Building Your Money Skills...

Taking Charge of Your Future

Note: The content areas in this material are believed to be current as of this printing, but, over time, legislative and regulatory changes, as well as new developments, may date this material.

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Building Your Money Skills...Taking Charge of Your Future was developed for YouthBuild® as a public service of the Denver-based National Endowment for Financial Education® (NEFE®).

The seven-week, hands-on financial education program is designed for young adults, ages 16 to 24. The program introduces participants to basic financial planning concepts such as goal setting, making a spending plan, building an emergency fund, and the wise use of credit. In addition, each participant receives a 68-page youth guide. The chapters in the youth guide correspond to the seven units in the program.
1. Program participants will explore their relationships with money, the difference between net worth and self-worth, and the importance of setting financial goals.

2. Program participants will learn important money management skills, such as balancing a checking account and developing a spending plan.

3. Program participants will be introduced to the power of compound interest that permits even small sums of money to grow over time.

4. Program participants will learn basic financial principles, such as “pay yourself first” and keeping their consumer debt-to-net income ratio below 20 percent.

5. Program participants will explore ways to improve their financial situation (e.g., saving money and paying monthly credit card bills in full).

6. Program participants will learn the importance of avoiding high-cost financial practices, such as making minimum payments on credit cards and the use of payday lenders and check-cashing stores.

7. Program participants will be provided with resources for making financial decisions.
The Need
for Financial Education for Youth

A number of recent studies and government statistics suggest that young people lack knowledge and understanding of personal finance principles, such as money management, saving and investing, and the wise use of credit. This lack of financial knowledge among America’s youth underscores the need for personal finance education, both in the formal classroom and in programs for young adults, such as those sponsored by YouthBuild.

A national survey of high school seniors’ level of knowledge about personal finance basics in 2000 by the Jump$tart Coalition for Personal Financial Literacy resulted in an average score of 51.9 percent. The average score on a similar test in 1997 was 57.3 percent.

The Jump$tart Coalition study also showed that experience alone is not the best teacher of money management. Students who owned a credit card, for example, scored worse than teens who did not. Those with stock in their own name achieved the same score on the survey as students who did not own any stocks.

Young adults today are prime targets for credit card offers, and some later find themselves in financial difficulty when they are unable to make payments. In recent years, bankruptcy filings among young people in their twenties have soared. In the 2000 Jump$tart Coalition survey, almost a third (30.9 percent) of the respondents either had their own credit card or the use of their parents’ card.
Besides debt concerns, another important reason to teach personal finance to youth is to maximize the tremendous power of compound interest. Young adults may not have much money to work with, but they have a lot of time on their side. If $20 is saved weekly for 40 years, it will grow to $132,745 at a 5 percent average annual return and $555,244 at a 10 percent average annual return.

One way to explain the power of compound interest to youth is to compare saving and investing money to the television game show *Who Wants to Be a Millionaire?* It takes about eight rounds of questions before contestants earn significant sums. Then the money they earn begins to double rapidly (e.g., $32,000 to $64,000) until reaching the $1 million level.

Similarly, it can take several decades to accumulate a six-figure sum. The real benefits to saving early in life come later when it might take only nine years, at an 8 percent average annual return, to double $100,000 to $200,000.

A need clearly exists to improve the financial literacy of America’s youth. As a facilitator for *Building Your Money Skills…Taking Charge of Your Future*, you have a tremendous opportunity to influence the financial future of the young people you serve.
As you know, teaching and facilitating are not the same thing. Here are a few reminders:

• With a teaching style of program delivery, an instructor is “the sage on the stage.” He or she is expected to deliver most, if not all, of the class content in a traditional classroom lecturing style standing in front of a group of learners.

• With a facilitation style of program delivery, a facilitator is “the guide on the side.” He or she encourages learners to be active participants in their own learning process using open-ended questions and structured hands-on activities.

Many learners, both youth and adults, respond better to facilitation than teaching. Below are 10 characteristics of a good facilitator:

1. Structures classes to provide active participation by learners and opportunities for social interaction and development of skills (e.g., check writing).

2. Focuses on learner needs and the learning process rather than program content.

3. Builds on the strengths of learners by acknowledging their strengths and successes.

4. Identifies participants’ expertise and acknowledges that it is as valuable as the facilitator’s.

5. Works with participants to determine what information and skills are needed. Asks learners for their input in identifying topics that class sessions should cover.

6. Provides activities that teach learners how to obtain information and make decisions.

7. Sits at a table with participants (unless the group is too large) and does not set himself or herself apart (e.g., fancy clothing or jewelry).

8. Focuses on alternative solutions to real-life problems.

9. Asks open-ended thinking (e.g., what did you see?), feeling (e.g., how did you feel?), interpretative (what does it mean?), and application (e.g., what did you learn?) questions of participants in the learning process.

10. Develops meaningful activities to illustrate subject matter content (e.g., breaking class into small groups to solve a problem and present their solution to the entire group).
Overview of Sessions

**Week 1: Your Relationship with Money**
Participants get acquainted by developing a personal money motto and sharing it with each other. This session explores the concepts of net worth and self-worth with a hands-on activity and discusses various emotions associated with the use of money.

**Week 2: Financial Goals: From Dreams to Reality**
Participants share their financial dreams with each other. This session describes how to set a specific financial goal and make plans to reach it. Participants complete a worksheet to calculate the savings required to reach their financial goal.

**Week 3: Paychecks and Checking Accounts: It’s Your Money**
Participants complete an activity to identify information found on a paycheck stub. Session content includes income taxes, opening a checking account, writing checks, and using a check register. Hands-on practice with writing checks and balancing an account is provided.

**Week 4: Saving and Investing: Making Your Money Work for You**
Participants complete a *Savings Coat of Arms* and share the results. Session content covers the definition of compound interest and the principle of “pay yourself first.” It concludes with brainstorming ways to find money to save.

**Week 5: Smart Money Management**
Participants form two teams and complete a *Needs Versus Wants Polarity Activity*. Session content includes how to prepare a spending plan and tips for savvy shopping. The workshop activity encourages participants to brainstorm ways to increase income and reduce expenses.

**Week 6: Winning the Credit Game**
The session begins with *Credit Q&A* to discover what participants already know about credit and insert new information. Class content includes ways to establish good credit, how credit reporting agencies work, the advantages and disadvantages of credit cards, and the pitfalls of pawnshops and payday lenders. A hands-on activity has participants analyze “the fine print” of credit card offers.

**Week 7: Ready, Set, Go**
A hands-on activity provides participants with an opportunity to share what they have learned in weeks 1-6. Key points from the first six class sessions are reviewed. The workshop activity gets participants talking about their money management practices before the class sessions and in the future, as well as their progress toward the financial goal set in Week 2.
How to Use the Facilitator’s Guide

This facilitator’s guide provides you with tools to make the subject matter covered in *Building Your Money Skills…Taking Charge of Your Future* meaningful to participants. For each unit, you will find the following items:

- Learning objectives
- Materials needed
- Icebreaker activity
- Summary of content for discussion
- Second activity related to the session content
- Summary of key points
- Suggested ideas and/or activities for further exploration
- List of resources for additional information

Prior to each class session, ask participants to read the chapter in the youth guide that corresponds to the unit you will cover. In addition, take a few minutes at the beginning of each class to review the previous week’s session.

Handouts to photocopy and give to participants are indicated with the symbol shown below.
Objective
To identify ways that money attitudes and beliefs influence the way people think, feel, and act.

Materials Needed
- Chapter 1 of youth guide
- Handouts
- Incentives for participation
- Flipchart

Icebreaker Activity: My Money Motto
The purpose of this activity is twofold:

1. Allows participants to introduce themselves to one another in a fun way. (If participants already know one another, encourage them to share information about themselves that is not widely known.)

2. Provides an opportunity for participants to explore their “money emotions” in a non-threatening manner.

A money motto is a sentence or phrase that describes a person’s feelings or behavior with respect to money.

The facilitator gives participants a copy of the My Money Motto handout and provides several frequently quoted examples of money mottoes, such as:

- You can’t take it [money] with you.
- When the going gets tough, the tough go shopping.
- Money “talks.”
- A penny saved is a penny earned.
- The best things in life are free.

Ask participants to brainstorm other mottoes they may know. Then, give participants up to five minutes to write a money motto for themselves. Then ask participants to introduce themselves to the group and discuss their money motto.
Content

Having more money does not guarantee happiness or success. Things that are most important in life, such as close relationships with family and friends, cannot be bought.

People can have a relationship with money, just as they have relationships with people. This relationship is the result of life experiences, such as observing how your parent(s) handle money.

Some examples of money relationships are:

- Spending to impress others (e.g., flashy clothing or car)
- Not spending at all and hoarding money
- Using money to wield power over other people and control them
- Distrust of financial institutions, thereby not establishing a bank account
- Fear of making a lot of money
- Fear of ending up poor and homeless
- Other? (ask for input)

Always remember that a person’s net worth is not the same as his or her self-worth.

- Net worth is the amount you own (assets) minus the amount you owe (debts). For example, someone with $3,000 of assets and $500 of debts has a net worth of $2,500.

- Self-worth is the combination of qualities and values that make someone unique (e.g., his or her thoughtfulness, outgoing personality, or musical or athletic ability). It is what is inside people (i.e., their character) that determines their true worth to others—not how much money they earn or the possessions they have accumulated.

This class series will help you make better financial decisions, which will pay off now and for years to come. When you learn about personal finance, you will also feel more confident about your future and more in control of your money.
Activity: My Net Worth and My Self-Worth

This activity allows participants to internalize the concepts of net worth and self-worth and to publicly recognize their successful traits and talents.

The facilitator gives participants a copy of the *My Net Worth and My Self-Worth* handout and asks them to list their assets, debts, and net worth on one side and their unique qualities and talents on the other side. Ask for volunteers to share what they have written. (*Note: The facilitator should be prepared to discuss examples of his or her unique qualities, or those of others, in case participants are hesitant to reveal personal information in the beginning.*)

As an incentive to increase participation, provide candy, quarters, pencils, or magnets (or some other type of inexpensive incentive) to those who participate. When possible, use incentives related to the topic of money—for example, restaurant tip charts, pocket sales tax tables, fun checkbook covers, or small calculators donated by a bank or other financial institution.

*Before moving on,* ask participants what they would like to learn during this program. Write their ideas on a flipchart and try to incorporate their suggestions into subsequent classes.

Key Points

• People have a relationship with money just as they do with other people.

• Important things, like a reputation for honesty and loyal friends, cannot be bought.

• Your net worth is not the same as your self-worth.

• Learning about money can help you feel more confident about the future and more in control.

Ideas for Further Exploration

• Invite a speaker to talk to the group about money and values.

• Ask participants to interview three friends and/or family members about their views on money and self-worth and report back to the class.
Resources


• *Your Money or Your Life* by Joe Dominguez & Vicki Robin (The New Road Map Foundation, September 1999). This book explores how people can gain control of their money and live happier and less stressful lives. It encourages readers to take back their lives by de-emphasizing material possessions and living well for less.

• *Reader’s Digest Tools and Quizzes:* www.rd.com/tools/alltoollist.jhtml. This Web site contains dozens of financial self-assessment tools, as well as quizzes about health and nutrition topics and relationships.
My Money Motto

Name:

Money Motto:
Complete both sides of this form.

On the net worth side, list the value of all of your assets at their current market value. This could be much less than what you paid for them. For debts, list the total amount owed.

On the self-worth side, list all of your special qualities, values, and talents. In other words, those things that you like most about yourself and/or about which you feel most proud.

### Net Worth

**Assets (what you own)**

<table>
<thead>
<tr>
<th>Examples:</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 3,000 car</td>
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<tr>
<td>$ 200 DVD player</td>
</tr>
<tr>
<td>$ 500 computer</td>
</tr>
</tbody>
</table>

### Self-Worth

<table>
<thead>
<tr>
<th>Examples:</th>
</tr>
</thead>
<tbody>
<tr>
<td>honest, hard worker, reliable, friendly</td>
</tr>
<tr>
<td>can keep a friend’s secret</td>
</tr>
<tr>
<td>have three very good friends</td>
</tr>
</tbody>
</table>

### Debts (what you owe)

<table>
<thead>
<tr>
<th>Examples:</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 1,800 car loan</td>
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<tr>
<td>$ 300 credit card debts</td>
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<tr>
<td>$ 100 loan from a friend</td>
</tr>
</tbody>
</table>

### Net Worth (assets minus debts)

<table>
<thead>
<tr>
<th>Example:</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 3,700 (assets)</td>
</tr>
<tr>
<td>- $ 2,200 (debts)</td>
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</tbody>
</table>

$ 1,500 (net worth)
Week 2: Financial Goals: From Dreams to Reality

Objective
To explain how to set specific financial goals and use them to direct future action (e.g., saving).

Materials Needed
- Chapter 2 of youth guide
- Handouts
- Calculators
- Incentives for participation
- Newspaper ads

Icebreaker Activity: My Financial Dreams
Before beginning this activity, quickly review last week’s session. Ask if there are any questions.

This activity:
- Allows participants to re-introduce themselves and get to know each other better.
- Provides an opportunity for participants to think about what they want to accomplish in the future.

Dreams form the basis for financial goal setting and the actions required to achieve them. Give participants up to five minutes to write or draw one or more future financial dreams on the My Financial Dreams handout. For example, they could write “I want a million dollars,” or “I want to go to college” or they could draw the type of house or car they’d like to own or where they’d like to live. Place the dream (words or picture) under the corresponding number of years into the future on the handout timeline (e.g., three years).

Then ask participants to discuss their financial dreams. (Note: The facilitator should be prepared to disclose his or her dreams to get the discussion started.)
Content

Financial dreams are often vague, without a time deadline or a dollar cost (use some examples of participants’ undefined dreams or examples, such as “I want to be rich,” “I want a big house,” “I want a luxury car,” and “I want to retire comfortably”). It is important for people to identify their dreams because dreams form the basis of financial goals and the plans needed to achieve them.

Financial goals are things you want to do in life that involve money. To set financial goals, you need to know three things:

1. How much the goal costs (e.g., a used car that costs $8,000).
2. When you want to reach the goal (e.g., buy a car in two years).
3. How much money you need to save monthly or weekly to reach the goal (e.g., $75 per week).

Financial goal-setting is very much like planning a trip (analogy). You need to know where you are going and how much it will cost, and then save money so you can afford the trip (goal).

Explain to participants that most people think about goals in terms of being short-term, medium-term, or long-term. Participants should keep in mind, however, that their views of these timeframes can change. What might sound like a long-term goal to one person (five years to buy a house) might sound like a short-term goal to someone else.

• Short-term goals typically are less than three months into the future (example: save $50 per month for two months, or about $13 weekly, for a $100 jacket).

• Medium-term goals typically are three months to a year away (example: save $200 per month for 10 months, or $50 per week, for a $2,000 used car).

• Long-term goals may take longer than a year (example: save $2,000 per year for three years, or about $40 per week, to go to a trade school that costs $6,000).
When you have specific financial goals, you can “do the math” and make plans to reach them. These are the steps for successful financial goal-setting:

• Write down your goals and post them where you can see them every day (e.g., desk or mirror).

• Be specific…identify what type of car you want or what college/trade school; set a deadline.

• Estimate the cost of each goal and the amount of savings required (simple math: division).

• Determine if the goal is realistic: can you afford it? If not, can the goal be reworked?

• Prioritize the list of goals: put them in order of importance, considering time deadlines.

• Share your goal with others to build support and for accountability (other people are watching you).

**Activity:**
**Go for the Goal**

This hands-on activity allows participants to calculate the cost of a personal financial goal and the savings required to achieve it. Calculators can be provided for participants’ use.

The facilitator gives participants a copy of the *Go for the Goal* handout and asks them to calculate the cost of a goal based upon one of the dreams they identified earlier. Ask for volunteers to share what they have written. *(Note: The facilitator should be prepared to discuss examples of his or her financial goals.)*

To increase participation, provide inexpensive incentives to those who participate.

**Key Points**

• When people don’t have goals, they tend to waste their money and time.

• Financial goals should be specific, with both a dollar amount and a time deadline.

• Once you clearly define a financial goal, you can calculate the savings required to achieve it.

• Goals are not set in stone. Goals and plans need to be flexible because life is full of surprises.
Ideas for Further Exploration

• Invite a successful graduate of the YouthBuild program to speak to the class about how he or she set goals and reached them.

• Have participants brainstorm ideas and set a specific goal for the class to achieve together by the end of the seven sessions. For example, they might set a goal to put their loose change in a jar every week to save for a party at the end of the program.

Resources

• The Web site www.financenter.com contains dozens of online financial calculators that can be used to determine the savings required for future financial goals. YouthBuild participants may be particularly interested in the auto loan calculator, college planning calculator, or paycheck planning calculator.


• Newspaper classified pages and advertisements can be collected for the goal-setting activity so participants have a frame of reference for the cost of their goals.
My Financial Dreams

Use the space below the timeline to draw your financial dreams or describe them in words (e.g., “buy a new car”). Then draw a line from the description or picture of your dream to the number of years on the timeline (for example: a new car might be three years into the future) to identify when you want to achieve your dream.

Number of Years Into the Future

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<th>20</th>
<th>30</th>
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<th>50</th>
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<tr>
<td>Goals</td>
<td>Approximate Month &amp; Year Needed</td>
<td>Number of Months Left to Save</td>
<td>Date to Start Saving</td>
<td>Monthly Amount to Save*</td>
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<td>Long-Term (more than one year)</td>
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Date Prepared _____/_____/_____

* Note that this amount does not take into account interest earned on money invested for a medium-term or long-term goal.
Objective

To discuss issues related to earning and managing an income, including taxes and payroll deductions, opening and balancing a checking account, high-cost check-cashing stores, and automated teller machines (ATMs).

Materials Needed

• Chapter 3 of youth guide
• Handouts
• Flipchart
• Incentives
• Calculators
• Sample paycheck stubs

Icebreaker Activity: Understanding a Paycheck

Before beginning this activity, quickly review last week’s session. Ask if there are any questions.

This activity:

• Provides an opportunity for participants to share what they already know about paycheck stubs, taxes, and payroll deductions (many already have work experience).

• Provides an opportunity for the facilitator to insert new information about payroll deductions, such as for retirement plans and health insurance.

Break the group into two teams. Have each group select a captain. Flip a coin to decide which team goes first. Have the groups take turns shouting out the name of an item that is listed on a paycheck stub within two minutes. Give five points for each right answer. If a group can’t think of an answer within two minutes, move on to the other team. Give an inexpensive incentive (e.g., fast food gift certificates, phone cards, checkbook covers) to members of the winning team.

Note: The facilitator may need to prompt the teams to think about less commonly known payroll deductions, such as union dues and disability insurance. Also consider providing participants with sample payroll stubs, with any private or sensitive information crossed out.
Paycheck stub items that could be included in the discussion are:

- employee name
- employee Social Security number
- name of employer
- pay period (e.g., one week)
- pay date (e.g., 6/1/02)
- gross (before taxes and deductions) pay
- net (after taxes and deductions) pay
- number of regular hours worked
- number of overtime hours worked
- hourly pay rate
- federal, state, and local tax withholding
- FICA (for Federal Insurance Contributions Act) or Social Security tax (which has two parts: OASDI for Old-Age, Survivors, and Disability Insurance, and Medicare tax)
- health insurance (to cover doctor, hospital, and other medical bills)
- dental insurance (to cover expenses for dental care)
- life insurance (to provide income for dependents when a worker dies)
- disability insurance (to provide income for bills when someone is unable to work)
- pension or tax-deferred retirement savings plan (e.g., 401(k) plan)
- state unemployment insurance
- union dues
- payroll donations (e.g., United Way)
- wage garnishment for child support or debts (ordered by a court of law)
- current earnings
- year-to-date earnings

Example of a payroll stub

<table>
<thead>
<tr>
<th>Earnings rate</th>
<th>hours</th>
<th>this period</th>
<th>year to date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regular 12.00</td>
<td>40</td>
<td>$480.00</td>
<td>$9,600.00</td>
</tr>
<tr>
<td>Gross Pay</td>
<td></td>
<td>$480.00</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Deductions Statutory</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Income Tax</td>
</tr>
<tr>
<td>Social Security Tax (FICA)</td>
</tr>
<tr>
<td>Medicare Tax (FICA)</td>
</tr>
<tr>
<td>State Income Tax</td>
</tr>
<tr>
<td>City Income Tax</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net Pay</th>
</tr>
</thead>
<tbody>
<tr>
<td>$388.16</td>
</tr>
</tbody>
</table>

Example of a payroll stub
Content

Gross pay is the amount earned before deductions (e.g., 40 hours x $10 per hour = $400 per week). Net pay is the amount received after an employer deducts taxes and other deductions that were discussed earlier. For example, a worker who grosses $400 per week may only net $300.

A worker’s biggest deduction is generally taxes. Federal and/or state income taxes are payments to the government for programs and services (ask for examples: roads, schools, the military, state and federal parks, police department). FICA tax pays for Social Security retirement and disability benefits and Medicare, a health insurance program for retired and disabled people.

Tax withholding is done by employers. Workers fill out a W-4 form to determine how much withholding is needed based on the number of dependent family members and other factors. The more withholding allowances a worker takes, the less money is withheld from his or her pay. If too much money is withheld, the employee will get a refund from the government. If not enough is withheld, the employee will have to pay more taxes to the government.

Income taxes are due each year on April 15. By January 31, workers receive a summary of the previous year’s income and tax withholding from their employers on a W-2 form. Information and assistance is available from the IRS (800-829-1040 or www.irs.gov) and the IRS’ Volunteer Income Tax Assistance (VITA) program (facilitators should obtain the contact number for their local VITA program). Workers with children and low-to-moderate incomes should file for the earned income tax credit.

The last half of the class will focus on checking accounts, which can be opened at a bank or credit union. Advantages of checking accounts include:

- A place to deposit paychecks and government checks.
- Easy and safe way to pay bills or send money to others.
- Almost always costs less than using check-cashing stores and money orders (exception: if you overdraw your account and are charged a penalty fee).
- Establishes relationship with a financial institution so you can later qualify for a loan.
- Cancelled checks provide proof of bill payment.
- Relatively low monthly fee for the account, or a free account if you maintain a certain minimum balance.
When you write a check, you direct your bank/credit union to take money out of your checking account and pay the person or company on the “pay to the order of” line.

- Don’t write checks for more than the checking account balance.
- Write the current date, not a past or future date.
- Write the amount paid in numbers and in words. Make sure the two amounts are the same.
- Fill in the “memo” line with a description of what the check is for.
- Sign the check.
- If you make a mistake, tear up the check and start over. Don’t erase and write over numbers.

In addition to checks, another way to pay bills is to have your checking account automatically debited by a merchant or financial institution. This is typically done when the amount paid is the same each time (e.g., loan payments and insurance premiums). Another increasingly popular way to pay bills is through online bill-paying.

Activity:
Writing and Recording Checks and Balancing a Checking Account

This hands-on activity provides participants with an opportunity to write checks, record them in a checkbook register, and balance an account. Calculators can be provided for participants’ use.

The facilitator gives participants a copy of the three blank worksheets for Check Writing, Using a Check Register, and Balancing Your Checking Account. The Checkbook Management Activity handout describes the information and amounts that are needed to complete the three worksheets. (Note: Copies of the worksheets with the information correctly filled in are also included.)
Key Points

• Shop for a bank or credit union that offers the best deal for your banking needs. Compare costs.

• When you have a checking account, you must keep track of all checks that are written, all deposits, and any bank fees that are charged (for example, charges for ordering new checks or for using an automated teller machine (ATM) that is not affiliated with your bank). Checks should be subtracted and deposits added and the balance carried forward in the check register.

• It is important to keep good records so you know when you are running out of money.

• Banks charge fees for every check that you bounce. The fee can be as high as $25 or $35 per overdrawn check (for example: five overdrawn checks @ $30 = $150). The business to which a check was written also might charge an additional fee.

• It is important to balance your checking account monthly when the statement arrives. This means comparing the bank statement’s ending balance with your ending balance after accounting for outstanding (not yet recorded by a bank or credit union) deposits and checks.

• Do not assume that the account-balance information from an ATM is current. The balance shown at an ATM will not reflect checks you have written that have not yet been cashed.

Ideas for Further Exploration

• Ask a YouthBuild leader to speak to the group about their YouthBuild paychecks.

• Invite a banker to speak to the group about establishing a relationship with a bank and opening a checking account.

• Have the class research which banks in your area offer the best deals on checking accounts. Start by having the participants define what “best deal” means to each of them. For example, do they need to find a bank near home or near work? Do they need access to ATMs all over town? Do they prefer to use a live teller, or would they be satisfied to do their banking at an ATM located in a grocery store? Then, contact several banks and ask if you and the class can take a tour. Ask a bank representative to be available to answer participants’ questions and help them open a checking account if they wish.
Resources

- The NEFE High School Financial Planning Program® (HSFPP) includes information about payroll deductions and income and Social Security taxes. The curriculum is geared toward high school students and young adults in public and private schools or in group settings. To obtain an information kit on the HSFPP, contact NEFE at 1-303-224-3511 or grp@nefe.org. For more information about the HSFPP, visit NEFE’s Web site at www.nefe.org.


- Helping People in Your Community Understand Basic Financial Services: A Comprehensive Guide for Community Educators. Washington, DC: Financial Management Service, U.S. Department of the Treasury. This guide was developed as a “train the trainer” tool for professionals assisting people with limited resources who lack bank accounts with which to receive recurring federal government checks, such as SSI and Social Security. It includes information about how to write a check and reconcile an account statement. To download copies of the educator’s guide and reproducible fact sheets, go to www.fms.treas.gov/eft/educ/helping.html. You can also order hard copies of the Guide by printing an order form at www.fms.treas.gov/ eft/educ/orderform.pdf. Copies are available in both English and Spanish. Fill out the order form and fax it back to the U.S. Treasury (fax number is on the form). For further information, call 1-202-874-6740.
Checkbook Management Activity

Instructions:

Below is the information you will need to complete the three worksheets. Information from the *Check Writing* worksheet will also be used on the *Using a Check Register* and *Balancing Your Checking Account* worksheets.

**Check Writing**  
*(Three Blank Checks)*

*Write the following three checks:*

- JC Penney on May 5 for $25.00 for shoes
- ABC Electric Power Company on May 8 for $100.00 for electric bill
- XYZ Bank on May 24 for $222.50 for car loan payment

**Using a Check Register**

*Record these checks, withdrawals, and deposits in the following order:*

- $100.00 starting balance on May 1 (carried forward from previous month)
- $250.00 paycheck direct deposit on May 4
- $25.00 JC Penney check (#101) on May 5
- $100.00 ABC Electric Power Company check (#102) on May 8
- $50.00 ATM withdrawal on May 10
- $2.50 ATM withdrawal fee on May 10
- $250.00 paycheck direct deposit on May 18
- $222.50 check to XYZ Bank (#103) on May 24

**Balancing Your Checking Account**

*Outstanding Checks and Withdrawals*

The three checks that were just written (see left) are outstanding, which means that they were not included on your statement from the bank.

*Deposits Not Credited*

The May 4 deposit has been credited on the bank statement. The May 18 deposit has not.

*Account Reconciliation*

The statement balance is $297.50 and the current checkbook balance is $200.
Jane Doe  
111 MAIN STREET  
City, State ZIP  
(987) 123-4567

May 5, 2002

Pay to the Order of JC Penney $25.00

Twenty Five Dollars and 00/100

Dollars

YOUR TOWN BANK  
Office Location  
City, State, ZIP

Memo shoes

Jane Doe

123 456 78910 000 000 00

---

Jane Doe  
111 MAIN STREET  
City, State ZIP  
(987) 123-4567

May 8, 2002

Pay to the Order of ABC Electric Power Company $100.00

One Hundred Dollars and 00/100

Dollars

YOUR TOWN BANK  
Office Location  
City, State, ZIP

Memo electric bill

Jane Doe

123 456 78910 000 000 00

---

Jane Doe  
111 MAIN STREET  
City, State ZIP  
(987) 123-4567

May 24, 2002

Pay to the Order of XYZ Bank $222.50

Two Hundred Twenty Two Dollars and 50/100

Dollars

YOUR TOWN BANK  
Office Location  
City, State, ZIP

Memo car loan payment

Jane Doe

123 456 78910 000 000 00
# Using a Check Register

<table>
<thead>
<tr>
<th>Number</th>
<th>Date</th>
<th>Description</th>
<th>(-) Amount of Check</th>
<th>((\checkmark)) Check Fee (if any)</th>
<th>(+) Amount of Deposit</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
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<td></td>
</tr>
<tr>
<td>Number</td>
<td>Date</td>
<td>Description</td>
<td>(-) Amount of Check</td>
<td>(−) Check Fee (if any)</td>
<td>(+) Amount of Deposit</td>
<td>Balance</td>
</tr>
<tr>
<td>--------</td>
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<td>------------------------</td>
<td>-----------------------</td>
<td>-------------</td>
</tr>
<tr>
<td></td>
<td>5/4</td>
<td>paycheck deposit</td>
<td></td>
<td></td>
<td>250 00</td>
<td>300 00</td>
</tr>
<tr>
<td>101</td>
<td>5/5</td>
<td>JC Penney (shoes)</td>
<td>25 00</td>
<td></td>
<td></td>
<td>-25 00</td>
</tr>
<tr>
<td>102</td>
<td>5/8</td>
<td>ABC Electric Power</td>
<td>100 00</td>
<td></td>
<td></td>
<td>-100 00</td>
</tr>
<tr>
<td></td>
<td>5/10</td>
<td>ATM withdrawal</td>
<td>50 00</td>
<td></td>
<td></td>
<td>-50 00</td>
</tr>
<tr>
<td></td>
<td>5/10</td>
<td>ATM fee</td>
<td>2 50</td>
<td></td>
<td></td>
<td>-2 50</td>
</tr>
<tr>
<td></td>
<td>5/18</td>
<td>paycheck deposit</td>
<td></td>
<td></td>
<td>250 00</td>
<td>222 50</td>
</tr>
<tr>
<td>103</td>
<td>5/24</td>
<td>XYZ Bank (car loan)</td>
<td>222 50</td>
<td></td>
<td></td>
<td>-222 50</td>
</tr>
</tbody>
</table>
## Balancing Your Checking Account

<table>
<thead>
<tr>
<th>CHECKS OUTSTANDING</th>
<th>DEPOSITS NOT CREDITED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Check Number</td>
<td>Date of Deposit</td>
</tr>
<tr>
<td>Amount</td>
<td>Amount</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>TOTAL</td>
</tr>
</tbody>
</table>

### Statement Balance

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Statement Balance</strong></td>
<td>$</td>
</tr>
<tr>
<td><strong>Add</strong> Deposits made</td>
<td>$</td>
</tr>
<tr>
<td>but not shown on this</td>
<td></td>
</tr>
<tr>
<td>statement</td>
<td></td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>$</td>
</tr>
<tr>
<td><strong>Subtract</strong> Checks</td>
<td>$</td>
</tr>
<tr>
<td>outstanding</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong> Should agree</td>
<td>$</td>
</tr>
<tr>
<td>with your check book</td>
<td></td>
</tr>
<tr>
<td>balance</td>
<td></td>
</tr>
</tbody>
</table>
### Checks Outstanding

<table>
<thead>
<tr>
<th>Check Number</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>101</td>
<td>JC Penney 25 00</td>
</tr>
<tr>
<td>102</td>
<td>ABC Electric Power 100 00</td>
</tr>
<tr>
<td>103</td>
<td>XYZ Bank 222 50</td>
</tr>
</tbody>
</table>

**TOTAL** 347 50

### Deposits Not Credited

<table>
<thead>
<tr>
<th>Date of Deposit</th>
<th>Type</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>5/18</td>
<td>Paycheck deposit</td>
<td>250 00</td>
</tr>
</tbody>
</table>

**TOTAL** 250 00

---

### Statement Balance

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statement Balance</td>
<td>$ 297.50</td>
</tr>
<tr>
<td>Add Deposits made but not shown on this statement</td>
<td>$ 250.00</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>$ 547.50</td>
</tr>
<tr>
<td>Subtract Checks outstanding</td>
<td>$ 347.50</td>
</tr>
<tr>
<td><strong>Total</strong> Should agree with your check book balance</td>
<td>$ 200.00</td>
</tr>
</tbody>
</table>
Week 4:
Saving and Investing: Making Your Money Work for You

Objective
To encourage participants to save part of their income for emergencies and future financial goals and to increase their understanding of the power of compound interest.

Materials Needed
- Chapter 4 of youth guide
- Handouts
- Calculators

Icebreaker Activity: Savings Coat of Arms
Before beginning this activity, quickly review last week’s session. Ask if there are any questions.

This activity:
- Provides an opportunity for participants to share information about their current savings knowledge, practices, and goals.
- Provides an opportunity for the facilitator to learn information about participants that can be used in class examples.

The Savings Coat of Arms consists of four corners and a center stripe. Ask participants to fill in each section and then share their coat of arms with another participant. Then ask for volunteers to share their Coat of Arms with the entire group.

The five sections of the Savings Coat of Arms are:

1. Savings goal (center stripe)
2. Place(s) where I save money
3. Obstacle(s) to saving money
4. The best way that I save money
5. Advantages of saving money
Content

Many people say they’ll save whatever is left over at the end of the month. Unfortunately, this rarely works because there usually is no money left over.

The best way to save is to do what financial planners call “pay yourself first.” This means putting money aside before you have a chance to spend it, preferably in some type of automatic savings program. Two examples of automated savings are employer credit unions and 401(k) plans, where savings are deducted from a worker’s paycheck. Another way is to put a dollar a day plus pocket change into a can or jar.

Savings accounts at a bank or credit union are a good place to start. While they generally do not pay a high rate of interest, they allow depositors to withdraw their money quickly without loss of value. There are generally no fees to open or maintain a savings account unless the balance falls below a specified amount, such as $100. Minimum requirements vary from bank to bank.

Compound interest (interest on interest) is what makes money grow over time. The greater the interest rate earned and the longer the time period, the more money an investor will have (refer to the Compounding Power chart on page 30 of the Youth Guide and compare the figures for two years at 3 percent interest versus 20 years at 9 percent).

It is wise to have an emergency fund for unexpected expenses and events, such as disability and unemployment. A good rule of thumb is to accumulate three to six months’ expenses and to replenish the fund if you must use it. Some ways to save for an emergency fund are:

- Save a tax refund or bonus check.
- Break costly habits (e.g., smoking) and save the money previously spent on them (e.g., $4 per day for a pack of cigarettes x 365 days = $1,460).
- After an expense (like childcare) ends, continue making the former payment—to savings.

After someone has built up their emergency fund and has savings for long-term goals, they should consider investing for a higher rate of return. This type of investing requires a higher level of risk of loss, but also has the potential of much greater gain. The value of higher-risk investments can fluctuate a great deal over time. However, higher-risk investments historically have provided a higher return to investors over long periods of time. Examples include stocks, bonds, and stock and bond mutual funds.
Activity: Finding Money to Save

Distribute the Finding Money to Save worksheet to help participants “find” money to save. Ask participants to list potential money-saving ideas and to calculate the monthly and yearly amounts that could be available for savings if they adjusted their savings habits.

Provide calculators for participants or use this opportunity to practice mental math skills. Ask for volunteers to share their ideas.

Key Points

• “Pay Yourself First” means putting money into a savings account before you have a chance to spend it.

• Compound interest accelerates the growth of money because interest is earned on interest.

• An emergency fund of three to six months’ expenses should be maintained to help pay for unexpected bills and life events.

• Higher-risk investments are riskier than simple savings accounts, but may earn a higher rate of return over time. If it will upset you to have your invested dollars go down in value for some period of time, do not invest in higher-risk investments.

Ideas for Further Exploration

• Ask participants to use their Finding Money to Save worksheet for the next week and write down how much they saved that could be put in a savings account. Give a prize for the top three savers.

• Invite a banker and/or financial planner to speak to the group about savings accounts and investments (such as mutual funds).

• Take a trip to a local bank to help participants set up their own savings accounts. (Call the bank ahead of time to set up the visit and make sure participants can open accounts with small balances.)

• Take a tour of a brokerage house to learn more about investing in the stock market.
Resources


• The Web sites www.financenter.com and www.quicken.com contain interactive calculators to determine the growth of money over time.

• The Cooperative Extension System *Investing for Your Future* home study course is available at www.investing.rutgers.edu. Designed for beginners, it is easy to use, and includes action steps at the end of each unit, which guide readers to take actions to improve their finances. Note, however, that the focus of the home study course is investing, not basic personal finance. An accompanying study guide also is available with both review questions and application exercises.
Savings Coat of Arms

Place(s) where I save money:

Obstacle(s) to saving money:

Savings goal:

The best way that I save money:

Advantages of saving money:
### Description of Action Taken to Find Money to Save:

<table>
<thead>
<tr>
<th>Description of Action Taken to Find Money to Save</th>
<th>Estimated Weekly (WK) or Monthly (MO) Amount of</th>
<th>Estimated Annual (YR) Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Increased Income</td>
<td>• Income Addition (+) or</td>
<td>• Multiply Weekly Costs x 52</td>
</tr>
<tr>
<td>• Reduced Spending</td>
<td>• Cost Reduction (-)</td>
<td>• Multiply Monthly Costs x 12</td>
</tr>
</tbody>
</table>

#### Examples:

- **Work in parent’s or friend’s business**
  - $30/WK (+)
  - $1,560/YR
- **Stop smoking cigarettes**
  - $4/day = $28/WK (-)
  - $1,456/YR
- **Stop buying coffee & donut at convenience store**
  - $2/day = $14/WK (-)
  - $728/YR
- **Reduce number of meals eaten out at restaurants**
  - $25/WK (-)
  - $1,300/YR
- **Invest 1% of pay in**
  - $4.80/WK (+)
  - $250/YR based on a $25,000 salary, employer’s 401(k) plan plus employer match ($250/YR more), if available

### My Plan:

<table>
<thead>
<tr>
<th>Description of Action Taken to Find Money to Save</th>
<th>Estimated Weekly (WK) or Monthly (MO) Amount of</th>
<th>Estimated Annual (YR) Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Increased Income</td>
<td>• Income Addition (+) or</td>
<td>• Multiply Weekly Costs x 52</td>
</tr>
<tr>
<td>• Reduced Spending</td>
<td>• Cost Reduction (-)</td>
<td>• Multiply Monthly Costs x 12</td>
</tr>
</tbody>
</table>

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**Total Possible Savings:**

<table>
<thead>
<tr>
<th>Description of Action Taken to Find Money to Save</th>
<th>Estimated Weekly (WK) or Monthly (MO) Amount of</th>
<th>Estimated Annual (YR) Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Increased Income</td>
<td>• Income Addition (+) or</td>
<td>• Multiply Weekly Costs x 52</td>
</tr>
<tr>
<td>• Reduced Spending</td>
<td>• Cost Reduction (-)</td>
<td>• Multiply Monthly Costs x 12</td>
</tr>
</tbody>
</table>
Objective

To explain the process of developing a spending plan and to increase participants’ awareness of financial guidelines for spending and saving and strategies to increase savings and reduce debt.

Materials Needed

- Chapter 5 of youth guide
- Poster board for lists of “needs” and “wants”; tape
- Small prizes
- Copies of Spending Plan Worksheet found on pages 36-40 of youth guide
- Flipchart
- Newspapers

Icebreaker Activity: Needs Versus Wants

Before beginning this activity, quickly review last week’s session. Ask if there are any questions.

This activity:

- Provides an opportunity for participants to analyze whether expenses are needs or wants.
- Develops critical thinking skills needed to justify an opinion about a particular expense.
- Shows that the importance of various expenses is viewed differently by different people.

Learning to distinguish between wants and needs is an important part of taking control of money. Needs are essential things that you must have to survive (e.g., nutritious food and basic clothing). Wants are things that you would like to have (e.g., eating out every day and $100 shoes).
Tape signs to the wall (or have two participants hold signs) at opposite ends of a room that say “Need” and “Want.” The facilitator then calls out names of frequently purchased items (e.g., cellular phone) to one participant at a time. The participant decides whether the item is a need or a want and walks to the side of the room where that sign is located. Ask a few volunteers to explain why they think something is a need or a want. Comment on patterns (e.g., differences between genders), as appropriate.

Suggested items for the “need” or “want” lists: work clothes, car, computer, Internet access, name-brand athletic shoes, TV, cell phone, credit card, newspaper, radio, telephone, VCR, DVD, money for rent, money for movies, etc.

Content

After you start earning a paycheck, you must decide what to do with the money. The best way to manage your money is with a spending plan. A spending plan is a strategy for spending and saving money and can be thought of as a person’s financial “blueprint.”

A spending plan has two sections: income and expenses. It should be periodically revised as your situation changes (e.g., marriage and birth of a child). The steps to preparing a spending plan are as follows (refer to Spending Plan Worksheet on pages 36-40 of youth guide):

Step 1. Identifying Income: include all sources of income for all family members, such as child support, public assistance, interest on savings, and tax refunds.

Step 2. Listing Expenses: include the monthly portion for expenses that are paid every three, four, or six months. Note that savings should be considered an expense and is listed first on the worksheet. For expenses that vary month to month (e.g., phone bill), use an average of several bills.

Step 3. Comparing Income and Expenses: subtract total monthly expenses from total monthly income.

Step 4. Setting Priorities and Making Changes: income should equal savings plus expenses, including the monthly portion of large occasional bills, such as car insurance. If expenses are greater than income, there are three ways to balance the numbers for positive cash flow:

- Reduce expenses
- Increase income
- A little of both (reduce expenses and increase income)
Many people like to know how their spending compares to experts’ advice. Three financial guidelines are used frequently:

1. **Debt Payments**—total monthly debt payments (not including mortgage or rent) should be less than 20 percent of take-home (net) income (example: $200 maximum debt on $1,000 net income).

2. **Housing Costs**—try to spend no more than 30 percent of take-home pay on rent or mortgage payments. This may not be possible without roommates in high-cost urban areas, such as Washington, DC. If housing costs exceed the 30 percent guideline, try to keep other expenses low.

3. **Savings**—try to save 10 percent (or more) of monthly take-home income (example: $100 on $1,000 of net earnings).

**Activity:**
**Creating Your Spending Plan**

Ask the class to name as many benefits of having a spending plan as they can. Write their suggestions on a flipchart.

Hand out photocopies of the *Spending Plan Worksheet* found on pages 36-40 of the youth guide. Work as a group to complete the spending plan.

If participants have their own apartments, they will have a good idea of what their expenses are. If they live at home, encourage them to ask their parents how much the family spends on various items and what the family’s income is. Or, provide newspapers for participants to look through to find out what various items cost, so they can estimate expenses.

Emphasize that participants should complete a new spending plan whenever their financial situation changes.
Activity: Increase Income/Decrease Expenses

Divide participants into two groups, the Earnest Earners and the Spending Slashers. Ask the Earnest Earners to make a list of all possible ways they can think of to increase income. Ask the Spending Slashers to make a list of all possible ways they can think of to decrease expenses.

Have each group take turns reporting an idea to the entire group. Discuss the pros and cons and estimated savings for each idea. The group with the most suggestions wins a prize.

Note: If the groups find it difficult to list ideas, the facilitator can “drop hints” with ideas found in Chapter 5 of the youth guide.

Key Points

- Needs are things that are essential for survival, while wants are things that are nice but not necessary.

- A spending plan is a strategy for spending and saving money and includes two sections: income and expenses.

- There is a four-part process to developing a spending plan. Income should equal spending plus savings, with periodic adjustments as circumstances change.

- There are three ways to balance a spending plan: increase income, reduce expenses, or both.

- There are commonly accepted guidelines for savings and spending on debt payments and housing as a percentage of take-home (net) pay.
Ideas for Further Exploration

- Take the class to a grocery store to buy food to make dinner for the group. Divide the youth into small groups. Give each group the same shopping list. The winner is the team that spends the least amount of money finding everything on the list.

- Do you know someone who is an especially savvy shopper? Invite that individual to talk to the class and provide tips on smart shopping.

- Hand out newspapers and magazines. Have participants cut out pictures of “needs” that become “wants” because of the power of advertising. Example: a “need” might be a pair of comfortable shoes; a “want” might be the latest name-brand athletic shoes. Get participants to start thinking about how advertising tries to convince young people that they need things to be happy and popular. Talk about how resisting the trap of advertising can make them feel stronger and more in control of their own decisions.

- While participants are looking through newspapers and magazines, ask them to cut out coupons and make them available to others in the class who use those items.
Resources


- *The Statistical Abstract of the United States* is updated annually and can be found in the reference section of most large public libraries. The sections about household income and spending are useful in describing how average Americans spend their money. Information about the *Statistical Abstract* can be found online at www.census.gov/statab. Users can order a CD-ROM or print version and download information such as the U.S. median household income and the percentage of households below poverty level.

- The Web site http://money.cnn.com. Click on “Money 101” to find the “Making a Budget” (Lesson 2) link. The site provides 10 tips for developing a budget.
Week 6: Winning the Credit Game

Objective
To instill in participants an appreciation of the importance of maintaining a good credit history, the high cost of carrying a revolving credit card balance and making minimum payments, and the dangers of “alternative financial services,” such as pawnshops and payday lenders.

Materials Needed
• Chapter 6 of youth guide
• Handouts
• Jeopardy game board or cover stock
• Credit card applications

Icebreaker Activity: Credit Q & A
Before beginning this activity, quickly review last week’s session. Ask if there are any questions.

This activity:
• Provides an opportunity to find out what participants already know about credit.
• Provides an interactive way for the facilitator to introduce basic credit concepts.
• Allows participants to share their feelings and behaviors regarding the use of credit.

A game board can be purchased from Nasco (see Resources section at the end of this unit) or you can make your own using the form provided with this facilitator’s guide. Prepare cover-stock cards with the answer on one side and the question on the other. Divide the group into three teams and flip a coin to decide which team goes first.

Play the game with players deciding which category to select and the dollar amount. Have participants ring a bell or raise their hand to indicate they want to respond.

The categories, questions, and answers can be found on the Credit Q & A handout.
Content

Credit is the use of someone else’s money to pay for things. An example is a bank loan to buy a car. It also means that you make a promise to repay the lender. Borrowers pay interest, which is the cost of borrowing money.

The term “good credit” (as in, “Jane Smith has good credit”) means that a person pays his or her bills on time as promised. People with good credit are more likely to qualify for loans and receive more favorable interest rates. Review four ways to build good credit on page 51 of the Youth Guide.

Credit reporting agencies keep track of how much debt people have and how they repay their loans. This information is compiled into a credit report and sold to banks and others (e.g., employers and landlords) who use it to decide whether to do business with you. The three major credit reporting agencies are Experian, TransUnion, and Equifax.

Credit cards, like Visa and MasterCard, are widely accepted. If you pay the amount charged before the due date, no interest is charged. But not all credit card companies charge for interest in the same way. If you pay only part of the bill, some credit cards will charge interest only on the unpaid portion. In other cases, if you carry a balance into the next month, everything you charge during that month will be assessed interest, even if the bill is paid on time. Some credit cards also charge an annual fee just to use them.
Ask participants to describe the advantages and disadvantages of credit cards and review the items listed on page 55 of the youth guide.

Making minimum payments is a dangerous practice. It can take years, and sometimes decades, to repay a debt. For example, if you make the 2 percent (of outstanding balance) minimum payment on a $3,500 balance on an 18 percent credit card, it will take 27 years to be debt free. In addition, you’ll pay back almost $8,000 in interest, plus the original $3,500 that was borrowed.

However, if you pay a level $70 per month, the debt will be paid off in less than 8 years, and the total interest will be only $3,080. This assumes that you don’t charge anything else the whole time.

Ask participants what advice they would give to a friend who is using a credit card for the first time. Insert information from the 10 tips listed on pages 57-59 of the youth guide.

Credit cards have high interest rates, but there are other credit traps. Pawnshops loan money in return for keeping an item of value, often jewelry and electronic equipment. If the loan is not repaid, the pawned item belongs to the store.

Payday loans are checks written with a future date. The loan is made until the date of the next paycheck and interest rates are very high. For example, you might have to write a check for $250 to get $200 in cash. Payday loans are particularly dangerous if you can’t pay back the lender on payday and are charged another round of fees to “roll over” the loan.
What if you are already in over your head in debt? Options to dig out from debt include:

- Contacting individual creditors for concessions, such as a reduced interest rate (preferably before payments are late)
- Enrolling in a nonprofit credit counseling agency’s debt management program
- Lower-interest debt consolidation loans
- Bankruptcy, which is considered a last resort

A useful resource for creating a schedule to pay off debts is the PowerPay computer program (see the Resources section at the end of this unit).

Activity: Read the Fine Print

Collect credit card application forms to distribute as samples. Briefly review the important information (e.g., interest rate, annual fee, balance computation method, late fee) that is required on credit card applications using the Credit Cards: A Comparison Worksheet handout. A good discussion of this can be found on the Web site www.truthaboutcredit.org (from the home page, click on Navigating Credit Card offers).

Divide the class into small groups. Give each group three different credit card applications. Ask the group to review each credit card’s costs and fees and rank them from best to worst. Discuss.
Key Points

• Credit is the use of borrowed money in exchange for a payment called interest.

• A person’s credit file is kept by credit reporting agencies and shared with potential lenders.

• Making minimum payments substantially increases the time and cost required for repaying a debt.

• Pawnshops and payday loans charge high rates to borrow money and should be avoided.

• Compare the cost and terms of at least three credit cards before applying for one.

Ideas for Further Exploration

• Invite a former YouthBuild graduate (or someone else you know) who successfully got out of debt to speak to the class about his/her experiences and share tips that worked for this individual.

• Help participants order a copy of their credit reports. When the reports arrive, give participants the option to share their reports or ask questions, if they feel comfortable doing so. Acknowledge that some individuals may not wish to share this confidential information, and that’s OK. Let participants know that they can contest information that they believe is incorrect. The credit report should include information on how to correct errors.

• As a class, visit a pawnshop and payday lender. Together, interview the owner to find out how these loans work, what they cost the consumer, and why people use them. When you get back to the classroom, discuss your findings.
Resources

- Participants can order a copy of their credit report from one of the three major national credit reporting agencies:
  - Equifax: 1-800-685-1111 (www.equifax.com)
  - Experian: 1-888-397-3742 (www.experian.com)
  - Trans Union Corporation: 1-800-888-4213 (www.transunion.com)

- Nasco *Question Quest*, Nasco, 901 Janesville Ave., P.O. Box 901, Fort Atkinson, WI 53538-0901. Phone: 1-800-558-9595. Internet: www.enasco.com. Included are a sturdy game board and cards with Jeopardy-type questions on a variety of topics. Check out item numbers wa16951(a)t and tb17993t.

- Information about the *PowerPay* debt reduction computer program, developed by Utah State University Cooperative Extension, can be obtained by e-mailing powerpay@ext.usu.edu, by calling 1-801-370-8460, or by checking the Web site http://extension.usu.edu/coop/family/resources/index2.htm. Call 1-801-370-8469 to order the product. *PowerPay* users input data about their debts and receive an analysis of the time and money saved by adding the amount previously owed on a repaid debt to the payment made to remaining creditors. Facilitators may want to run various *PowerPay* scenarios to show participants the cost of making minimum payments and the effects of following a *PowerPay* calendar to reduce repayment time and interest.

- *Slash Your Debt* by Gerri Detweiler, Marc Eisenson, & Nancy Castleman (Kalamazoo, MI: The Financial Literacy Center, 1999).
Good Credit/Bad Credit

$100  Good Credit/Bad Credit
Best way to have a good credit record

What is pay bills on time (before due date)?

$200  Good Credit/Bad Credit
Besides lenders, such as banks, another organization that might check your credit file

What are employers? Or insurance companies? Or landlords? Or car dealers?

$300  Good Credit/Bad Credit
This careless activity causes banks to charge your checking account a fee and can hurt your credit

What is bouncing checks?

$400  Good Credit/Bad Credit
Factor that creditors check before making a loan

What is income? Or employment history?
Or current debt? Or payment history?

$500  Good Credit/Bad Credit
How long negative information, such as late payments, stays in a credit file

What is seven to ten years?
## Credit Reports

$100  **Credit Reports**
How often people should check their credit report

What is once a year?

$200  **Credit Reports**
Example of information in a credit report

What are names of creditors? Or balance owed? Or payment history?

$300  **Credit Reports**
Piece of information needed to request a copy of your credit report

What is a Social Security number? Or home address? Or copy of driver’s license?

$400  **Credit Reports**
Three-digit number that creditors use to predict a person’s future bill-paying behavior

What is a credit score?

$500  **Credit Reports**
Name of a major credit reporting agency

What is Experian? Or TransUnion? Or Equifax?
Credit Trivia

$100  Credit Trivia
An advantage of using a credit card
What is paying for emergencies? Or phone or online orders? Or safer than carrying cash? Or can dispute charges, if necessary?

$200  Credit Trivia
A disadvantage of using a credit card
What is overspending and getting into debt? Or high cost (interest)?

$300  Credit Trivia
Credit card interest rates that start out very low and then sharply increase after a few months
What are teaser rates?

$400  Credit Trivia
Practice of borrowing cash by using a credit card
What is a cash advance?

$500  Credit Trivia
Lender that charges high interest and loans money in exchange for keeping an item of value
What is a pawnshop?
Credit Terms

$100  Credit Terms
Using someone else’s money to pay for things
What is credit? Or a loan?

$200  Credit Terms
The total amount of money that a person owes
What is debt?

$300  Credit Terms
Name of a person who signs a loan application along with a borrower
What is a co-signer?

$400  Credit Terms
The lowest amount possible that a credit card user is required to pay per month
What is a minimum payment?

$500  Credit Terms
Financial institution that often charges less than banks for loans
What is a credit union?
Credit Fees

$100  Credit Fees
The cost that borrowers pay for using someone else’s money What is interest?

$200  Credit Fees
Fee for making a late credit card payment What is a late fee?

$300  Credit Fees
Fee for just having a credit card, even if you don’t use it What is an annual fee?

$400  Credit Fees
Fee for charging more than your maximum credit line What is an over-the-limit fee?

$500  Credit Fees
Typical rate of interest on a credit card (excluding low teaser rates) What is 18% to 22%?
# Credit Cards: A Comparison Worksheet

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<td>Variable rate information</td>
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<td>Grace period for repayment of purchase balances</td>
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<td>Method of computing the balance for purchases</td>
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Week 7: Ready, Set, Go

Objective

To summarize the main points learned during the previous six class sessions and to encourage participants to take action to achieve their financial goals.

Materials Needed

- Chapter 7 of youth guide
- M&M candies
- Evaluation handout
- Food/drink for final class celebration

Icebreaker Activity: M&M Candy Activity

Before beginning this activity, quickly review last week’s session. Ask if there are any questions.

This activity provides an opportunity to summarize important information that participants learned during previous class sessions.

Divide the class into small groups of five or six people. Give each group a small bowl of M&M candies. (Note: If someone in the group cannot have candy, provide a substitute.) Participants are allowed to eat a particular color candy when they share the following personal finance information with the group. Go around the small group and give everyone an opportunity to answer each question.

- **Green candy:**
  Example of a characteristic that increases self-worth

- **Brown candy:**
  Example of a specific financial goal with a date and price

- **Yellow candy:**
  A piece of information found on a paycheck stub

- **Orange candy:**
  A piece of information that must be written on a check

- **Red candy:**
  A specific way to save money

- **Blue candy:**
  A fact about credit
Content

Review the eight key points that are listed on page 65 of the Youth Guide.

1. Net worth is not the same as self-worth.

2. Setting financial goals can help you reach your dreams.

3. A checking account is a safe, convenient place to put your paycheck.

4. Saving money becomes a habit when you “pay yourself first.”

5. Time is on your side when you are young and can take advantage of the power of compound interest.

6. A spending plan is your financial blueprint for both spending and saving.

7. One easy way to reduce spending is to ask, “Do I need this?”

8. Good credit means you pay your bills on time and repay your loans as promised.

Activity: Past, Present, and Future

Ask participants to pair up and discuss:

- One past money management behavior they have changed
- Their present way of handling money
- A future financial goal and how they hope to achieve it (refer participants to the goals they set in Week 2)

Ask for volunteers to share their thoughts with the entire group.
Key Points

• Compound interest is not retroactive. In other words, you can’t earn interest on money you don’t save. Start early and save often by paying yourself first.

• Pay bills promptly and don’t charge more than you can afford to repay.

• “If it is to be, it is up to me.” People are responsible for the achievement of their financial goals.

Culminating Activity

• Acknowledge participants for completing the program.

• Ask participants to hand in evaluation forms.

• Celebrate!

Resources

• *Money Smart* is an adult education program consisting of 10 instructor-led training modules covering basic financial topics. Available from the Federal Deposit Insurance Corporation (FDIC), Division of Compliance and Consumer Affairs, 550 17th Street, NW, Washington, DC 20429. For more information, visit www.fdic.gov. To request a free copy of *Money Smart*, call 1-877-275-3342, or e-mail consumer@fdic.gov.

Please complete the questions below and return to your facilitator.

1. The MOST important thing I learned from *Building Your Money Skills… Taking Charge of Your Future* was:

________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________

2. I liked…

________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________

3. I disliked…

________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________

4. Using what I learned during this program, I plan to…

________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
Acknowledgments

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NEFE is an independent, nonprofit foundation committed to educating Americans about personal finance and empowering them to make positive and sound decisions to reach financial goals. The National Endowment for Financial Education, NEFE, and the NEFE logo are federally registered service marks of the National Endowment for Financial Education. For more information about the National Endowment for Financial Education, visit www.nefe.org.

YouthBuild is a comprehensive youth and community development program, as well as an alternative school. YouthBuild, designed to run on a 12-month cycle, offers job training, education, counseling, and leadership opportunities to unemployed and out-of-school young adults, ages 16-24, through the construction and rehabilitation of affordable housing in their own communities. YouthBuild’s mission is to create and sustain a broad-based national movement in support of policies and programs that enable young people to take responsibility for themselves, their families, and their communities. For more information about YouthBuild, visit www.youthbuild.org.

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