 8, the most widely-used version, doesn’t factor in rent. The most newly released version, FICO® Score 9, does factor rent history into your score. However, creditors have been slow to adapt FICO® Score 9.

VantageScore® also allows rent to factor into your score. As these newer scoring models become more popular, more people who are new to credit will be able to establish credit through less traditional routes.

**Building Credit**

Once you’ve established a credit history and score, keep going. It can take a while to build up to an excellent score, especially when it comes to the “length of credit history” portion of your score. To get started out on the right foot, here are some responsible credit-building strategies you may want to keep in mind.

**Pay On Time, In Full**

Prioritize making on-time payments and paying off your balance in full each month. When you pay off your full balance right away, you won’t be charged interest. If you decide to carry a balance from month to month, you’ll not only pay interest on that balance, but you’ll also make it harder to keep your utilization down, which can affect your score. And contrary to a common myth, carrying a balance on your card does not help your credit.

This may seem counterintuitive to newbies. The point of a credit card is to be able to make purchases that you can pay off over time, right? While a credit card can be helpful in covering unexpected expenses that you know you’ll be able to pay off over the course of a month or two, it’s generally best to only buy things you know you can pay for in full at the time your bill is due.
Not only does this method help you keep your utilization down and keep you from unnecessarily paying interest, it can also prevent you from getting caught in a debt spiral where you end up in more debt than you’re able to manage.

**Keep Your Utilization Low**

Once you’ve got your very own credit card, it can be tempting to want to whip it out for every purchase you make. However, it’s best to strategize your purchases so you keep your utilization rate nice and low.

When you’re first starting to build your credit, you’ll likely have a relatively low credit limit. This means you have to be even more careful about what you put on the card, as even smaller purchases can push your utilization rate past the recommended 30%. To avoid this, you might consider only using your card for small, regular purchases you know you have the money for, such as the monthly payment for your favorite video streaming service.

Keeping your utilization as low as possible will help your credit score. While the oft-cited 30% rule is a good benchmark to aim for, the lower you go, the bigger the boost to your score.

Keep in mind, though, that not using the card at all won’t do anything for you, and may even lead to the card being cancelled, which can negatively impact your score if you’ve had the account open for a significant amount of time.

As you build your credit, your credit card company may offer you a higher credit limit. This can also help you keep your utilization low, as long as you keep your usage the same.

**Monitor Your Credit**

There are endless ways for you to keep an eye on your financial situation these days, so make sure you’re taking advantage of these abilities. When you’re proactive about monitoring your credit, you’ll catch mistakes or problems early on, giving you a better chance at fixing them.

Your credit card company may offer these services when you sign up for a card. For example, they may offer you access to your FICO® Score or free monitoring of your Social Security number. This can help you catch fraud and identity theft right away.

There are also apps and services, like Rocket HQSM, that will provide you a free look at your credit score and give you a breakdown of how you’re doing in each of the factors that affect your score. You can also view your TransUnion® Credit Report for free on Rocket HQSM.

Though you may have heard that checking your credit score can hurt your credit, this is simply not true. In fact, it’s important to check your score at least somewhat regularly, so you can be aware of where you’re at and if you need to make any adjustments.

Each year, make sure to request a copy of your credit report from each of the three major credit bureaus. You’re entitled to one free copy per year, which you can order online from AnnualCreditReport.com, the only website that is authorized to dispense your free credit report, according to FTC.gov.

**Do I Really Need Credit?**

Unless you have a really solid plan for living your life off the grid, it’s probably a good idea to start building your credit. While it is possible to live without a credit score – and understandable that some people may find that the risks of opening credit accounts outweigh the benefits – it’s quickly becoming less convenient to do so.

For better or worse, credit is an increasingly ubiquitous way to evaluate your financial trustworthiness. So much so that you might have a hard time avoiding it even if you never own a home or apply for a loan.

Credit is now often checked when applying to lease an apartment. Applicants without an established credit history may be declined in competitive rental markets, or they may be required to jump through more hoops to get into a rental, such as putting down several months’ rent or finding someone willing to cosign the lease.
Your credit may also be pulled if you try to get a cell phone contract or establish a utility account. If you don’t have a credit history, you may not be offered the best plans or might be required to put down a deposit.

While the world of credit can seem scary to first-timers, working on building a good credit history comes with a lot of benefits. A good credit rating signals to creditors that you’re a trustworthy, responsible consumer. When lenders are willing to give you credit – and you use that credit responsibly – you can make important purchases that allow you to invest in yourself and your future, like when you take out a student loan or buy a house.

Ready to begin your credit building journey? Get started by creating an account with Rocket HQSM. You’ll get access to your free TransUnion® Credit Report and VantageScore® 3.0. With Rocket HQ, you can monitor your credit, see what’s impacting your score, learn how to make better financial decisions and more.
Using Credit Cards Is Actually Really Important For Your Overall Financial Health — Here’s Why

May 10, 2018
By: David Slotnick @ Business Insider

Having a healthy credit profile is important for everything from opening a new credit card to renting an apartment — even for joining a new cell phone plan.

The only way to build a healthy credit profile is to use credit responsibly, which includes holding accounts, and paying everything off on time.

Fortunately, that doesn't mean you need to take on debt or pay interest fees — as long as you spend within your means and pay off your cards in full each month, you'll never pay interest, and you won't carry any debt.

A great credit card that you can open and use to help build your credit profile is the Freedom Unlimited from Chase.

According to the Federal Reserve, consumer credit card debt in the US grew to a total of $1.02 trillion in November. Considering that there are around 250 million adults in the US, according to the US Census Bureau, that means that each adult is carrying an average of $4,000 in credit card debt.

While there are healthy and productive ways to use debt, credit card debt typically isn't the best, due to high annual percentage rates (APRs) and compounding interest.

However, it's important to differentiate between carrying debt and using credit. In this context, "credit" is when you have access to revolving loans like a credit card.

Using a credit card doesn't automatically mean you'll end up in debt — in fact, it's possible to use credit cards for every single purchase you make without ever paying a cent in interest fees or ending up carrying any debt whatsoever. Plus, having and using a few credit cards is an important part of your overall credit score.

Take a look below at how your credit score works, why it's important, and why using credit cards — while avoiding interest and debt — is the best way to build it.

What's your credit score, and why is it important?

Virtually every American has a credit profile associated with them, which is a history of their use of credit, including accounts held, past borrowing, and payment history. Banks that issue loans and credit cards use the information in your credit profile to determine how trustworthy you are, and how likely it is that you'll pay back whatever you may owe in the future.

Your credit score, meanwhile, is a numerical representation of all of the raw information in your credit profile. It's made up of a few components, including your history of on-time payments, how much outstanding revolving debt you have proportionate to your total credit line, the average length or age of your credit history, how often you've requested new credit recently, and different types of credit you have like car loans and credit cards (having more types is better).
In addition to banks, other parties might use the information in your credit profile to determine your trustworthiness. For example, most landlords will run a credit check before approving your application to rent an apartment. Similarly, companies like utility providers and cell phone carriers check your credit score to make sure you've displayed responsible payment behavior in the past.

There's a common misconception that opening new credit cards hurts your credit score. However, that's not exactly the case — while it may cause a minor temporary dip, within three or four months, the dip is usually gone and your score may go above what it was before you opened the card — this is especially true as you keep using it.

If you look at how the score is calculated, that makes sense — when you open a new card, your average age of accounts becomes a bit shorter, and it's noted that you've recently requested new credit. However, those temporary hits to your score are meant to help the banks notice when someone is applying for too much credit too quickly, since it's usually a sign of financial problems. For the rest of us, it's inconsequential.

Within a few months of normal use, the negative marks from the credit request and the newness of the account tend to disappear. Meanwhile, the fact that you have more available credit, in the form of the new card's credit line, actually helps your score. That additional account also helps establish a history of paying bills on time, which is, ultimately, the most important part of your credit score.

**Why you should pay off your cards each month — using a credit card like a debit card**

What the Federal Reserve numbers don't show is how many people are carrying debt on their credit cards from month to month, and how many are paying off the reported statement amount in full each month.

With most credit cards, interest isn't charged on any purchases until after the due date for that month's statement. That means that if you use your credit card as if it were actually a debit card — only spending money that you have — and paying off your charges in full each month before the due date, you'll never pay a penny in interest. Plus, credit cards have more purchase and fraud protections than debit cards, making them safer to use.

Let's look a little deeper into how that works.

Any time you borrow money, whether you're financing a new car or appliance, or putting something on your credit card, that amount borrowed (or spent) is a loan's "principal." Every loan has an interest rate associated with it. The pre-determined annual percentage rate, or APR, determines how much interest you accrue on a loan's principal each month.

When you use a credit card, each time that account's monthly statement closes, you're given two important numbers: a statement balance, and a minimum payment amount due. The minimum payment is usually much lower than the overall balance — if you haven't been carrying a balance from month to month, it's just a percent of your statement balance for that month. If you have carried a balance, the minimum payment is usually all of the interest accrued that month, plus a much smaller percent of the principal.

If you only pay the minimum, then the next month, you'll have to pay interest charged on whatever of the principal was left unpaid, plus a percentage of any new purchases you've made. Beyond that, because of the way that interest rates and APRs are structured, if you only pay the minimum amount, it will take a very long time to finish paying off your principal — and you'll have to pay extra in the form of interest for that whole time. However, if you pay the full statement amount, you won't be charged any interest.

Obviously, this doesn't work if the outstanding principal on your card consists of months of purchases, or purchases that were more than you could afford. To be able to do this, you should only charge purchases that you’d be able to afford in cash — in other words, use your card like a debit card.
My favorite credit card for helping build your credit profile

As we've seen, it's important to establish a history of responsibly paying and managing multiple credit accounts. Otherwise, you might not be approved for that apartment rental, or you might have to pay a prohibitively high deposit. Alternatively, you might be rejected if you apply for a new credit card to take advantage of a deal, or perks like free checked bags on an airline, or a great signup bonus.

The best way to build up your credit history, without paying high interest charges, taking out expensive loans, or spending money you weren't planning to anyway, is to open a new credit card.

One of my favorite cards in this scenario is the Chase Freedom Unlimited. The card doesn't have any annual fee, and it's typically easier to be approved for than some premium cards. It also has a 0% introductory APR for the first 15 months on purchases and balance transfers — that means that if you have a big purchase coming up, you can basically get an interest-free loan for 15 months, rather than having to spend the cash upfront. After the 15 months are up, there's a normal 16.49%-25.24% variable APR.

Best of all, the Freedom Unlimited earns fantastic rewards. It earns 1.5% cash back on every dollar spent, but if you have a premium Chase card like the Sapphire Preferred or the Sapphire Reserve, you can use the rewards as 1.5 Chase points per dollar spent instead. That's because Chase lets you pool rewards between your cards, meaning that you can opt to either get cash back, or to use your points to purchase travel or transfer to frequent flyer programs.

You'll also earn a $150 cash back sign-up bonus when you spend $500 in the first three months of card membership.

By using the card and paying it on time — either the minimum payment amount, if you're taking advantage of the introductory APR, or the full statement balance — you'll also establish a pattern of on-time payment activity, without having to pay any additional fees, which will help your credit score.

Bottom line

While debt can be expensive, there are ways to use it productively and safely. What's important, though, is to recognize that using credit and carrying debt are not the same things. Using credit helps you establish a healthy credit profile score, which is important for everything from moving to a new apartment to getting a good rate on a major loan.

By opening and holding several credit card accounts, you show that you're responsible and able to handle credit, which can only help you — just make sure to practice normal financial discipline, and not spend money that you don't have on your credit cards.
The Importance of Your Credit Score

- Young people do not realize the importance of one’s credit score. A credit score is a number based on one’s own credit history. In other words, how efficient you are in paying your debt determines your credit score.
- A credit score can be compared to your grades on your report card in school. This score is used in the process when buying a house or a car. The importance of the score determines the percentage of interest that you will pay for your mortgage or car loan. The higher credit score, the lower interest that you will have to pay to borrow money. So how do you obtain credit responsibly on a limited income?
- Take a look at the article below to get useful information on applying for credit.
  » *Building Credit For The First Time*

Mindset

- Using credit and carrying debt are not the same thing. You want to be able to have a healthy relationship with credit cards, thus allowing you to maximize the advantages of what credit cards have to offer without getting into credit card quicksand.
- When you open the link below scroll to the section with the heading "Why you should pay off your cards each month — using a credit card like a debit card" as the article illustrates how to establish yourself responsible in the world.
  » *Using Credit Cards Is Actually Really Important For Your Overall Financial Health — Here’s Why*

Discussion Focus Activity

**Do Now:** Think-Pair-Share Activity: With a partner, brainstorm for 2 minutes on the following question and record your response below:

“Identify various examples of people using credit in their day-to-day lives.”

**Brainstorm:**

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

After each pair has been given 2 minutes with a partner, ask them to share their responses with another pair close by, for the next 2 minutes.
Answers may vary, but may include such options as:
- purchasing groceries
- restaurant visit
- hotel stay
- plane ticket, etc

Ask each group to keep the examples they thought of in mind, as the upcoming slide presentation will likely review the examples which were brought up in their discussions.

**Types of Credit**

Many examples of credit would be categorized as installment credit opportunities.

- **Installment credit** - a credit opportunity where money borrowed for a specific good, which would be repaid at regular intervals (usually monthly) over a specified period of time, until it is paid back in full
  - **Examples**: home loan/mortgage, car loan, student loan, business loan

Other popular examples of credit would be categorized as revolving credit opportunities.

- **Revolving credit** - a retail credit opportunity where a buyer can purchase goods and services with money borrowed from a credit source, with the buyer being provided with the option to pay this amount back completely, partially, or minimally; the buyer can use this form of credit over-and-over, as long as a set maximum limit of allowed debt has not been reached
  - **Examples**: general credit cards, store-specific credit cards, gas cards

Credit allows people to purchase goods and services that they can use today and pay for them in the future, usually with interest.

- **Interest** - a fee paid, generally in the form of a percent, for the right to use borrowed money

Credit services are available due to the agreement made between a creditor and a debtor.

- **Creditor** - a person or company who lends money, goods, or services
- **Debtor** - a person or company who borrows money for the purchase of goods and services, with an agreement in place to repay this borrowed money within a certain timeframe
The Role of Credit in the US Economy

It is important to build up one’s credit score, which is a number based on information in a credit report, assessing a person’s credit risk.

- **Credit report** - a report detailing a person’s financial history, specifically related to their ability to repay borrowed money

- **Credit score** - a numerical system used by creditors to determine whether they should provide credit opportunities to a possible debtor

The Three C’s of Credit

Participants should, on the accompanying worksheet, complete the “Credit Score Activity” with a group. Share your responses in a class discussion.
Credit Score Activity

**Directions:** Read the following articles and answer the question(s) that correspond with them below.

Read the article, "**What’s In Your Credit Report?**"

1. List four categories of information that are included in your credit report.
   
   **A. Personally Identifiable Information**  
   **B. Credit Accounts**  
   **C. Credit Inquiries**  
   **D. Public Record and Collections**

Read the article, "**How to repair your credit and improve your FICO® Scores**"
» [https://www.myfico.com/credit-education/improve-your-credit-score](https://www.myfico.com/credit-education/improve-your-credit-score)

2. Describe and rank in order of importance four things you can do to create a positive credit history.

   1. Check credit report for errors  
   2. Pay bills on time  
   3. Reduce the amount of debt you owe  
   4. This last one is opinion based. Participants should be choosing from the extra list of tips and making a choice based on their own opinion.)

3. What do you think is the most important thing to do if you fall behind on your payments?

   **Come up with a payment plan that puts most of your payment budget towards the highest interest cards first, while maintaining minimum payments on your other accounts.**

Read the article, "**What is a FICO® Score?**"
» [https://www.myfico.com/credit-education/what-is-a-fico-score](https://www.myfico.com/credit-education/what-is-a-fico-score)

6. Describe a credit score in your own words (a FICO Score is a credit score).

   **A three digit number representing your credit history. It indicates whether you are reliable with your money or a risk.**

7. What is considered a good credit score?

   **While this answers varies based on the lender, scores above 670 tend to indicate a good credit score.**
Read the article, “What's in my FICO® Scores?”

» https://www.myfico.com/resources/credit-education/whats-in-your-credit-score

8. What factors would make your credit score change?

While credit categories vary by person, it's all about the amount of risk associated with a person’s credit history. Those with a longer history may have more allowances with risk, provided the history shows reliable credit handling. Late payments lower the score, whereas payments made on time, with debt kept in check will raise the score.

9. What are the five categories used to calculate your score and the weightings (percentages) for each category?

A. Payment History (35%)
B. Amounts Owed (30%)
C. Length of credit history (15%)
D. Credit mix (10%)
E. New Credit (10%)

Now you are ready to begin establishing your credit history and score. As a new credit user, you can begin building a positive history by applying for a credit card from a credit union. Charge some small purchases and pay the credit card bill on time and in full every month. You can also take out a small loan and pay the monthly payment back on time and in full every month. Any bills in your name, such as for a cellular phone, should be paid on time every month. Soon enough, you will be eligible to be a "prime" borrower, receiving the lowest loan rates available and the best terms.

To see an example of a credit report, follow the link below:

Your credit report contains personal information, credit account history, credit inquiries and public records. This information is reported by your lenders and creditors to the credit bureaus. Much of it is used to calculate your FICO® Scores to inform future lenders about your creditworthiness.

Although each of the credit bureaus—Experian, Equifax and TransUnion—format and report your information differently, all credit reports contain basically the same categories of information. These four categories are: identifying information, credit accounts, credit inquiries and public records.

4 Categories of information in a credit report:

Personally Identifiable Information (PII)
Your name, address, Social Security number, date of birth and employment information are used to identify you. Your PII is not used to calculate your FICO Scores. Updates to this information come from information you supply to lenders when you apply for new credit.

Credit Accounts
Lenders report on each account you have established with them. They report the type of account (credit card, auto loan, mortgage, etc.), the date you opened the account, your credit limit or loan amount, the account balance and your payment history, including whether or not you have made your payments on time.

This information makes up the majority of your FICO Scores calculation—so it’s important to keep your accounts in good standing.

Credit Inquiries
When you apply for a loan, you authorize the lender to ask for a copy of your credit report. This is how inquiries appear on your credit report.

The inquiries section contains a list of everyone who accessed your credit report within the last two years. The report you see lists both “hard” inquiries, spurred by your requests for credit, and “soft” inquiries, such as when lenders order your report to send you a pre-approved credit offer in the mail. Lenders can only see the “hard” inquiries on your credit report. “Soft” inquiries are only visible to you.

“Soft” inquiries have no effect on your FICO Scores, while multiple “hard” inquiries can be an indication of higher risk—and may cause your score to dip.

Public Record and Collections
Credit bureaus also collect public record information from state and county courts, including bankruptcies. Debt that is overdue and has been sent to collections also appears on your credit report.

Keep in mind, even if a debt collection appears on your credit report, it’s not the end of the world. While there are no quick fixes to repairing your credit, there are proven things you can do to help improve your FICO Scores.

Remember, you should always verify that the information on your credit report is correct, so your lenders see the most accurate FICO Scores when you apply for credit. If you find an error on your report, you should report it to the appropriate credit bureau.
You can improve your FICO Scores by first fixing errors in your credit history (if errors exist) and then following these guidelines to maintain a consistent and good credit history. Repairing bad credit or building credit for the first time takes patience and discipline. There is no quick way to fix a credit score. In fact, quick-fix efforts are the most likely to backfire, so beware of any advice that claims to improve your credit score fast.

The best advice for rebuilding credit is to manage it responsibly over time. If you haven’t done that, then you’ll need to repair your credit history before you see your credit score improve. The following steps will help you with that.

**Steps to improve your FICO Score**

1. **Check your credit report for errors**
   Carefully review your credit report from all three credit reporting agencies for any incorrect information. Dispute inaccurate or missing information by contacting the credit reporting agency and your lender.

   **Remember:** checking your own credit report or FICO Score has no impact on your credit score.

2. **Pay bills on time**
   Making payments on time to your lenders and creditors is one of the biggest contributing factors to your credit scores—making up 35% of a FICO Score calculation. Past problems like missed or late payments are not easily fixed.

   • **Pay your bills on time:** delinquent payments, even if only a few days late, and collections can have a significantly negative impact on your FICO Scores. Use payment reminders through your banks’ online portals if they offer the option. Consider enrolling in automatic payments through your credit card and loan providers to have payments automatically debited from your bank account.

   • **If you have missed payments, get current and stay current:** poor credit performance won’t haunt you forever. The longer you pay your bills on time after being late, the more your FICO Scores should increase. The impact of past credit problems on your FICO Scores fades as time passes and as recent good payment patterns show up on your credit report.

   • **Be aware that paying off a collection account will not remove it from your credit report:** it will stay on your report for seven years.

   • **If you are having trouble making ends meet, contact your creditors or see a legitimate credit counselor:** this won’t rebuild your credit score immediately, but if you can begin to manage your credit and pay on time, your score should increase over time. Seeking assistance from a credit counseling service will not hurt your FICO Scores.

3. **Reduce the amount of debt you owe**
   Your credit utilization, or the balance of your debt to available credit, contributes 30% to a FICO Score’s calculation. It can be easier to clean up than payment history, but it requires financial discipline and understanding the tips below.
• Keep balances low on credit cards and other revolving credit: high outstanding debt can negatively affect a credit score.

• Pay off debt rather than moving it around: the most effective way to improve your credit scores in this area is by paying down your revolving (credit card) debt. In fact, owing the same amount but having fewer open accounts may lower your scores. Come up with a payment plan that puts most of your payment budget towards the highest interest cards first, while maintaining minimum payments on your other accounts.

• Don’t close unused credit cards as a short-term strategy to raise your scores.

• Don’t open several new credit cards you don’t need to increase your available credit: this approach could backfire and actually lower your credit scores.

More tips on how to fix your FICO Score & maintain good credit:

• If you have been managing credit for a short time, don’t open a lot of new accounts too rapidly: new accounts will lower your average account age, which will have a larger impact on your scores if you don’t have a lot of other credit information. Also, rapid account buildup can look risky if you are a new credit user.

• Do your rate shopping for a loan within a focused period of time: FICO Scores distinguish between a search for a single loan and a search for many new credit lines, in part by the length of time over which you make your inquiries.

• Re-establish your credit history if you have had problems: opening new accounts responsibly and paying them off on time will raise your credit score in the long term.

• Request and check your credit report: this won’t affect your score, as long as you order your credit report directly from the credit reporting agency or through an organization authorized to provide credit reports to consumers.

• Apply for and open new credit accounts only as needed: don’t open accounts just to have a better credit mix—it probably won’t raise your credit score.

• Have credit cards but manage them responsibly: in general, having credit cards and installment loans (and making your payments on time) will rebuild your credit scores. Someone with no credit cards, for example, tends to be higher risk than someone who has managed credit cards responsibly.

• Note that closing an account doesn’t make it go away: a closed account will still show up on your credit report and may be considered when calculating your credit score.
What is a FICO® Score?

By: MyFICO.com

A FICO Score is a three-digit number based on the information in your credit reports. It helps lenders determine how likely you are to repay a loan. This, in turn, affects how much you can borrow, how many months you have to repay, and how much it will cost (the interest rate). When you apply for credit, lenders need a fast and consistent way to decide whether or not to loan you money. In most cases, they’ll look at your FICO Scores.

You can think of a FICO Score as a summary of your credit report. It measures how long you’ve had credit, how much credit you have, how much of your available credit is being used and if you’ve paid on time.

Not only does a FICO Score help lenders make smarter, quicker decisions about who they loan money to, it also helps people like you get fair and fast access to credit when you need it. Because FICO Scores are calculated based on your credit information, you have the ability to influence your score by paying bills on time, not carrying too much debt and making smart credit choices.

Thirty years ago, the Fair Isaac Corporation (FICO) debuted FICO Scores to provide an industry-standard for scoring creditworthiness that was fair to both lenders and consumers. Before the first FICO Score, there were many different scores, all with different ways of being calculated (some even including gender and political affiliation).

Why are FICO Scores important?

FICO Scores help millions of people like you gain access to the credit they need to do things like get an education, buy a first home, or cover medical expenses. Even some insurance and utility companies will check FICO Scores when setting up the terms of the service.

The fact is, a good FICO Score can save you thousands of dollars in interest and fees as lenders are more likely to extend lower rates if you present less of a risk for them.

And overall, fair, quick, consistent and predictive scores help keep the cost of credit lower for the entire population as a whole. The more accessible credit is, the more lenders can loan and the more efficient they can be in their processes to drive costs down and pass savings on to the borrowers.

What is the difference between a FICO Score and other credit scores?

Only FICO Scores are created by the Fair Isaac Corporation and are used by over 90% of top lenders when making lending decisions.

Why? Because FICO Scores are the industry standard for making accurate and fair decisions about creditworthiness. They help millions of people get the credit they need for a home, a new car, or a special purchase.

You may have seen ads for other credit scores, or likely even purchased them in the past. These other credit scores calculate your scores differently than FICO Scores. So while the other credit scores may seem similar to the FICO Score, they aren’t. Only FICO Scores are used by 90% of the top lenders.

What is a good FICO Score?

Every lender determines for themselves what is a good FICO Score and how they will use a FICO Score and other information within the loan

Discussion 7: Credit
approval process. Bear in mind that a good credit score is one you are working to improve.

*In general, many lenders find scores above 670 as indicating good creditworthiness. Typically, the higher your score, the lower the risk and the more likely creditors are to lend to you.*

There are general score ranges recognized by creditors to help them make lending decisions. These ranges can also serve as goals for you to achieve.

You can improve your score over time. The information in your credit reports is continually changing, which means your FICO® Score is also updating frequently.

**FICO Scores by Percent of Scorable Population**

<table>
<thead>
<tr>
<th>FICO Score Ranges</th>
<th>Rating</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;580</td>
<td>Poor</td>
<td>Your score is well below the average score of U.S. consumers and demonstrates to lenders that you are a risky borrower.</td>
</tr>
<tr>
<td>580-669</td>
<td>Fair</td>
<td>Your score is below the average score of U.S. consumers, though many lenders will approve loans with this score.</td>
</tr>
<tr>
<td>670-739</td>
<td>Good</td>
<td>Your score is near or slightly above the average of U.S. consumers and most lenders consider this a good score.</td>
</tr>
<tr>
<td>740-799</td>
<td>Very Good</td>
<td>Your score is above the average of U.S. consumers and demonstrates to lenders that you are a very dependable borrower.</td>
</tr>
<tr>
<td>800+</td>
<td>Exceptional</td>
<td>Your score is well above the average score of U.S. consumers and clearly demonstrates to lenders that you are an exceptional borrower.</td>
</tr>
</tbody>
</table>
FICO Scores are calculated using many different pieces of credit data in your credit report. This data is grouped into five categories: payment history (35%), amounts owed (30%), length of credit history (15%), new credit (10%) and credit mix (10%).

The percentages in the chart reflect how important each of the categories is in determining how your FICO Scores are calculated. The importance of these categories may vary from one person to another—we'll cover that in the next section.

Your FICO Scores consider both positive and negative information in your credit report. Late payments will lower your FICO Scores, but establishing or re-establishing a good track record of making payments on time will raise your credit score.

The importance of credit categories varies by person
Your FICO Scores are unique, just like you. They are calculated based on the five categories referenced above, but for some people, the importance of these categories can be different.

For example, scores for people who have not been using credit long will be calculated differently than those with a longer credit history.

In addition, as the information in your credit report changes, so does the evaluation of these factors in determining your FICO Scores.

Your credit report and FICO Scores evolve frequently. Because of this, it’s not possible to measure the exact impact of a single factor in how your FICO Score is calculated without looking at your entire report. Even the levels of importance shown in the FICO Scores chart above are for the general population and may be different for different credit profiles.

Your FICO Scores only look at information in your credit report
Your FICO Score is calculated only from the information in your credit report. However, lenders may look at many things when making a credit decision, such as your income, how long you have worked at your current job, and the kind of credit you are requesting.

What categories are considered when calculating my FICO Score?
Payment history (35%)
The first thing any lender wants to know is whether you’ve paid past credit accounts on time. This helps a lender figure out the amount of risk it will take on when extending credit. This is the most important factor in a FICO Score.

Be sure to keep your accounts in good standing to build a healthy history.

Amounts owed (30%)
Having credit accounts and owing money on them does not necessarily mean you are a high-
risk borrower with a low FICO Score. However, if you are using a lot of your available credit, this may indicate that you are overextended—and banks can interpret this to mean that you are at a higher risk of defaulting.

**Length of credit history (15%)**
In general, a longer credit history will increase your FICO Scores. However, even people who haven’t been using credit for long may have high FICO Scores, depending on how the rest of their credit report looks.

Your FICO Scores take into account:
How long your credit accounts have been established, including the age of your oldest account, the age of your newest account and an average age of all your accounts

- How long specific credit accounts have been established
- How long it has been since you used certain accounts

**Credit mix (10%)**
FICO Scores will consider your mix of credit cards, retail accounts, installment loans, finance company accounts and mortgage loans. Don’t worry, it’s not necessary to have one of each.

**New credit (10%)**
Research shows that opening several credit accounts in a short amount of time represents a greater risk—especially for people who don’t have a long credit history. If you can avoid it, try not to open too many accounts too rapidly.
Using Credit Responsibly is an Important Part of Personal Financial Planning

There are distinct advantages and disadvantages to using credit to make purchases.

The **advantages** include:
- Being able to make purchases today without having to pay the full price
- Convenience of using a card, as opposed to carrying cash/having to go to a bank
- Building up a good credit history, and high credit score, which will make it less expensive to borrow in the future (lower interest rates)

The **disadvantages** include:
- Temptation to buy things today which one may have difficulty paying back in the future
- Going on shopping sprees with credit cards, as cash is not part of transactions
- Paying small minimum payments and massive amounts of overall interest charges (especially with credit cards)
- Building up a large amount of overall credit card debt, making it difficult to pay it off

**CLOSURE**

Everything from car leasing to the acceptance of renters applications rely on credit scores in order to obtain the product/service. Many of those with limited income find it difficult to obtain credit in order to begin working on a credit score that will provide access to these things. In addition, they may fall prey to easily obtained credit that involve high interest and exorbitant fees.

» **7 Ways to Improve Your Credit Score**

*Regardless of timing, make sure to emphasize the importance of becoming knowledgeable about using credit, and establishing a positive credit history/score as soon as possible.*

**REFLECTION**

Ask participants to jot down three takeaways from lesson above. These ideas should sum up the lesson if they had to explain it to someone else.
An excellent score can help you qualify for premium rewards credit cards and low-interest loans, but the process takes time.

The journey to improving your credit score is a marathon, not a sprint. You can get started by checking your credit score to see where you currently stand.

Once you have an idea of how much room you have to grow, use these tips to begin building better credit.

**7 steps to raise your credit score**

1. **Stay on top of payments.**

   Keep your debts in the green to show lenders you’re responsible with credit.

   According to Experian, payment history is the most influential factor for both FICO and VantageScore, the most common scoring systems.

   Your credit score is essentially a reflection of your ability to pay back debts effectively. From a lender’s perspective, an established history of timely payments is a good indicator you’ll handle future debts responsibly, too.

   “You want to avoid things like late payments, defaults, repossessions, foreclosures and third party collections,” says John Ulzheimer, credit expert, formerly of FICO and Equifax. “And filing bankruptcy is a horrible idea. Anything that would indicate non-performance of a liability is going to harm your credit score.”

2. **Keep tabs on your credit utilization rate.**

   Weigh your balances relative to your credit limit to ensure you’re not using too much available credit, a practice which can indicate risk.

   “The higher that ratio, the fewer points you’re going to earn in that category and your scores are absolutely going to suffer,” Ulzheimer says.

   Credit utilization is one of the most influential categories that influence your score. Your ideal rate may vary depending on the scoring system used.

   “In FICO’s systems, less than 10 percent is the optimal target,” Ulzheimer says. “In fact, people
who have the highest average FICO scores have a utilization of 7 percent.” VantageScore, on the other hand, looks for a target utilization of 30 percent or below.

“I always default to 10 percent because that’s going to keep you in the good zone for both of the scoring platforms,” Ulzheimer says. The date your revolving credit issuer reports your information to the credit bureaus may also impact your utilization rate.

According to Ulzheimer, FICO’s scoring systems don’t differentiate between those who pay in full each month and those who carry a balance; the utilization that appears when your issuer reports your account information is the rate scored. VantageScore, though, does consider whether you pay in full or carry your balance month to month.

If you struggle with high balances and mounting interest payments on your cards, consider consolidating with a zero percent introductory rate balance transfer credit card.

3. Leave old debts on your report

Once you finally get rid of student debt or pay off your auto loan, you may be impatient to get any trace of it wiped from your report.

But as long as your payments were timely and complete, those debt records may actually help your credit score. The same is true for you credit card accounts.

“An account that’s paid in full is a good thing; however, closing an account isn’t something that consumers should automatically do in the hopes that it will positively impact their credit score,” says Nancy Bistritz-Balkan, vice president of communications and consumer education at Equifax. “Having an account with a long history and solid track record of paying bills on time, every time, are the types of responsible habits lenders and creditors look for.”

Any bad debts that can impact your score negatively are automatically removed over time.

“Bankruptcies can stay on your report no longer than 10 years,” Ulzheimer says. “Late payments and similar delinquencies like collections, repossessions, foreclosures and settlements, those are capped at seven years.”

4. Take advantage of score-boosting programs

The number and average age of your accounts are both important factors in helping lenders determine how well you handle debt, which can leave those with a limited credit history at a disadvantage.

Experian Boost and UltraFICO are two programs that allow consumers to boost a thin credit profile with other financial information.

After opting into Experian Boost, you can connect your online banking data and allow the credit bureau add telecommunications and utility payment history to your report. UltraFICO allows you to give permission for your banking data, like checking and savings accounts, to be considered alongside your report when calculating your score.

5. Time your applications carefully

Every time you apply for a new line of credit, a hard inquiry is pulled on your report. This type of inquiry lowers your score temporarily.

“In general, the effects of a hard inquiry last anywhere from 6 to 12 months,” a TransUnion representative tells Bankrate. “And that inquiry is only on your credit report for up to 24 months.”

Research your likelihood of approval to ensure you’re a good candidate before applying for a new credit card. You don’t want to risk lowering your score for a denied application.

You should also refrain from applying for several credit cards within a short time frame or before taking out a large loan like a mortgage.

When you shop for a mortgage, auto or personal loan, you can keep hard inquiries to a minimum by making rate comparisons within a short time period.
Applications for the same type of loan within a designated time frame will only appear as a single hard inquiry. According to FICO, this span can vary from 14 to 45 days.

6. Be patient

You won’t raise your credit score overnight, which is why one of the best ways to achieve an excellent score is to develop good long-term credit habits.

According to Ulzheimer, two influential factors that go into your score are the average age of information and the oldest account on your report.

“You’re really going to need to have credit for a couple of decades before you max out those categories,” Ulzheimer says. “It takes a really, really long time to improve a bad score and it takes a really short amount of time to trash a good score.”

Establish good habits, like paying your balances on time, keeping a low utilization rate and applying for credit only when you need it, and you should see those practices reflected in your score over time.

7. Monitor your credit

When you view your own credit, a soft inquiry is pulled, which doesn’t affect your credit temporarily the way hard inquiries do.

“The information in the credit reports will not only enable you to see all of your financial accounts in one place, but reviewing them may also help you spot signs of identity theft,” Bisritz-Balkan says.

Monitoring your score’s fluctuations every few months can help you understand how well you’re managing your credit and whether you should make any changes.

According to Ulzheimer, “As long as you pay your bills on time and as long as you keep your credit card balances modest and as long as you only apply for credit when you need it, then you really have no choice but to have a good score.”
Insurance

128 Discussion Plan
129 The Role of Insurance In Your Financial Plan
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135 Why Do I Need Insurance?

137 8.1 — Insurance

139 8.2 — Healthcare Insurance
140 11 Ways to Get Health Insurance With No Job or Little Money

143 8.3 — Additional Insurance Policies
144 Discussion Handout 8.3 (a)

145 Closure
146 How to Lower Car Insurance for Young Drivers
IDENTIFICATION OF CENTRAL DISCUSSION TOPIC

Today, young people do not prioritize the importance of insurance in their financial plan. Different types of insurance protect you and your loved ones from many unexpected events that may occur in your life. Protecting yourself with insurance helps protect your assets and life savings from being wiped out from an unexpected casualty. Read the following article to gain an insight on the different types of insurance policies and the amount of coverage that a young adult needs to consider:

» The Role of Insurance In Your Financial Plan

MINDSET - TRADITIONAL VS. CURRENT

Many young people who are on a limited income and feel somewhat invincible question the need for insurance policies. The truth is, on a limited income, some insurances are still necessary while others are not. The following articles point out the types of insurance, even a person on a very limited income, should consider and those policies they may be able to put off until it becomes necessary.

» Calculate How Much Insurance You Need
» Why Do I Need Insurance?

STATEMENT OF ENDURING UNDERSTANDINGS

• Insurance is important to protect your financial future
• Insurance coverage will change depending on the stages of your life

STATEMENT OF SKILLS

• Analyze the characteristics of insurance
• Analyze the various types of insurance
Insurance is an important element of any sound financial plan. Different types of insurance protect you and your loved ones in different ways against the cost of accidents, illness, disability, and death.

What Are Your Insurance Needs?
The insurance decisions you make should be based on your family, age, and economic situation. There are many forms of insurance and, unfortunately, no one-size-fits-all policy. Life insurance, for example, is a virtual necessity if you have a spouse and children, but perhaps is less important for a single person. Disability insurance, which provides an income stream if you are unable to work, is important for everyone.

Following is a list of the forms of insurance most people require.

Auto Insurance
Auto insurance protects you from damage to the often considerable investment in a car and/or from liability for damage or injury caused by you or someone driving your vehicle. It can also help cover expenses you or anyone in your car may incur as a result of an accident with an uninsured motorist.

Auto liability coverage is necessary for anyone who owns a car. Many states require you to have liability insurance before a vehicle can be registered. However, state-required minimum coverage often does not provide adequate protection. Suggested minimums are $100,000 for medical expenses per injured person, $300,000 for the total per accident, and $50,000 for property damage. Collision, fire, and theft coverage is also advisable for a vehicle having more than minimal value. You can cut costs, however, by choosing a higher deductible — the amount of loss that must be exceeded before you are compensated.

The cost of auto insurance varies greatly, depending on the company and agent offering it, your choice of coverage and deductible, where you live, the kind of vehicle, and the ages of drivers in the family. Substantial discounts are often available for safe drivers, nonsmokers, and those who commute to work via public transportation.

Homeowner's Insurance
Homeowner's insurance should allow you to rebuild and refurbish your home after a catastrophe and insulate you from lawsuits if someone is injured on your property. Coverage of at least 80% of your home's replacement value, minus the value of land and foundation, is necessary for you to be covered for the cost of repairs. There are several grades of policies, ranging from HO-1 to HO-8, with increasingly comprehensive coverage and cost. Unless you increase coverage, most homeowner's policies cover the contents of the house for 50% to 75% of the amount for which the house is insured. The liability coverage in many homeowner's policies is $300,000.

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<th>How Much Coverage Do You Need?</th>
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<tr>
<td>Suggested minimum amounts are:</td>
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<td>Homeowner</td>
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**Liability Insurance**

Often called umbrella liability coverage, this takes effect when the personal liability and lawsuit coverage in other policies is exhausted. The cost for $1 million worth of protection — especially necessary for high-income individuals and those with considerable assets — may be only a few hundred dollars a year.

**Life Insurance**

Life insurance, payable when you die, can provide a surviving spouse, children, and other dependents with the funds necessary to maintain their standards of living, can help repay debt, and can fund education tuition costs. The amount you need depends on your situation. If you make $100,000 a year, have a sizable mortgage, and have two kids headed to an expensive college, you could need $1 million in coverage.

Talk with an insurance agent who offers policies from companies whose financial strength is ranked high by rating agencies. And remember that you can shop around.

**Helpful Resources**

This group can refer you to an insurance advisor who can help you determine how much insurance you need and refer you to an agent.

National Association of Insurance and Financial Advisors (877) 866-2432

These agencies rank and rate insurance companies and can give you information about an insurance company’s financial strength. A small fee will be charged for these services.

A.M. Best (908) 439-2200 ext. 5742
Standard & Poor’s (212) 438-2400
Moody’s (212) 553-0377

**Disability Income Insurance**

A long-term disability policy is activated, replacing a portion of your lost income, when you are unable to work for an extended period. Some, but certainly not all, employers cover their employees with some form of company-paid disability income insurance. Typically, such coverage is only partial and/or short-term in nature. Thus, many people seek to purchase an individual disability income insurance policy. If you’re buying, try to get a noncancelable policy with benefits for life, or at least to age 65, and as much salary coverage as you can afford. However, keep in mind that the duration of coverage may be limited because of your occupation.

Insurers will usually cover up to 65% of your salary. Generally, you should have total coverage equal to two thirds of your current pretax income.

If your company provides disability insurance, check to see whether it’s enough for your needs. Group disability insurance policies may be capped at six months and provide benefits that won’t cover your expenses.

**Health Insurance**

Most people enjoy medical insurance as an employee benefit, often with their employers paying whole or part of the premiums. Many employers offer a choice between HMOs (health maintenance organizations) and traditional fee-for-service care. Rates for HMOs are usually cheaper but have more constraints. Privately purchased health insurance is much more expensive — often by several hundred dollars a month — depending on such things as deductibles, coverage choices, and location.

**Long-Term Care Insurance**

With an aging population and uncertainty about the future of Social Security, insurance to cover the high cost of nursing home or at-home health care is becoming more widespread. Medicare pays very little of the cost of long-term care in the United States. Medicaid will pay for the care, but only for patients whose assets are almost completely depleted.
With Congress always debating the future funding of these programs, financial planning for long-term care is more crucial than ever.

Medigap insurance can help pay medical expenses of the elderly not covered by Medicare. However, it doesn't cover custodial nursing home costs. In fact, about half of all nursing home residents pay for the care with personal savings.

Contact a qualified insurance professional or AARP for more information on long-term care insurance.

**Points to Remember**

1. Your insurance needs will vary based on your family, age, and economic situation.

2. Anyone who owns a car should have auto liability insurance. Collision, fire, and theft coverage can protect your investment in a valuable car.

3. Homeowner's insurance should provide coverage up to 80% of the cost of replacing your home, minus land and foundation. Homeowners should also have liability coverage, and those with considerable assets may want to purchase liability up to $1 million.

4. Life insurance is important for those who have families to cover living and other expenses in the event of death.

5. Long-term care insurance can be expensive and complex, but may be a necessity for older people as the long-term coverage of Medicare is often inadequate.

1Source: www.medicare.gov.
When Do You Need Insurance?
You need insurance when you cannot afford to recover from a potential financial loss on your own using your savings or your own financial means. As your savings grow, and your life changes, your need for insurance should be evaluated.

Insurance is something you buy to protect your lifestyle or quality of living if something unforeseen happens to avoid hardship.

You pay a premium to an insurance company for whatever you want to insure, and in turn, if something goes wrong, they will take care of it for you financially.

What Insurance Do You Need? Basic Guideline
The first step in understanding what kind of insurance you really need is to understand why you buy insurance.

If you are buying insurance to protect something that would not really impact your life, or that you can handle yourself using savings, then you probably don't need that insurance.

If you are buying insurance to protect your livelihood, your living conditions, or your family's financial stability because you would not be able to have the same kind of financial compensation otherwise, then you are probably making a good choice in buying the insurance.

7 Kinds of Insurance to Budget For:

1. **Personal Property Home and Contents Insurance**

2. **Liability Insurance** (included with residential insurance)

3. **Additional Living Expense Insurance** (included with residential insurance)

4. **Car Insurance Options**

5. **Disability**

6. **Life Insurance**

7. **Health Insurance**

You may not need all these kinds of insurance, but understanding how they protect you may help you decide how much you need based on your current life stage, and when you need it.

**Personal Property Insurance**
Personal property insurance protects your assets. Common personal property insurance relates to your home insured value, your personal contents or your car. Liability insurance may also be included with some of this insurance to protect you from legal fees, defense or expenses related to your ownership, use of property, or your actions worldwide.

*TIP: Save money on your insurance costs with higher deductibles, or by looking at different home insurance coverage options.*

When you take higher deductibles, you "self insure" more of your property, so you take less insurance with the insurance company. Learn more about Using a Higher Deductible to Save Money

**How Much Personal Property Insurance Do You Need?**
If you are financing your purchases, you will often be required to take out insurance on your property (like a home or car). First time home-buyers will often need proof of insurance for

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**Discussion 8: Insurance**
their mortgage. You will want to get insurance to cover the reconstruction value of your home, and consider the benefits for all-risk coverage to allow the most comprehensive protection possible. Learn more in "What is an all risk insurance policy".

Contents in Your Home and Other Personal Items
If you do not own a home, or if the value of the contents in your home are higher than usual, you may consider insuring your personal contents on a rider or through a renter's policy, or condo insurance.

Creating a home inventory will tell you how much insurance you need for your personal property. Read more about Replacement Value and Actual Cash Value Options which can impact how much money you get for your contents or building.

Protecting Where You Live
Consider the impact of losing where you live for a few months due to a water damage, fire, or other claims. Would you be able to pay for a place to live without insurance help? If not, then you need Additional Living Expense coverage.

Car Insurance for Older Cars
Many people try and save money on car insurance by asking for the minimum insurance. The minimum insurance does not cover things like if a rock hits your windshield, you slide out of control while driving, or if the car catches fire, is vandalized or stolen.

What If Your Car Is Being Repaired Due to an Accident, Do You Need a Rental Car?
Consider collision and comprehensive coverage. If you don't have the coverage, you would not get paid in a claim or get a rental car while your car is being repaired due to an accident or disaster. Learn more about comprehensive coverage here.

Gap Insurance: Do You Need It?
Gap insurance is not a requirement, but it may protect you when you have a loan or lease on your car. When you've paid down your loan, you may not need this coverage.

Personal Disability Insurance
Disability insurance protects your income if you are suddenly unable to work due to an illness or accident. It is usually available as part of an employee benefits package. There are two types of disability, long term and short-term disability coverage. If you freelance, or are self-employed, you may also consider purchasing personal disability insurance.

How to Calculate How Much Disability Insurance You Need
Disability insurance is usually 60 percent (up to a monthly maximum) of your pre-disability income. You can calculate how much you need by adding up:

- cost of your mortgage or rent
- property taxes
- utilities
- groceries
- debt repayments
- insurance premiums
- health expenses
- home maintenance costs
- car loan payments or lease payments
- If you have savings to help pay these costs

Three to six months of salary in savings is a good safety net to help if you are suddenly unemployed or disabled short term.

Life Insurance
There are many cost saving options in choosing life insurance. Knowing if you need life insurance is the first step, and you can read more about this in our article: How to Know if You Need Life Insurance.

How Much Life Insurance You Need?
80 percent of consumers misjudge the price for term life insurance, thinking it is much higher than it actually costs.

Life insurance is one of the more affordable types of insurance if you purchase it early in life. Choosing an affordable life insurance policy that makes sense in your situation is important. A financial advisor will be able to sit with you and calculate how much you need using a needs analysis calculation.
You should also determine what you can afford now and what the priorities will be. In the end, having some life insurance is better than not having anything, consider prioritizing:

- Cost to pay off your debts
- Cost to pay off mortgage
- Funds for children's education ($15,000 per year of college per child is a good conservative starting point)
- How long you want to replace your income for your family or beneficiary? Some people use 10 times their income as a guide, it depends on the circumstances
- Final expenses
- Assets, including savings, retirement savings, pensions, etc.
- Insurance from your employer life insurance policy, or other existing life insurance insurance

Once all those things are taken into consideration how much will the family need to live comfortably?

Tip: Remember your current family expenses contain a portion of your own living expenses.. Don't forget to adjust for that value when you are thinking of replacing income.

**Strategy for Life Insurance: Different Amounts of Insurance at Different Life Stages**

Buying life insurance needs to be part of an overall strategy. Consider that the longer you live, the more of your debts may be paid off and assets will build to offset expenses. You can choose multiple policies of different terms to create a long-term approach. Discuss options with your financial advisor.

**Health Insurance**

Determining a budget for health insurance depends on your personal situation. Consider the different aspects to the type of plan you are looking for.

In health insurance the question is not how much but what kind of health insurance you need. Different plans provide more or less flexibility, higher or lower deductibles, access to doctors with or without health insurance provider restrictions.

Learn more about health insurance needs by reviewing 10 aspects of health insurance costs to save money, and check out the advantages of HSA's or FSA's to help understand more about how to use health insurance choices to your advantage.
Why Do I Need Insurance?

April 2, 2019
By Jeremy Vohwinkle @ The Balance

Insurance Can Protect You Financially In a Number of Ways

You’ve worked hard to build a solid financial footing for you and your family, so you want to be sure that everything is protected. Accidents and disasters can and do happen, and if you aren’t adequately insured, it could leave you in financial ruin. You need insurance to protect your life, your ability to earn income, and to keep a roof over your head. As you evaluate the potential gaps in your insurance coverage, consider which policies you may want to include your short- and long-term financial plan.

01 Types of Insurance You Need

You can insure almost anything under the sun, but certain things absolutely need to be properly insured. This typically includes your life, your health, and your property. At a minimum, it’s important to have health insurance to cover medical costs for yourself and your family; life insurance, which can help provide your loved ones a measure of financial security when you pass away; homeowner’s or renter’s insurance to cover your home; and car insurance to protect your vehicle. When comparing policies, consider how much coverage you need, what premiums you can afford and where you’d like to set your deductible.

02 Types of Insurance You Probably Don’t Need

While you want to ensure that you’re adequately protected, there are a lot of insurance policies that are unnecessary for most people. Purchasing the wrong insurance, or simply spending too much on insurance can do more harm than good.

Types of insurance you may not need include mortgage life insurance, sometimes called credit life insurance; cancer or specific disease insurance; and travel or flight insurance. In the case of travel and flight insurance, for example, these may be included as part of your credit card’s travel benefits. Before buying these types of coverage, think carefully about the return on investment you may get.

03 How Much Life Insurance Do You Need?

This is an important question, and you may find that you don’t need any life insurance, or that you need a million dollars or more in coverage. There are many factors that need to be considered before purchasing life insurance. A good place to start is to ask yourself what you need life insurance to do for you and your family. For example, you may just need enough coverage to pay for final expenses. Or, you may want to have enough life insurance to pay off the mortgage, put your kids through college and cover everyday living expenses for your family. Finding out whether or not you need life insurance, and if so, how much is a good place to begin.

04 Which Type of Life Insurance Is Right for You?

Once you’ve decided how much life insurance you need, the thing to consider is what type of life insurance is best. You may choose a term life policy, which covers you for a set term and tends to have the lowest premiums of any life insurance option. Or, you may prefer permanent coverage in the form of whole life, universal life or variable life coverage. While these policies may carry higher premiums, they offer the benefit of lifetime
coverage with the potential to build cash value. It's important to weigh the pros and cons of both and compare those to your life insurance needs.

05 Finding a Good Auto Insurance Policy

If you own a vehicle, you need to have it insured. Car insurance can protect you if you get into an accident or if your car is stolen or damaged due to vandalism or a natural disaster. Auto insurance is a very competitive industry, and there are a lot of options available to you. Finding the right mix of adequate coverage at a good price can be challenging. Learn how to find the best auto policy for you.

06 Save Money on Your Homeowners Insurance

For many people, their home is one of their biggest assets, so it makes sense to provide adequate coverage. There are different types of coverage you may need. Traditional homeowner's insurance is at the top of the list, but you may also need additional coverage if you live in an area that's prone to certain natural disasters, such as floods, wildfires or earthquakes. Insuring something expensive such as a house comes at a price, but there are many ways that you can save money on your homeowners' insurance.
Importance of Insurance

- Today, young people do not prioritize the importance of insurance in their financial plan. Different types of insurance protect you and your loved ones from many unexpected events that may occur in your life. Protecting yourself with insurance helps protect your assets and life savings from being wiped out from an unexpected casualty.

- Read the following article to gain an insight on the different types of insurance policies and the amount of coverage that a young adult needs to consider:
  » The Role of Insurance In Your Financial Plan

Mindset

- Many young people who are on a limited income and feel somewhat invincible question the need for insurance policies. The truth is, on a limited income, some insurances are still necessary while others are not.

- The following articles point out the types of insurance, even a person on a very limited income, should consider and those policies they may be able to put off until it becomes necessary.
  
  » Calculate How Much Insurance You Need
  » Why Do I Need Insurance?

Discussion Focus Activity

Do Now: Think-Pair-Share Activity: With a partner, brainstorm for 2 minutes on the following question and record your response below:

“What sort of risks/accidents do people face in their day-to-day lives?”

Brainstorm:

_________________________________________________________________________
_________________________________________________________________________
_________________________________________________________________________
_________________________________________________________________________
_________________________________________________________________________

After each pair has been given 2 minutes with a partner, ask them to share their responses with another pair close by, for the next 2 minutes.

Answers will vary, but answers should be similar to:

- Getting injured
- becoming ill
- getting into a car accident
- a natural disaster damaging one’s home, etc.
Ask the entire group to identify what could/should be done by people to avoid the financial implications associated with the types of risks/accidents which were mentioned.

The group will likely identify that insurance/insurance policies are a resource utilized by people to avoid taking on the financial implications of these risks/accidents on one’s own.

• If this is not stated, please inform the group.

The Importance of Insurance

Insurance/insurance policies are a resource utilized by people to avoid taking on the financial implications of these risks/accidents on one’s own.

☐ Insurance - a contracted guarantee that the payment of a sum of money will be provided by an insurance company in the event of a loss or damage to property or life, which is secured by regular payments (premiums) made by a consumer

• On a daily basis, whether we realize it or not, we face risk.
• These risks include the possibility of getting injured, becoming ill, getting into a car accident, a natural disaster damaging one’s home, etc.
• The risk one faces, along with the costs associated with repairing/replacing one’s valuable belongings, creates the need/purpose for insurance policies.

☐ Risk - uncertainty as to the outcome of an event, or the chance of loss

Insurance policies consist of an agreement between an insurance company and a policyholder. In exchange for regular payments (premiums), an insurance company agrees to take on, at least a portion of, the financial burdens associated with damaged and/or destroyed assets.

☐ Policyholder - a person that makes regular insurance payments for insurance coverage

☐ Premium - a regularly made payment for insurance coverage

Discussion 8: Insurance
As already previewed, there are a number of different types of insurance that one will likely use, such as health insurance.

- **Health insurance** - a type of insurance policy in which a policyholder will reduce their risk/financial burden should they become injured or ill.

Along with premiums, health insurance policies may also require consumers to pay deductibles and/or co-pays.

- **Deductible** - a portion of an insurance claim that is paid directly by an insured person, prior to an insurance company honoring claims/paying bills.

- **Co-pay (coinsurance)** - the amount paid for medical care services directly by an insured person, with the insurance company paying for all remaining costs of medical care.

Unfortunately, there is a large group of individuals who do not carry healthcare insurance. As discussed previously, having no insurance can set you back financially for many years. One unexpected visit to the hospital can cost you thousands. It is a risk you do not want to take. Obviously the expense of and access to affordable healthcare is what prevents most from obtaining this insurance.

Take a look at the article below, as it discusses ways to obtain insurance for those with limited income.

» [11 Ways to Get Health Insurance With No Job or Little Money](#)

In addition, those on lower incomes should try to create an emergency fund that would cover the deductibles for insurance policies. In this way, they can lower their premiums by choosing larger deductibles yet still remain financially protected if a loss occurs.
If you are unemployed or have low income, there may be several options to find health insurance that you can afford.

Although there are several options available, by carefully reviewing your options and seeing what you may be eligible for, you might find a better deal with one of these options than another.

The key to finding low-cost health care is taking the time to shop around for a good plan, which can be frustrating.

Here is a list of 11 common places that a person may look to get low-cost health insurance if you are not working, have low income, work reduced hours or only part-time.

11 Options To Find Low-Cost Health Insurance With No Job or Low Income

Many of these programs have eligibility requirements, but reading through the list will help you understand what options may be available. If you feel like you may be eligible for Medicare or Medicaid, you can also contact your State Health Insurance Assistance Program to have them help you understand the options better.

1. Medicaid: More People Now Qualify, Look Into This Health Insurance Option:
   Since the Affordable Care Act, the number of people qualified to receive Medicaid increased dramatically, yet some people may not be aware. The following people who were previously not covered may now be covered under the new law: anyone living below the poverty line may now qualify, including adults without children.

   There are also numerous exceptions, some of them allowing for income above the poverty line to qualify. Medicaid expansion is up to each individual state you can contact your state insurance commissioner to find out the specifics.

2. High Deductible Health Plans:
   Getting a high deductible health plan is a smart way to maintain a low-cost health insurance plan. When combined with an HSA you can find ways to save money on your taxes, while saving money on a long term basis. Learn more about the advantages and strategy behind high deductible health plans and having an HSA here.

3. Consolidated Omnibus Budget Reconciliation Act (COBRA):
   If you are not employed, have had your work hours cut, or you or have been laid off, you may be eligible to continue your (previous) employers’ health insurance through COBRA.

   For students going to college, you also may be able to continue on your parent’s health insurance coverage through COBRA.

   It is a good option for people who may have lost their job and are still undergoing medical treatments.

   If you were to switch to another insurance plan like a short-term plan (read more about this below), your current medical treatments may not qualify under the new health insurance plan, and the cost of short-term health insurance is usually expensive.

   WARNING: This may not be the most affordable health insurance option. The premiums might
be higher, and you may be able to better afford another option first. It is best to gather all your available health insurance options and pick the best health insurance plan for your circumstance. Examples of eligibility for COBRA may include voluntary or involuntary job loss, having your hours cut, if you are transitioning between jobs, death or other changes in family situations like divorce.

4. Workers’ Compensation:
Many people don’t realize that they may be covered under their state’s Workers’ Compensation program. If you are being treated for any work-related injury, your employer must offer you treatment under their Workers’ Compensation program.

5. Medicare:
Medicare is provided by the government and administered by the Social Security Administration. If you are 65 years old or older, you could qualify for Medicare. You may also qualify if you are under 65 and getting Social Security disability benefits or have certain diseases.

6. The Health Insurance Marketplace:
The Affordable Care Act changed the opportunities that people with pre-existing conditions have. Marketplace plans cover treatment for pre-existing medical conditions, according to HealthCareGov.org. No insurance plan can reject you, charge you more, or refuse to pay for essential health benefits for pre-existing conditions.

7. Individual and Family Health Insurance:
You can get quotes from various health insurance companies and buy individual or family health insurance the same way you would by home or car insurance. These plans work similarly to what an employer would offer their employees, but you will not have an employer contribution to help reduce the cost of the insurance, so it will be more expensive than employer group health insurance. You can see examples of costs of health insurance with and without employer contributions here.

8. Short-Term Health Insurance Coverage
Short-term health insurance coverage is a form of individual health insurance policy that only provides coverage for a very short length of time. People who need time to examine their individual and family health insurance choices but still would like to be minimally covered sometimes choose this option.

Examples of Problems With Short-Term Health Insurance Plans:
- They do not usually cover pre-existing medical conditions
- They do not meet the requirements of covering the minimum essential coverage of the ACA
- Short-Term health plans do not renew; after the term, you must re-apply for coverage again.
- Short-term health plans do not allow you to receive a subsidy or tax credits as the ACA plans do.
- Short-Term health insurance plans are meant as a temporary solution when you can not find other major health care coverage or do not want major health coverage. Whenever possible it is better to find a long-term plan that meets the criteria of the ACA so that you do not have to keep worrying about finding temporary solutions.

9. Group Insurance From Organization Memberships:
It is often an overlooked source of affordable or low-cost health insurance. Some people are members of specific organizations that offer health insurance coverage. For example, people who are members of University Alumni Associations can obtain a variety of insurance choices. Although these organizations do not help pay the health insurance premiums like an employer would, the rates would be lower because of the group discount. Figure out what organizations you are a member of and see if they offer group health insurance.
You could also research organizations that provide group health insurance and join those groups, or even ask current organizations you are a member with to offer group health insurance. They may not realize they could offer a plan to their members.

10. **Group Health Expenses Sharing Plan/Health Care Sharing Ministry (HCSM):**

A health expense sharing plan is not insurance but may be an option if you can find a reputable group that has been successfully doing this for a long time. A health expense sharing plan is when a group of people pool their money together and pay each others' health expenses. This is like self-insuring since the group is functioning like their own “insurance company.” The contributions are pooled together and usually invested to accrue interest on the pooled funds.

It works well when the participants are only using the money for major medical expenses. A health care sharing ministry (HCSM) is when a group of people who share similar beliefs decide to create a health expenses sharing plan. An HCSM is a non-profit entity and not an insurance company. It is important to note that these plans may have limitations that you would not normally find in insurance company plans. For example, restrictions on procedures the group finds morally objectionable. There are religious groups that use this model successfully.

Examples of group expense sharing health plans are Medi-Share, and Samaritan Ministries, among others.

11. **Health Insurance Discount Cards:**

Health insurance discount cards allow the member to benefit from negotiated low-cost health services. It is not an insurance plan, but it is an option to explore if you have fully explored everything else, including the healthcare marketplace.

With a health insurance discount card, you pay a small monthly fee for membership so that when you go to the doctor or hospital, you will get a discounted rate on your services. Because it is not an insurance plan, you still end up paying all your medical costs, but you can get a discount. If you choose this option, you should still be working towards getting health insurance in the future.
There are other, also very important, types of insurance policies, which consumers will utilize, including:

- **Auto insurance** - an insurance policy that provides protection against most risks involved in owning an automobile, including accidents and theft.

- **Life insurance** - an insurance policy that provides a lump-sum payment to a selected beneficiary in the event of the policyholder’s death.

- **Homeowner’s insurance** - an insurance policy that covers the cost to fix or replace one’s home after experiences such as a natural disaster, downed trees, falling wires, etc.

- **Renter’s insurance** - an insurance policy that covers the cost to fix or replace one’s assets should they be damaged/stolen while one lives in a rental property.

Participants should, on the accompanying worksheet, identify (for the 5 types of insurance policies covered) the type of risk being covered and how this type of insurance helps protect your finances.

*After participants have been provided with some time to complete this portion of the worksheet (if time permits), ask them to share their responses with the same partner that they worked with prior.*
**Directions:** Answer the questions below, and in the chart, identify (for the 5 types of insurance policies covered), at what age(s) do you think that you will need each type of insurance policy, and why.

1. **What would the world be like, if no insurance policies were available?**

   *Answers will vary, but answers should be similar to:*
   
   *The risks one faces along with costs associated with repairing / replacing one’s valuable belongings, creates a need/purpose for policies. Without them, it would be difficult to handle accidents when they do occur. There are always risks in life and without insurance policies, the financial burden of handling accidents would be tremendous.*

2. **Identify what risks these policies cover and how would it help you financially.**

<table>
<thead>
<tr>
<th>Type of Insurance Policy</th>
<th>Age(s) where you think you will use this type of insurance policy, and why?</th>
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<td>Health Insurance</td>
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Young people today face the frustration of expensive auto insurance premiums. Due to age, young people are placed in a category considered high risk because of their inexperience on the road. Read the following article to discover different ways to lower the cost of auto insurance for young drivers.

» How to Lower Car Insurance for Young Drivers

REFLECTION

Ask participants to consider whether they believe that health insurance is a right, or a privilege, and why?
Teenage drivers can be expensive—but there are discounts to be found, too.

When I turned sixteen, my father gave me the keys to a shiny blue 1998 Isuzu Rodeo—and the news that I’d have to pay for half of my insurance bill and all of my gas, in order to enjoy my new ride. I worked as a waitress at a retirement community earning $5.35 an hour to earn that $80 a month for my half of the insurance bill, and looking back, I’m so grateful for the lesson in financial responsibility (and I still miss that car).

Asking your kids to cover part of the cost of your skyrocketing car insurance bill is one way to manage the cost of adding them as a driver on your policy. But Jean Chatsky just wrote a great piece for Fortune with four other ideas that are worth sharing, too. I’ve excerpted her ideas below, adding my own comment beneath each tip. As for just how much you can save? Experts estimate that married couples spend an additional (brace yourself) 79 percent on car insurance when they add a young driver to their policy!

Fortune’s Secrets for Saving Your Teen on Car Insurance

1. Let The Insurer Track Your Driving

Fortune says:
A number of big carriers have rolled out programs using what the industry calls “telematics.” Essentially, they’re electronics that lets the insurers see how good a driver you are. Progressive’s Snapshot, for instance, is a little piece of hardware that plugs into the bottom of the steering column of your car and transmits data back to the mother ship about how fast you’re driving, how hard you hit the brakes and the time of day you’re on the road.

StateFarm does something similar using onboard communication systems like OnStar. Allstate’s Drivewise – available in app form as well as a stand-alone device — is even more programmatic. It collects data on your speed, braking, miles driven and time of day you’re driving, then you can use that information to improve your savings. “Personally, when I started the program I was low on the braking area,” Allstate spokesperson Justin Herndon says. “I made an effort to identify the times I brake hard and realized it was as I was approaching red lights. So, I started slowing down…and gliding slowly to a stop.” He jumped from 10% savings to 19% within a few weeks. The maximum discount under the program is 30%.

Quoted says:
Telematics sound fantastic but we’re assuming Chatsky is writing here about putting them in the adult drivers’ cars, as we can’t see teenage driving styles leading to a whole lot of discounts. Also, our big remaining question with telematics is, what happens if you’re not that great a driver according to the machines? Is there any punishment regarding your rates for discontinuing use of the program?

2. Make sure you’re getting the good student discount.

Fortune says:
There are some auto insurance discounts you get automatically – such as discounts for raising your deductible or buying a car with an anti-theft
device. The good student discount for good grades isn’t one of these. You have to call your insurer or agent and ask for it. Discounts vary by state. At Allstate they go as high as 20%, but average a 10% off says Herndon. Typically, you need at least a B average or better to qualify. At other insurers, the discounts can go even higher. And while you’re talking to your insurer, ask about other discounts specific to your company. Liberty Mutual, for instance, offers a discount for taking an online driver safety program as well as signing a safe driver contract with your teen.

**Quoted says:**
Also remember that students attending college far from their home state could be eligible for something called a “resident student discount,” which at Allstate, for example, can slash the parents’ policy by up to 30 percent.

**3. Buy used (or hold onto the cars you already have).**

**Fortune says:**
There’s a reason – of course – that teens are more expensive to insure. They have substantially more accidents. (Boys have more than girls, which is why they’re costlier still.) This argues for putting them in cars that are safe, but a bit seasoned. “That way if your child is involved in an accident, it’s a less expensive loss,” says Robert Hartwig, president of the Insurance Information Institute. “Besides, if you have two cars and they’re both a few years old, you’re going to pay less than you will with one new car, one old car, and especially less than having two new cars.”

**Quoted says:** While it’s true that older cars are often less expensive to insure, it’s worth making the distinction that this is usually because less coverage is purchased, not because they’re necessarily inherently cheaper to insure. In fact, driving a new car can also get you discounts on everything from anti-lock brakes to daytime running lights. And for some insurers, just driving a car less than three years old can save you some money (including Travelers.)

**4. Bump up your own liability insurance.**

**Fortune says:**
“The riskiest time for you as a parent from a liability perspective is likely when your teen begins to drive,” Hartwig says. “The vehicle is yours. You are on the policy. And all of the assets in your household can be considered fair game in a lawsuit.” The amount on your basic auto insurance policy often isn’t enough. “You should be able to buy $1 million of liability coverage that sits on top of the liability coverage provided by your auto policy for $250 to $300. If you want a second million it will cost even less.”

**Quoted says:**
We agree completely here. Remember that according to the CDC, per mile driven, teen drivers ages 16 to 19 are three times more likely than drivers aged 20 and older to be in a fatal crash.

Know of another discount Fortune or Quoted forgot? Have another creative way you’ve managed the additional cost of adding a teenage driver to your policy? Let us know!
Glossary

A

**Associate’s degree** - a degree awarded by a community/junior college for the completion of a level of studies that generally takes two years

**Auto insurance** - an insurance policy that provides protection against most risks involved in owning an automobile, including accidents and theft

B

**Bachelor’s degree** - a degree awarded by a college/university for a typical four year program (undergraduate, with a major, for a specific academic focus)

**Balance** - the amount of money that is ‘currently’ within a bank account, following deposit and/or withdrawal transactions

**Bank** - an establishment that provides financial services such as money deposits, money withdrawals, and loans

**Bonds** - an investment which consists of a person providing a business or government with a sum of money, up front, with the agreement that they will be paid back a sum of money (usually the initial amount plus interest) at a later date; essentially the opposite of a personal loan

**Budget** - a plan detailing one’s cash flows (income and expenses), generally for one month at a time

**Budget deficit** - a budgetary scenario where, after accounting for some expenses, there is not enough money available to cover all expenses. This scenario often leads into credit being used to meet shortfalls

**Budget surplus** - a budgetary scenario where, after accounting for all expenses, there is income left over from the original budget

C

**Career** - an occupation that a person has for a significant portion of their life with opportunities for advancement

**Cashflow** - the concept of money coming in (income) and going out (expenses)

**Certification/Licensure** - provides the verification of a certain level of expertise in a particular area and one has completed the necessary steps that are required to receive approval for that particular designation

**Check** - a pre-printed document ordering a bank to withdraw money from an account and pay it to someone else

**Checking account** - a bank account that allows the account holder to deposit and withdraw money, write checks to make a purchase/pay a bill, and utilize a debit card to access ATMs

**Check register** - a booklet for keeping a record of checking account transactions and balances

**Compound interest** - when interest is calculated on the original principal, and on the interest accrued from prior periods

**Co-pay (coinsurance)** - the amount paid for medical care services directly by an insured person, with the insurance company paying for all remaining costs of medical care

**Creditor** - a person or company who lends money, goods, or services

**Credit report** - a report detailing a person’s financial history, specifically related to their ability to repay borrowed money

**Credit score** - a numerical system used by creditors to determine whether they should provide credit opportunities to a possible debtor

D

**Debit card** - a card which looks like a credit card, but is linked to money that one has in a checking account; this card can be used to make purchases and/or withdraw money at an ATM

**Debtor** - a person or company who borrows money for the purchase of goods and services, with an agreement in place to repay this borrowed money within a certain timeframe
**Deductible** - a portion of an insurance claim that is paid directly by an insured person, prior to an insurance company honoring claims/paying bills

**Deductions** - amounts of money subtracted from one’s gross pay. These deductions include taxes, but could include additional deductions like health insurance contributions, retirement plan contributions, labor union dues, etc.

**Deposit** - an addition of funds into one’s bank account, generally in the form of cash or a paycheck

**Discretionary income** - money remaining after mandatory expenses, which can be used as one sees best-fit (saving, investing, entertainment, or other ‘wants’)

**Emergency fund** - money set aside for unanticipated necessary expenses (e.g. if one gets sick, gets injured, loses a job, has to fix their car, etc.)

**Endorse** - to sign the back of a check when depositing/cashing it, proving you are the intended payee

**Entrepreneurship** - an investment involving an investor, or a group of investors, opening up a business, taking on the financial risk in doing so; also generally requires a large up-front investment on the business venture

**FAFSA (Free Application for Federal Student Aid)** - form used to determine one’s need for financial aid, and to apply for federal education grants and loans

**FICA tax (Federal Insurance Contributions Act)** - a federal government tax, collected out of one’s paychecks, in a set percentage, which is used to fund Social Security and Medicare

**Filing taxes** - name for the process of reporting one’s income and taxes paid, from the previous calendar year, by ‘tax day’ of each year

**Financial planning** - organizing plans to spend, save, and invest money to live comfortably, have financial security, and achieve goals

**Fixed expense** - an expense that generally does not change in value from month-to-month (e.g. apartment rent, car loan payment, health insurance premium, etc.)

**Graduate degree** - a degree awarded for academic programs beyond a Bachelor’s degree

**Gross pay** - the amount of money one has made before taxes/deductions have been deducted from the paycheck

**Health insurance** - a type of insurance policy in which a policyholder will reduce their risk/financial burden should they become injured or ill

**Homeowner’s insurance** - an insurance policy that covers the cost to fix or replace one’s home after experiences such as a natural disaster, downed trees, falling wires, etc.

**Hourly rate** - an amount of money that one earns per hour of work, which would be calculated/indicated within one’s pay stub

**Income tax** - a tax collected by state and federal governments, out of one’s paychecks, in a set percentage, which is used to fund a variety of government programs

**Installment credit** - a credit opportunity where money borrowed for a specific good, which would be repaid at regular intervals (usually monthly) over a specified period of time, until it is paid back in full

**Insurance** - a contracted guarantee that the payment of a sum of money will be provided by an insurance company in the event of a loss or damage to property or life, which is secured by regular payments (premiums) made by a consumer
Interest - a fee paid, generally in the form of a percent, for the right to use borrowed money and/or for keeping money in certain types of bank accounts.

Internal Revenue Service (IRS) - the federal agency responsible for administering and enforcing the United States’ tax laws

Investment - an asset purchased with the hopes of earning a profit

Life insurance - an insurance policy that provides a lump-sum payment to a selected beneficiary in the event of the policyholder’s death

Living wage - an idea or calculated minimum income level needed to pay for basic needs in a particular area or region of the country

Loan - a temporary transfer of money from one person or institution to another, with this money being repaid over time, generally with an interest component

Long-term goal - a financial goal taking more than five years to accomplish

Medicare - a federal government program, which provides healthcare benefits to retired Americans or disabled Americans

Middle-term goal - a financial goal taking between one and five years to accomplish

Minimum wage - the lowest wage that a person can be paid per hour for their work. This wage is often set at the federal level; however, individual states can set the wage to be higher

Money management - keeping track of income, all living expenses, and creating a plan for the future use of money, including saving and investing

Mutual fund - an investment in which a number (usually very large) of investors will pool their money together, which will then be used to purchase a wide variety of investment assets (stocks, bonds, etc.) with shared ownership, risks, and profits; a way to have a diverse set of investments at a cheaper cost

Needs - goods and services that an individual must have to survive (e.g. food, clothing, shelter, etc.)

Net pay - the amount of money one has made after taxes/deductions have been subtracted from their gross pay (also known as take home pay).

Opportunity cost - the cost of making a choice, i.e., what is given up when one makes a decision about how to prioritize their use of time or money

Paycheck - paper document issued to an employee, which would provide a method of paying them for their completed work

Payee - the person to whom a check is paid

Payer - the person that issues the check

Pay stub - a document attached to a paycheck, which details one’s gross pay, deductions, and net pay

Personal finance - financial management; what one is required to do to obtain, budget, save, and spend money over time

PIN (personal identification number) - a sequence of numbers (usually 4) that act as a password to access your checking account’s funds

Policyholder - a person that makes regular insurance payments for insurance coverage

Premium - a regularly made payment for insurance coverage

Property tax - a local government (township, city, or municipality) tax paid, based on the value of one’s owned property, in the form of a set percentage, which is the primary source of funding for local public schools
Real estate - a category of investments that includes homes (including the one you live in), second homes (beach houses, mountain homes, etc.), apartment buildings, or land; will generally require a large amount of money up front (for down payment on the property)

Renter's insurance - an insurance policy that covers the cost to fix or replace one's assets should they be damaged/stolen while one lives in a rental property

Revolving credit - a retail credit opportunity where a buyer can purchase goods and services with money borrowed from a credit source, with the buyer being provided with the option to pay this amount back completely, partially, or minimally; the buyer can use this form of credit over-and-over, as long as a set maximum limit of allowed debt has not been reached

Risk - uncertainty as to the outcome of an event, or the chance of loss

Salary - a fixed amount of income that one is paid, regardless of the amount of hours worked

Sales tax - a state government tax, which adds a decided-upon percentage onto the purchase price of purchased items

Short-term goal - a financial goal taking less than one year to accomplish

Social Security - a federal government program, which provides monetary benefits to retired Americans (who have worked), or disabled Americans (who are not able to work)

Stocks - an investment with which one purchases a unit known as a share, that represents a piece of ownership in a company

Student loans - money borrowed (usually from the federal government), which is used to pay for education/training costs

Taxes - fees imposed by the government, which are utilized to fund government programs

Tuition - the cost of receiving training or instruction by an educational institution

Variable expense - an expense that may vary in value from month-to-month (e.g. a utility bill, food costs, automobile gasoline, etc.)

Vocational school - an education/training institution in which one receives training for a particular job/vocation. This education/training is often short and career-focused for a hands-on vocation (i.e., plumber, electrician, mechanic, heating/air-conditioning, etc.)

Wants - goods and services that add pleasure to one's life, but are not necessary for survival (e.g. a better computer, sports car, baseball camp, vacation, concert tickets, etc.)

Withdrawal - the removal of money from a bank account
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