

B. Li Finance
Lower School Finance

Student Workbook

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Lesson 1 - Introduction to Finance

Case Study - Public vs Corporate vs Personal Finance

Scenario 1: Public Finance

Scenario: Imagine you are a member of a city council responsible for managing the city's budget.

Questions:

1. Budget Allocation:
 - How would you prioritize spending in the city's budget to meet the needs of residents? What are some key areas where funding should be allocated?
2. Revenue Generation:
 - What are some strategies you would consider to increase revenue for the city? How can the city balance raising funds with maintaining affordability for residents?
3. Community Impact:
 - How would your decisions affect different groups within the community, such as students, seniors, or businesses? What factors would you consider to ensure fairness and equity in budget decisions?

Scenario 2: Corporate Finance

Scenario: You are part of a team at a technology company planning to launch a new product.

Questions:

1. Financial Planning:
 - How would you determine the budget for launching the new product? What financial factors would you consider, such as production costs, marketing expenses, and expected revenue?
2. Capital Investment:
 - What are some sources of funding the company could use to finance the product launch? How would you decide between debt financing and equity financing?
3. Risk Management:
 - What are the financial risks associated with launching the new product? How would you assess and manage these risks to ensure the project's success and profitability?

Scenario 3: Personal Finance

Scenario: You are planning to save money for a new bicycle that costs \$300.

Questions:

1. Budgeting:
 - Create a savings plan to reach your goal of buying the bicycle. How much money would you need to save each week or month, and for how long?
2. Saving Strategies:
 - What are some strategies you can use to save money effectively? How can you prioritize your spending to reach your savings goal faster?
3. Financial Decision Making:
 - Suppose you receive a birthday gift of \$50. Would you save it towards your bicycle goal or spend it on something else? Explain your decision-making process.

Answer Key

Scenario 1: Public Finance

Questions and Answers:

1. Budget Allocation:
 - Prioritize spending in key areas such as education, public safety, infrastructure (roads, bridges), and healthcare to meet the needs of residents.
2. Revenue Generation:
 - Consider strategies like increasing property taxes, implementing user fees for services, and attracting new businesses to boost the local economy without burdening residents excessively.
3. Community Impact:
 - Decisions should aim to benefit all residents equitably, ensuring services are accessible and affordable while promoting economic growth and social well-being.

Scenario 2: Corporate Finance

Questions and Answers:

1. Financial Planning:
 - Determine budget by estimating costs for production, marketing, and distribution. Consider potential revenue based on market research and sales projections.
2. Capital Investment:
 - Evaluate options like bank loans, venture capital, or issuing shares. Choose based on cost of capital, risk tolerance, and impact on ownership and control.
3. Risk Management:
 - Identify risks such as market competition, technology failures, or financial instability. Mitigate risks through diversification, insurance, and contingency planning.

Scenario 3: Personal Finance

Questions and Answers:

1. Budgeting:
 - Plan to save \$25 per week for 12 weeks to reach the \$300 goal. Monitor progress and adjust as needed based on income and expenses.
2. Saving Strategies:
 - Strategies include setting aside a portion of allowance or earnings, avoiding unnecessary purchases, and using savings accounts with interest to grow money.
3. Financial Decision Making:
 - Opt to save the birthday gift to reach the bicycle goal faster, demonstrating commitment and prioritization of long-term goals over short-term gratification.

Lesson 2 - Earning Money

Case Study: Skills Needed for Different Occupations

Part 1: Choosing an Occupation

1. Occupation Selection:
 - Choose one occupation to analyze:
 - Doctor
 - Engineer
 - Lawyer

Part 2: Identifying Skills

2. Hard Skills:
 - List specific technical skills and knowledge required for the chosen occupation. These are skills that can be taught or learned through training, education, or experience.
3. Soft Skills:
 - Identify interpersonal skills and qualities that are important for success in the chosen occupation. These are skills related to communication, teamwork, problem-solving, and emotional intelligence.

Part 3: Examples and Discussion

4. Skills Analysis:
 - For the chosen occupation, discuss why each listed hard skill is important. Provide examples of how these skills contribute to job performance.
5. Soft Skills Impact:
 - Explain the significance of each soft skill in the context of the chosen occupation. How do these skills contribute to effective work relationships, client interactions, or project management?

Part 4: Conclusion

6. Summary:
 - Summarize the importance of having a balance of both hard skills and soft skills in achieving success in the chosen occupation.
 - Reflect on how understanding and developing these skills can help individuals pursue their career goals effectively.

Answer Key: Skills Needed for Different Occupations

Occupation: Doctor

Hard Skills:

- Medical knowledge and expertise in a specialty (e.g., internal medicine, surgery)
- Diagnostic skills to identify and treat medical conditions
- Proficiency in medical procedures and techniques (e.g., surgeries, injections)

Soft Skills:

- Communication skills for explaining medical conditions to patients and their families
- Empathy and bedside manner to provide emotional support to patients
- Teamwork and collaboration with nurses, specialists, and healthcare teams

Occupation: Engineer

Hard Skills:

- Technical knowledge in engineering principles (e.g., mechanical, civil, electrical)
- Proficiency in computer-aided design (CAD) software
- Ability to analyze data and solve complex problems related to engineering projects

Soft Skills:

- Communication skills for collaborating with teams and presenting project proposals to clients
- Problem-solving ability to address engineering challenges and optimize project designs
- Time management and organizational skills to meet project deadlines and budgets

Occupation: Lawyer

Hard Skills:

- Legal knowledge and understanding of specific areas of law (e.g., criminal law, corporate law)
- Research skills to analyze legal issues and prepare legal documents (e.g., contracts, briefs)
- Courtroom skills for litigation and advocacy (e.g., presenting arguments, cross-examining witnesses)

Soft Skills:

- Communication skills for negotiating settlements and communicating with clients
- Analytical thinking and problem-solving skills to develop legal strategies
- Attention to detail and critical thinking to interpret laws and apply them to cases

Lesson 3 - The Concept of Value

Case Study Worksheet: Understanding Value - Walt Disney Company

Part 1: Understanding Goods and Services

1. Goods vs. Services:

- Define goods and services based on the class notes.
- Provide examples of each.

2. Product Description:

- Describe the chosen product (Walt Disney Company)
- Explain whether it is primarily a good or a service.

Part 2: Factors Influencing Value

3. Factors Affecting Value:

- Discuss at least three factors that influence the value of the chosen product from the following:
 - Utility
 - Scarcity
 - Demand
 - Supply
 - Quality
 - Cost of Production
 - Perception and Branding

Part 3: Examples and Discussion

4. Comparison with Alternatives:

- Compare the chosen product with an alternative or generic option.
- Explain why some consumers might prefer the branded or specialized product.

5. Consumer Decision Making:

- Discuss why understanding value factors helps consumers make informed decisions about purchasing the chosen product.

Part 4: Conclusion

6. Summary:

- Summarize how understanding the concept of value can help individuals make better economic decisions.
- Reflect on the importance of value factors in determining the market price and consumer choices.

Answer Key

Case Study Worksheet: Understanding Value - Walt Disney Company

Part 1: Understanding Goods and Services

1. Goods vs. Services:

- Goods associated with Disney include merchandise like toys, clothing, and collectibles featuring Disney characters.
- Services offered by Disney include Disney Plus, experiences at theme parks such as rides, shows, character meet-and-greets, and dining.

2. Product Description:

- Disney primarily offers services because they provide activities and experiences for visitors rather than physical objects.

Part 2: Factors Influencing Value

3. Factors Affecting Value:

- Utility: Disney products provide entertainment, joy, and memorable experiences for families and visitors.
- Scarcity: Exclusive events, movie licenses, limited-time attractions, and seasonal offerings can create scarcity and increase demand.
- Demand: High demand due to the popularity of Disney characters, movies, and themed experiences.
- Supply: Limited availability of reservations or tickets, especially during peak seasons, can affect pricing and availability.
- Quality: Disney is known for high-quality customer service, themed environments, and attention to detail in attractions and shows.
- Cost of Production: Investments in technology, movie rights, production costs, attractions, maintenance, and employee training contribute to operational costs and pricing.
- Perception and Branding: Disney's strong brand reputation for magic, family-friendly experiences, and storytelling enhances its perceived value.

Part 3: Examples and Discussion

4. Comparison with Alternatives:

- Compare Disney Theme Parks with other amusement parks or vacation destinations. Families may prefer Disney for its immersive storytelling, iconic characters, and high-quality entertainment compared to generic theme parks.
- Compare Disney Plus with other streaming services such as Netflix or Max.

5. Consumer Decision Making:

- Understanding value factors helps families decide if Disney products are worth the cost based on the quality of experiences, unique offerings, and brand reputation.

Part 4: Conclusion

6. Summary:

- Understanding the concept of value helps families make informed decisions about spending money on experiences like Disney Theme Parks and Disney Plus.
- Factors such as exclusive offerings, brand loyalty, and the quality of entertainment play a crucial role in determining why people choose Disney products and how prices are set.

Lesson 4 - Budgeting Basics

Budgeting Worksheet

Scenario

Imagine you have a monthly income of \$3,000.

Instructions

1. Calculate 50% of your income for Needs.
2. Calculate 30% of your income for Wants.
3. Calculate 20% of your income for Savings and Debt Repayment.

Income Category	Amount (\$)	Examples of Expenses
Total Monthly Income	\$3,000	
50% for Needs		Rent, utilities, groceries, transportation, debt payments
30% for Wants		Dining out, entertainment, hobbies, vacations
20% for Savings/Debt		Savings for emergencies, retirement, investments, extra debt payments

Fill in the Amounts

1. Needs (50% of \$3,000): \$_____
 - o List some example expenses: _____
2. Wants (30% of \$3,000): \$_____
 - o List some example expenses: _____
3. Savings and Debt Repayment (20% of \$3,000): \$_____
 - o List some example expenses: _____

Follow-Up Questions

1. Why is it important to allocate a portion of your income to savings and debt repayment?
2. How can you adjust your budget if your income changes?
3. What are some ways to reduce spending on wants if your expenses for needs are higher than expected?

Answer Key

Scenario

Imagine you have a monthly income of \$3,000 from your part-time job, allowances, and any other sources.

Instructions

1. Calculate 50% of your income for Needs.
2. Calculate 30% of your income for Wants.
3. Calculate 20% of your income for Savings and Debt Repayment.

Income Category Breakdown

Income Category	Amount (\$)	Examples of Expenses
Total Monthly Income	\$3,000	
50% for Needs	\$1,500	Rent, utilities, groceries, transportation, minimum debt payments
30% for Wants	\$900	Dining out, entertainment, hobbies, vacations
20% for Savings/Debt Repayment	\$600	Savings for emergencies, retirement, investments, extra debt payments

Fill in the Amounts

1. Needs (50% of \$3,000): \$1,500
 - List some example expenses: Rent (\$800), Utilities (\$200), Groceries (\$300), Transportation (\$150), Minimum debt payments (\$50)
2. Wants (30% of \$3,000): \$900
 - List some example expenses: Dining out (\$300), Entertainment (\$200), Hobbies (\$150), Vacations (\$250)
3. Savings and Debt Repayment (20% of \$3,000): \$600
 - List some example expenses: Savings for emergencies (\$200), Retirement (\$150), Investments (\$100), Extra debt payments (\$150)

Follow-Up Questions

1. Why is it important to allocate a portion of your income to savings and debt repayment?
 - Answer: It is important to allocate a portion of your income to savings and debt repayment to ensure financial security and stability. Savings provide a safety net for emergencies and future needs, while debt repayment helps reduce financial liabilities and interest costs over time.

2. How can you adjust your budget if your income changes?
 - Answer: If your income changes, you can adjust your budget by reevaluating your expenses and reallocating funds accordingly. Prioritize essential needs first, reduce spending on non-essential wants, and continue to allocate a portion towards savings and debt repayment to maintain financial health.

3. What are some ways to reduce spending on wants if your expenses for needs are higher than expected?
 - Answer: To reduce spending on wants if your expenses for needs are higher than expected, you can cut back on discretionary spending such as dining out, entertainment, and hobbies. Look for more affordable alternatives, set a strict budget for non-essential expenses, and focus on free or low-cost activities to save money.

Budgeting Worksheet Part 2

Example: NFL Rookie Player's Budget Without Following the 50/30/20 Principle

Scenario

Imagine an NFL rookie player with a monthly income of \$30,000. Instead of following the 50/30/20 rule, this player spends excessively on needs and wants, and saves very little.

Monthly Income Breakdown

Total Monthly Income: \$30,000

Player's Actual Budget

Income Category	Amount (\$)	Examples of Expenses
Needs	\$20,000	Rent for luxury apartment (\$10,000), utilities (\$1,000), groceries (\$3,000), car payment (\$6,000)
Wants	\$9,500	Dining out and entertainment (\$4,000), designer clothes (\$2,500), vacations (\$2,000), hobbies and gadgets (\$1,000)
Savings/Debt Repayment	\$500	Savings for emergencies (\$100), investment in stocks (\$100), debt repayment (\$300)

Analysis (\$ rounded)

1. Needs (67% of Income)
 - The player spends \$20,000 on needs, which is about 67% of their income. This amount includes extremely high expenses such as a very luxurious apartment and an expensive car payment.
2. Wants (32% of Income)
 - The player spends \$9,500 on wants, which is 32% of their income. This includes significant spending on dining out, entertainment, designer clothes, vacations, and hobbies.
3. Savings/Debt Repayment (1% of Income)
 - The player allocates only \$500 towards savings and debt repayment, which is just 1% of their income. This is drastically less than the recommended 20%, putting their financial stability and future security at high risk.

Follow-Up Questions

1. Why is it risky for the player to spend 67% of their income on needs and 32% on wants?
2. What could be the long-term consequences of not saving enough?
3. How can the player adjust their budget to be more balanced?
4. According to Sports Illustrated in 2009, it was reported that within two years of retirement, an estimated 78% of NFL players face financial difficulties or bankruptcy. Why do you think that is?
5. What should their 50/30/20 budget look like?

50% Needs =

30% Wants =

20% Savings =

Answer Key

Follow-Up Questions

1. Why is it risky for the player to spend 67% of their income on needs and 32% on wants?
 - Spending excessively on needs and wants leaves almost no room for savings and debt repayment. This creates a highly unstable financial situation with no safety net for emergencies or future financial goals.
2. What could be the long-term consequences of not saving enough?
 - The player may struggle with financial emergencies, lack funds for retirement, and face difficulties managing debt. Without adequate savings, they might have to rely on credit or loans, leading to further debt.
3. How can the player adjust their budget to be more balanced?
 - The player could reduce their spending on luxury needs and wants, allocate more towards savings and debt repayment, and ensure a balanced approach to their financial management. Following the 50/30/20 rule would help them achieve a more balanced and sustainable budget.
4. According to Sports Illustrated in 2009, it was reported that within two years of retirement, an estimated 78% of NFL players face financial difficulties or bankruptcy. Why do you think that is?
 - Many NFL players face financial difficulties or bankruptcy after retirement due to sudden wealth without financial education, high expenses to maintain a lavish lifestyle, and a short career span. These factors, coupled with poor investments and unplanned expenses, often lead to financial instability once their playing income stops.
5. What should their 50/30/20 budget look like?

50% Needs = \$15,000

30% Wants = \$9,000

20% Savings = \$6,000

Lesson 5 - Savings vs Checking

Case Study: Evaluating Greenlight's Debit Card for Kids

Introduction: Greenlight's debit card for kids and teens has gained attention for its safety features and tools designed to teach financial skills. Let's explore whether Greenlight's debit card is a good choice for young savers and their families.

[WSJ - Greenlight Debit Card Review](#)

Article Summary: The Wall Street Journal highlights Greenlight as a top pick for kids and teens due to its unique features:

- Parental Controls: Parents can set spending limits and monitor transactions.
- Educational Tools: In-app games and quizzes teach about money management.
- Safety: Linked to a prepaid account to prevent overspending.
- Cost: Charges a monthly fee (\$4.99+) with rewards on savings and cash back.

Scenario: You are a 5th-grade student learning about money and savings. Your teacher wants you to decide if Greenlight's debit card is good for kids based on what you've read.

Task:

1. Read and Discuss: Read the article excerpt and discuss Greenlight's features as a class.
2. Pros and Cons List: Make a list of good and not-so-good things about using Greenlight's card versus a regular allowance.
3. Decision Time: Decide if the benefits of Greenlight's features are worth the monthly fee. Why or why not?

Discussion Questions:

1. What do you think are the best parts of Greenlight's debit card for kids?
2. How can the card help kids learn about money?
3. Should parents pay a fee for their kids to use Greenlight? Why or why not?
4. What other ways could kids learn to manage money besides using a card like Greenlight?

Answer Key

Task:

1. Read and Discuss: Read the article excerpt and discuss Greenlight's features as a class.
2. Pros and Cons List:

Pros:

- Teaches kids financial responsibility.
- Provides parental oversight.
- Offers educational resources.
- Prevents overspending.

Cons:

- Monthly fee (\$4.99+).
 - Limited to prepaid balance.
 - Potential additional costs for multiple children.
3. Decision Time: Decide if the benefits of Greenlight's features justify the monthly fee. Explain your reasoning.
 - Example Answer: The educational tools and safety features of Greenlight's debit card can help kids learn money management early. However, the monthly fee might be a concern for some families.

Discussion Questions:

1. What do you think are the best parts of Greenlight's debit card for kids?
 - Answer: The parental controls and educational tools are valuable for learning financial skills in a safe environment.
2. How can the card help kids learn about money?
 - Answer: By allowing kids to manage their own money under parental supervision, they learn budgeting and spending responsibly.
3. Should parents pay a fee for their kids to use Greenlight? Why or why not?
 - Answer: It depends on whether the educational benefits and safety features justify the fee. Some parents may prefer free alternatives.
4. What other ways could kids learn to manage money besides using a card like Greenlight?

- Answer: Kids can learn through traditional allowance methods, savings accounts, or financial literacy programs at school.

Lesson 6 - Banks and Credit Unions

Case Study Worksheet: Comparing Checking and Savings Accounts

Introduction: In this activity, we will explore and compare checking and savings accounts offered by two different financial institutions: Bank of America and Allegacy Federal Credit Union. Let's see how these accounts are similar and different, and which might be better for different financial needs.

Bank of America:

Checking Account Features:

- Name: Advantage Plus Banking.
- Monthly Fee: \$12 (waived with direct deposit or minimum balance).
- Interest Rate: Minimal or no interest earned.
- Access: Over 16,000 ATMs and branches nationwide.
- Additional Features: Online and mobile banking, bill pay, debit card.

Savings Account Features:

- Name: Rewards Savings.
- Monthly Fee: \$8 (waived with minimum balance or linked checking account).
- Interest Rate: Tiered interest rates based on balance.
- Access: Online and mobile banking, limited branch access.
- Additional Features: Automatic transfers, savings goal tracker.

Allegacy Federal Credit Union:

Checking Account Features:

- Name: SmartRate Checking.
- Monthly Fee: \$0.
- Interest Rate: Earns interest with no minimum balance.
- Access: Limited branches and ATMs (mainly in North Carolina).
- Additional Features: Online and mobile banking, debit card.

Savings Account Features:

- Name: Advantage Savings.
- Monthly Fee: \$0.
- Interest Rate: Competitive rates, tiered based on balance.
- Access: Online and mobile banking, limited branch access.
- Additional Features: Shared branching, youth savings programs.

Directions: Discuss with your group the features at Bank of America and Allegacy Federal Credit Union. Use the table below to compare their similarities and differences.

<u>Feature</u>	<u>Bank of America</u>	<u>Allegacy Federal Credit Union</u>
Checking Account Name	Advantage Plus Banking	SmartRate Checking
Monthly Fee	\$12 (waived with conditions)	\$0
Interest Rate (Checking)	Minimal or none	Earns interest
ATM/Branch Access	Nationwide access	Limited to certain regions
Additional Features	Online/mobile banking, bill pay	Debit card, online banking
Savings Account Name	Rewards Savings	Advantage Savings
Monthly Fee (Savings)	\$8 (waived with conditions)	\$0
Interest Rate (Savings)	Tiered based on balance	Competitive rates
Access (Savings)	Online/mobile banking	Shared branching, limited branches
Additional Savings Features	Automatic transfers, savings goal tracker	Youth savings programs

Assignment

Decision Making: Which financial institution would you recommend for someone who:

- Want convenient access to ATMs nationwide?
- Prefers to earn interest on their checking account balance?
- Values no monthly fees for their savings account?
- Lives in North Carolina and wants local branch support?

Discussion Questions

1. How do the account features at Bank of America and Allegacy Federal Credit Union cater to different customer preferences?
2. What factors would you consider most important when choosing a checking or savings account?
3. Why might someone choose a credit union like Allegacy Federal Credit Union over a traditional bank like Bank of America, or vice versa?
4. How can understanding these differences help you make better financial decisions in the future?

Answer Key

Decision Making

- Want convenient access to ATMs nationwide?
 - Bank of America would be preferable due to its extensive network of over 16,000 ATMs and branches nationwide.
- Prefers to earn interest on their checking account balance?
 - Allegacy Federal Credit Union's SmartRate Checking account earns interest, making it the better choice.
- Values no monthly fees for their savings account?
 - Allegacy Federal Credit Union offers a savings account with no monthly fees, which would be ideal.
- Lives in North Carolina and wants local branch support?
 - Allegacy Federal Credit Union would be more suitable as it has branches mainly in North Carolina and offers shared branching.

Discussion Questions

1. How do the account features at Bank of America and Allegacy Federal Credit Union cater to different customer preferences?
 - Bank of America offers extensive national ATM access and traditional banking services, while Allegacy Federal Credit Union focuses on local branch support and competitive interest rates.
2. What factors would you consider most important when choosing a checking or savings account?
 - Factors include fees, interest rates, accessibility (ATM and branch locations), additional features (like online banking and savings tools), and customer service.
3. Why might someone choose a credit union like Allegacy Federal Credit Union over a traditional bank like Bank of America, or vice versa?
 - People might choose a credit union for lower fees, higher interest rates, and community-focused services, while traditional banks may offer more extensive ATM networks and global services.
4. How can understanding these differences help you make better financial decisions in the future?
 - Understanding these differences allows you to choose financial products that align with your needs, save on fees, and maximize savings through higher interest rates.

Conclusion: Reflect on how this activity helped you understand the importance of comparing financial products before making decisions. Learning about checking and savings accounts can prepare you for managing money wisely as you grow older.

Lesson 7 - Interest

Compound Interest Worksheet

Instructions:

1. Calculate the total amount of money you will have after each year for different interest rates: 0.01%, 4%, and 10%.
2. Use the starting amount of \$1,000.
3. Use the provided table to fill in the amounts for each year.

Principal Amount: \$1,000

Interest Rates:

1. 0.01% Interest Rate (compounded annually)
2. 4% Interest Rate (compounded annually)
3. 10% Interest Rate (compounded annually)

Example Calculation:

- For 0.01% interest rate:
 - Year 1: $\$1,000 + (\$1,000 * 0.0001) = \$1,000 + \$0.10 = \$1,000.10$

Fill in the Tables:

0.01% Interest Rate

Year	Amount
------	--------

1	\$1,000.10
---	------------

2	_____
---	-------

3	_____
---	-------

4	_____
---	-------

5 _____

4% Interest Rate

Year	Amount
------	--------

1	\$1,040.00
---	------------

2	_____
---	-------

3	_____
---	-------

4	_____
---	-------

5	_____
---	-------

10% Interest Rate

Year	Amount
------	--------

1	\$1,100.00
---	------------

2	_____
---	-------

3	_____
---	-------

4	_____
---	-------

Questions:

1. Compare the final amounts after 5 years for each interest rate.
 - Which interest rate gives you the most money?
 - Which interest rate gives you the least money?
2. Why do you think higher interest rates help your money grow faster?
3. If the stock market has averaged a rate of return of approximately 10%, why is investing a better strategy than a savings account?

Summary:

- Compound interest means you earn interest on both your initial amount and the interest that has been added each year.
- Even a small difference in interest rates can make a big difference in how much your money grows over time.

Answer Key

Principal Amount: \$1,000

Interest Rates:

1. 0.01% Interest Rate (compounded annually)
2. 4% Interest Rate (compounded annually)
3. 10% Interest Rate (compounded annually)

Fill in the Tables:

0.01% Interest Rate

Year	Amount
------	--------

1	\$1,000.10
---	------------

2	\$1,000.20
---	------------

3	\$1,000.30
---	------------

4	\$1,000.40
---	------------

5	\$1,000.50
---	------------

4% Interest Rate

Year	Amount
------	--------

1	\$1,040.00
---	------------

2	\$1,081.60
---	------------

3	\$1,124.86
---	------------

4	\$1,169.85
---	------------

5	\$1,216.64
---	------------

10% Interest Rate

Year	Amount
------	--------

1	\$1,100.00
---	------------

2	\$1,210.00
---	------------

3	\$1,331.00
---	------------

4	\$1,464.10
---	------------

5 \$1,610.51

Questions:

1. Compare the final amounts after 5 years for each interest rate.
 - Which interest rate gives you the most money? 10% Interest Rate
 - Which interest rate gives you the least money? 0.01% Interest Rate

2. Why do you think higher interest rates help your money grow faster?
 - Higher interest rates mean that you earn more money on your initial savings and any interest that has already been added, so your money grows faster.

3. If the stock market has averaged a rate of return of approximately 10%, why is investing a better strategy than a savings account?
 - Investing in the stock market is often a better strategy than a savings account because it typically offers much higher returns, averaging around 10% per year compared to the lower interest rates of savings accounts. This higher return potential helps to outpace inflation, preserving and growing the value of your money over time.

Summary:

- Compound interest means you earn interest on both your initial amount and the interest that has been added each year.
- Even a small difference in interest rates can make a big difference in how much your money grows over time.

Lesson 8 - Understanding Credit

Worksheet: Understanding Credit Card Debt

Introduction

Meet Buddy. Buddy loves to buy cool gadgets and clothes and uses a credit card to make these purchases. One day, Buddy realizes they have a \$6,000 debt on their credit card. The credit card company charges a high interest rate of 20% per year. Let's see what happens if Buddy only makes the 2% minimum payment each month.

How Compound Interest Works Against You

Buddy's debt grows because of interest. Compound interest means you pay interest on both the money you owe and the interest that gets added each month.

Monthly Breakdown for Year 1

Month	Beginning Balance	Interest Added	Minimum Payment (2%)	Ending Balance
1	\$6,000.00	\$100.00	\$120.00	\$5,980.00
2	\$5,980.00	\$99.67	\$119.60	\$5,960.07
3	\$5,960.07	\$99.33	\$119.20	\$5,940.20
4	\$5,940.20	\$99.00	\$118.80	\$5,920.40
5	\$5,920.40	\$98.67	\$118.41	\$5,900.66
6	\$5,900.66	\$98.34	\$118.01	\$5,881.00

7	\$5,881.00	\$98.02	\$117.62	\$5,861.40
8	\$5,861.40	\$97.69	\$117.23	\$5,841.86
9	\$5,841.86	\$97.36	\$116.84	\$5,822.38
10	\$5,822.38	\$97.04	\$116.45	\$5,802.97
11	\$5,802.97	\$96.71	\$116.06	\$5,783.62
12	\$5,783.62	\$96.39	\$115.67	\$5,764.34

Questions:

1. Starting Balance
 - What was Buddy's starting balance? _____
2. Interest Added in Month 1
 - How much interest was added in the first month? _____
3. Minimum Payment
 - How much was the minimum payment in the first month? _____
4. Ending Balance After 1 Year
 - What was Buddy's ending balance after 1 year? _____
5. Interest Added After 1 Year
 - Calculate the total interest added after 1 year by adding up the "Interest Added" column.

6. Debt Reduction
 - How much did Buddy's debt reduce after 1 year of making minimum payments?

Summary:

- Compound interest makes debt grow quickly if only minimum payments are made.
- It's important to pay off credit card debt as soon as possible to avoid paying a lot in interest.

Lessons Learned:

1. Avoid High-Interest Debt: Try not to borrow money with high interest rates.
2. Pay More Than the Minimum: Paying more than the minimum helps reduce debt faster.

Answer Key

Questions

1. Starting Balance
 - What was Buddy's starting balance? \$6,000
2. Interest Added in Month 1
 - How much interest was added in the first month? \$100.00
3. Minimum Payment
 - How much was the minimum payment in the first month? \$120.00
4. Ending Balance After 1 Year
 - What was Buddy's ending balance after 1 year? \$5,764.34
5. Interest Added After 1 Year
 - Calculate the total interest added after 1 year by adding up the "Interest Added" column.
 - Total interest added after 1 year: \$1,189.42
6. Debt Reduction
 - How much did Buddy's debt reduce after 1 year of making minimum payments?
 - Debt reduction after 1 year: \$235.66 (Starting Balance - Ending Balance)

Summary:

- Compound interest makes debt grow quickly if only minimum payments are made.
- It's important to pay off credit card debt as soon as possible to avoid paying a lot in interest.

Lessons Learned:

1. Avoid High-Interest Debt: Try not to borrow money with high interest rates.
2. Pay More Than the Minimum: Paying more than the minimum helps reduce debt faster.

Lesson 9 - Loans Basics

<https://www.calculator.net/>

Scenario 1: Student Loan (State Tuition)

Purpose: Buddy wants to go to State University and needs to take out a student loan to pay for tuition.

- Loan Amount: \$10,000
- Interest Rate: 3% per year
- Loan Term: 4 years

Explanation: Buddy borrows \$10,000 to pay for tuition at State University. The loan has an interest rate of 3% per year. Over 4 years, Buddy will make regular payments to repay the loan and cover the interest.

Scenario 2: Mortgage Loan

Purpose: Buddy's family wants to buy a house.

- Loan Amount: \$200,000
- Interest Rate: 5% per year
- Loan Term: 30 years

Explanation: Buddy's family takes out a mortgage loan for \$200,000 to buy a house. The loan has a fixed interest rate of 5% per year, and they have 30 years to repay the loan with monthly payments.

Scenario 3: Auto Loan

Purpose: Buddy wants to buy a new car.

- Loan Amount: \$5,000
- Interest Rate: 4% per year
- Loan Term: 3 years

Explanation: Buddy needs \$5,000 to buy a new car. He takes out an auto loan with an interest rate of 4% per year. Over 3 years, Buddy will make monthly payments to repay the loan and cover the interest.

Activity

Scenario 1: Student Loan (State Tuition)

1. Loan Amount: How much money did Buddy borrow for his tuition at State University?
2. Interest Rate: What is the interest rate Buddy is paying on his student loan?
3. Loan Term: How many years does Buddy have to repay the loan for his tuition?

Scenario 2: Mortgage Loan

1. Loan Amount: How much money did Buddy's family borrow to buy their house?
2. Interest Rate: What is the interest rate Buddy's family is paying on their mortgage loan?
3. Loan Term: How many years do Buddy's family have to make payments on their mortgage?

Scenario 3: Auto Loan

1. Loan Amount: How much money did Buddy borrow to buy his new car?
2. Interest Rate: What is the interest rate Buddy is paying on his auto loan?
3. Loan Term: How many years does Buddy have to make monthly payments to repay his auto loan?

Additional Questions for Each Scenario:

1. Monthly Payment Calculation: If Buddy borrows \$10,000 for his student loan at 3% interest for 4 years, calculate how much his monthly payment might be.
2. Total Interest Paid: Calculate how much total interest Buddy will pay on his mortgage loan of \$200,000 at 5% interest over 30 years.
3. Comparison of Loans: Which loan has the highest interest rate among the three scenarios? Which loan has the longest loan term?

Answer Key

Scenario 1: Student Loan (State Tuition)

1. Loan Amount: Buddy borrowed \$10,000 for his tuition at State University.
2. Interest Rate: Buddy is paying 3% interest per year on his student loan.
3. Loan Term: Buddy has 4 years to repay the loan for his tuition.

Scenario 2: Mortgage Loan

1. Loan Amount: Buddy's family borrowed \$200,000 to buy their house.
2. Interest Rate: Buddy's family is paying 5% interest per year on their mortgage loan.
3. Loan Term: Buddy's family has 30 years to make payments on their mortgage.

Scenario 3: Auto Loan

1. Loan Amount: Buddy borrowed \$5,000 to buy his new car.
2. Interest Rate: Buddy is paying 4% interest per year on his auto loan.
3. Loan Term: Buddy has 3 years to make monthly payments to repay his auto loan.

Additional Questions for Each Scenario:

1. Monthly Payment Calculation (Example):
 - For Buddy's student loan of \$10,000 at 3% interest for 4 years:
 - Monthly payment calculation: Use a financial calculator or formula to calculate this. For instance, \$10,000 loan, 3% interest rate, 4-year term gives a monthly payment of approximately \$221.27.
2. Total Interest Paid (Example):
 - For Buddy's family's mortgage loan of \$200,000 at 5% interest over 30 years:
 - Total interest paid calculation: Use a financial calculator or formula to calculate this. For instance, \$200,000 loan, 5% interest rate, 30-year term gives a total interest paid of approximately \$186,512.28.
3. Comparison of Loans (Example):
 - Identify the highest interest rate among the three scenarios and compare the loan terms to answer the question. For instance, in this case:
 - The mortgage loan has the highest interest rate (5%).
 - The mortgage loan also has the longest loan term (30 years).

Lesson 10 - Introduction to Investing

Investing Basics Worksheet

Part 1: Understanding Investing

1. What is investing?
 - Investing is like planting _____ in a garden. You put money (seeds) into something and hope it grows (makes more money) over time.
2. Give an example of an investment.
 - Buying a house and selling it later for more money is an example of _____.
3. Key Points About Investing:
 - Investing means using money to make more money over _____.
4. What do different investments give?
 - Different investments give different kinds of _____.
5. Explain the relationship between risk and return in investing.
 - Low risk usually means _____ returns, while high returns come with higher _____.

Part 2: Types of Investments

6. Stocks:
 - Buying a small part of a _____. If the company does well, you earn money.
7. Bonds:
 - Lending money to a government or company and getting paid back with _____.
8. Funds:
 - Pools of money collected from many investors to buy stocks, bonds, or other investments. Examples include mutual funds and _____.
9. Real Estate Investment Trusts (REITs):
 - Companies that own and rent out properties. They share the _____ income with investors.
10. Commodities:
 - Investing in things like _____, oil, or grain.

Part 3: How to Start Investing

11. Do-It-Yourself (DIY) Investing:
 - Managing your own investments by learning about and choosing where to put your _____.
12. Professionally-Managed Investing:
 - Hiring someone, like a _____, to manage your investments for you.
13. Robo-Advisors:
 - Using computer programs to manage your investments based on your preferences and _____.

Part 4: True or False

14. Investing usually has lower risks compared to saving.
 - True / False
15. Investors focus on long-term gains, while traders aim for short-term profits.
 - True / False
16. Saving is ideal for emergency funds or short-term purchases.
 - True / False

Part 5: Matching

Match the following terms with their definitions:

- A. Stocks
- B. Bonds
- C. Real Estate Investment Trusts (REITs)
- D. Robo-Advisors

17. Companies that own and rent out properties. They share the rental income with investors.
18. Lending money to a government or company and getting paid back with interest.
19. Using computer programs to manage investments based on your preferences and risk tolerance.
20. Buying a small part of a company. If the company does well, you earn money.

Part 6: Short Answer

21. Why should you invest? Give two reasons.

1. _____
2. _____

Answer Key:

1. seeds
2. investing
3. time
4. returns
5. low, risk
6. company
7. interest
8. ETFs (Exchange-Traded Funds)
9. rental
10. gold
11. money
12. financial advisor
13. risk tolerance
14. False
15. True
16. True

Matching:

17. A4. Stocks

18. B2. Bonds

19. C1. Real Estate Investment Trusts (REITs)

20. D3. Robo-Advisors

21. Short Answer (Sample Answers):

- Grow your money over time.
- Save for future needs like retirement or buying a house.

Lesson 11 - Risk vs Reward and Opportunity Cost

Opportunity Cost Scenarios:

1. Scenario 1: Jenny has \$15. She can either buy a new book or save the money for a concert ticket next month. If she buys the book, what is the opportunity cost?
2. Scenario 2: Ethan has free time after school. He can either practice basketball or join the coding club. If he chooses to practice basketball, what is the opportunity cost?
3. Scenario 3: Maya has a weekend free. She can either spend it volunteering at the animal shelter or going to a music festival with friends. If she volunteers at the animal shelter, what is the opportunity cost?
4. Scenario 4: Daniel has \$20. He can either spend it on a pizza dinner with friends or save it to buy a new video game next month. If he buys the pizza dinner, what is the opportunity cost?
5. Scenario 5: Olivia has tickets to a movie. She can either go with her friends or sell the tickets and use the money to buy a new skateboard. If she chooses to go to the movie, what is the opportunity cost?

Risk vs Reward Scenarios:

1. Scenario 6: Jason is considering investing in a startup company. He knows it has high potential returns, but there's also a risk of losing all his investment. Should he invest? Why or why not?
2. Scenario 7: Emily wants to buy stocks in a tech company known for its volatile stock prices. She could potentially earn high returns, but there's also a risk of the stock value dropping sharply. Should she buy the stocks? Explain.
3. Scenario 8: Liam is thinking of starting his own lawn mowing business in the neighborhood. He could earn a good income during the summer, but there's a risk that not enough people will hire him. Should he start the business? Discuss the risks and potential rewards.
4. Scenario 9: Sophia is considering taking an advanced math class. It will be challenging, but if she does well, she could qualify for a prestigious math competition with scholarship opportunities. Should she take the class? Assess the risks and potential rewards.
5. Scenario 10: Alex is deciding between two job offers: one with a stable salary and benefits but limited growth potential, and another with higher earnings potential but less job security. Which job offer should he choose? Evaluate the risks and rewards of each option.

Sunk Cost Scenarios:

1. Scenario 11: Sarah bought a concert ticket but fell ill on the day of the concert. Despite feeling unwell, she decides to go to the concert because she already paid for the ticket. What is the sunk cost in this scenario?

2. Scenario 12: Michael bought a gym membership for a year but realized he doesn't enjoy going to the gym after a month. Despite not using it, he continues to pay for the membership because he already paid for the entire year. What is the sunk cost here?
3. Scenario 13: Ava invested a significant amount of money in a business venture that is not performing well. Despite knowing the business is unlikely to succeed, she continues to invest more money to try and make it profitable. What is the sunk cost in this situation?

Answer Key

Opportunity Cost Scenarios:

1. Scenario 1: Opportunity cost: The concert ticket she could have bought.
2. Scenario 2: Opportunity cost: Joining the coding club.
3. Scenario 3: Opportunity cost: Attending the music festival with friends.
4. Scenario 4: Opportunity cost: The new video game he could have bought.
5. Scenario 5: Opportunity cost: The new skateboard she could have bought with the money from selling the movie tickets.

Risk vs Reward Scenarios:

6. Scenario 6: Jason should consider investing based on his risk tolerance and belief in the company's potential growth. There's a potential for high returns but also a risk of losing his investment.
7. Scenario 7: Emily should evaluate her risk tolerance and financial goals before buying the volatile tech stocks. High potential returns come with the risk of significant losses.
8. Scenario 8: Liam should assess the demand for lawn mowing services in the neighborhood and weigh the potential earnings against the risk of insufficient customers.
9. Scenario 9: Sophia should consider her interest in math, ability to handle the challenge, and the potential benefits of participating in the math competition with scholarship opportunities.
10. Scenario 10: Alex should compare the stability and growth potential of both job offers, considering his long-term career goals and risk tolerance.

Sunk Cost Scenarios:

11. Scenario 11: Sunk cost: The money paid for the concert ticket, which cannot be recovered.
12. Scenario 12: Sunk cost: The money paid for the unused gym membership for the remaining months, which cannot be recovered.
13. Scenario 13: Sunk cost: The additional money invested in the failing business, which cannot be recovered.

Lesson 12 - Taxes

Use the data below and decide whether or not taxes should be filed for the following scenarios.

#1: Dependents

Tax Filing Requirements:

- If you are under 65, single, and someone claims you as a dependent:
 - You must file a tax return if:
 - Your earned money was more than \$13,850, or
 - Your money from investments was more than \$1,250, or
 - Your total money earned and from investments was more than \$1,250 or your earned money plus \$400.
- The first \$1,250 of money from investments is not taxed.
- If you won't owe taxes this year and didn't owe last year, you can say you're exempt on your W-4 form. This means no income tax is taken from your paycheck, but Social Security and Medicare taxes are still taken out.
- Can you file a tax return if your parents claim you? Yes! Even if your parents claim you on their taxes, you can still file your own tax return.
- If you don't need to file a return based on your income, you might still get a refund even if your parents claim you.
- For most people, taxes are due by April 15, 2024. If you get a refund or don't owe taxes, you won't be charged a penalty. But file soon to get your refund within three years.

Standard Deduction for Dependents:

- If someone else claims you as a dependent, your standard deduction is the higher of:
 - \$1,250, or
 - Your earned money plus \$400 (but not more than the basic standard deduction for your tax status).

#2: Self-Employed Workers

Who is self-employed?

- You work alone or as a contractor, like plumbers or repair workers.
- You're part of a partnership that works together.

- You're in business for yourself, even part-time or for side jobs.

Tax Filing Requirements:

- You must file taxes if your money after expenses (net earnings) from self-employment were \$400 or more.
- You usually file taxes every year and may need to pay taxes four times a year.
- Self-employed workers usually pay a self-employment tax (SECA), which is 15.3% of earnings, like Social Security and Medicare taxes for employees.

#3: Household Employees

Who is a household employee?

- You work at someone's home, like babysitters or gardeners.
- The person who hires you decides what you do and how you do it.

Tax Filing Requirements:

- You must file taxes if you earned more than the standard deduction (like \$13,850 in 2023).
- Social Security and Medicare taxes aren't taken out if you're:
 - The employer's child and under 21, or
 - Under 18 anytime during the year.

Scenarios for Tax Filing Requirements:

Scenario 1: Emily, Dependent

Emily is 17 years old and a dependent. She earned \$12,000 from her part-time job last year.

Does Emily need to file a tax return?

Scenario 2: Javier, Dependent

Javier is 19 years old and a full-time college student. He earned \$14,000 from his summer internship and received \$800 in interest income from his savings account.

Does Javier need to file a tax return?

Scenario 3: Maya, Dependent

Maya is 16 years old and a dependent. She earned \$1,000 from babysitting and received \$500 in dividends from her investments.

Does Maya need to file a tax return?

Scenario 4: Lucas, Self-Employed

Lucas started his own landscaping business last year as a sole proprietor. He earned \$30,000 in revenue and had \$10,000 in business expenses.

Does Lucas need to file a tax return?

Scenario 5: Claire, Self-Employed

Claire is a freelance graphic designer. Last year, she earned \$2,000 from designing logos for clients.

Does Claire need to file a tax return?

Scenario 6: Michael, Household Employee

Michael, who is 17 years old, worked as a babysitter for a family friend. He earned \$15,000 last year.

Does Michael need to file a tax return?

Scenario 7: Olivia, Household Employee

Olivia, who is 20 years old, worked as a nanny for a family last year. She earned \$12,000.

Does Olivia need to file a tax return?

Scenario 8: Ethan, Dependent

Ethan, who is 18 years old, earned \$2,000 from a summer job. His parents claimed him as a dependent on their tax return.

Can Ethan file a tax return?

Scenario 9: Isabella, Self-Employed

Isabella is a college student who runs a small Etsy shop selling handmade jewelry. Last year, she made \$500 in sales after deducting \$300 for materials and fees.

Does Isabella need to file a tax return?

Scenario 10: Jacob, Self-Employed

Jacob started a part-time landscaping business and earned \$2,000 in revenue. However, he had \$1,800 in expenses related to equipment and supplies.

Does Jacob need to file a tax return?

Answer Key

1. No, Emily does not need to file a tax return because her earned income of \$12,000 is below the threshold of \$13,850 for dependents in 2023.
2. Yes, Javier needs to file a tax return because his total gross income (\$14,800) exceeds the earned income threshold of \$13,850 for dependents in 2023.
3. No, Maya does not need to file a tax return because her total gross income of \$1,500 does not exceed the threshold of \$1,250 for unearned income for dependents in 2023.
4. Yes, Lucas needs to file a tax return because his net earnings from self-employment (\$20,000) exceed the threshold of \$400.
5. No, Claire does not need to file a tax return because her net earnings from self-employment are below \$400.
6. Yes, Michael needs to file a tax return because his earned income exceeds the standard deduction for dependents (\$13,850) in 2023.
7. Yes, Olivia needs to file a tax return because her earned income exceeds the standard deduction for dependents (\$13,850) in 2023.
8. Yes, Ethan can file a tax return even though he is claimed as a dependent by his parents.
9. No, Isabella does not need to file a tax return because her net earnings from self-employment are below \$400.
10. No, Jacob does not need to file a tax return because his net earnings from self-employment are below \$400.

Lesson 13 - Insurance

Instructions: Below is a sample car insurance statement. Read through the statement and answer the questions that follow. Use the hints provided to help you find the main parts of the statement.

Sample Car Insurance Statement

ABC Insurance Company

Policy Number: 123456789

Policy Holder: Buddy Smith

Address: 123 Main Street, Springfield, USA

Vehicle: 2019 Toyota Camry

Policy Period: January 1, 2024 - December 31, 2024

Coverage Details:

- Liability Coverage: \$100,000 per person / \$300,000 per accident
- Collision Coverage: \$500 deductible
- Comprehensive Coverage: \$250 deductible
- Personal Injury Protection: \$10,000 per person
- Uninsured/Underinsured Motorist Coverage: \$100,000 per person / \$300,000 per accident

Premium Details:

- Total Premium: \$1,200 per year
- Payment Plan: Quarterly (\$300 per quarter)

Discounts Applied:

- Safe Driver Discount: \$100
- Multi-Policy Discount: \$50

Contact Information:

- Customer Service: 1-800-123-4567
- Email: support@abcinsurance.com

Questions:

1. Policy Holder Information:
 - a. What is the name of the policy holder?
 - b. What is the address of the policy holder?
2. Vehicle Information:
 - a. What is the make and model of the insured vehicle?
 - b. What is the year of the vehicle?
3. Policy Period:
 - a. When does the policy start?
 - b. When does the policy end?
4. Coverage Details:
 - a. What is the liability coverage per person?
 - b. What is the deductible for collision coverage?
 - c. What is the deductible for comprehensive coverage?
5. Premium Details:
 - a. What is the total premium for the year?
 - b. How much is each quarterly payment?
6. Discounts Applied:
 - a. How much is the Safe Driver Discount?
 - b. How much is the Multi-Policy Discount?

7. Contact Information:
 - a. What is the customer service phone number?
 - b. What is the email address for support?

Answer Key:

1. Policy Holder Information:
 - a. Buddy Smith
 - b. 123 Main Street, Springfield, USA
2. Vehicle Information:
 - a. Toyota Camry
 - b. 2019
3. Policy Period:
 - a. January 1, 2024
 - b. December 31, 2024
4. Coverage Details:
 - a. \$100,000 per person
 - b. \$500
 - c. \$250
5. Premium Details:
 - a. \$1,200
 - b. \$300
6. Discounts Applied:
 - a. \$100
 - b. \$50

7. Contact Information:
 - a. 1-800-123-4567
 - b. support@abcinsurance.com

Part 2

Instructions: Below is a sample car insurance statement. Read through the statement and answer the questions that follow. Use the hints provided to help you find the main parts of the statement.

Sample Car Insurance Statement

ABC Insurance Company

Policy Number: 987654321

Policy Holder: Buddy Smith

Driver: Buddy Junior

Address: 123 Main Street, Springfield, USA

Vehicle: 2024 Jeep Wrangler

Policy Period: January 1, 2024 - December 31, 2024

Coverage Details:

- Liability Coverage: \$100,000 per person / \$300,000 per accident
- Collision Coverage: \$1,500 deductible
- Comprehensive Coverage: \$750 deductible
- Personal Injury Protection: \$10,000 per person
- Uninsured/Underinsured Motorist Coverage: \$100,000 per person / \$300,000 per accident

Premium Details:

- Total Premium: \$5,400 per year
- Payment Plan: Quarterly (\$1,350 per quarter)

Discounts Applied:

- Safe Driver Discount: \$0
- Multi-Policy Discount: \$50

Contact Information:

- Customer Service: 1-800-123-4567

- Email: support@abcinsurance.com

Questions:

1. Policy Holder Information:
 - a. What is the name of the policy holder?
 - b. What is the address of the policy holder?
2. Driver Information:
 - a. What is the name of the driver?
 - b. Is the driver a teenager?
3. Vehicle Information:
 - a. What is the make and model of the insured vehicle?
 - b. What is the year of the vehicle?
4. Policy Period:
 - a. When does the policy start?
 - b. When does the policy end?
5. Coverage Details:
 - a. What is the liability coverage per person?
 - b. What is the deductible for collision coverage?
 - c. What is the deductible for comprehensive coverage?
6. Premium Details:
 - a. What is the total premium for the year?
 - b. How much is each quarterly payment?
7. Discounts Applied:
 - a. How much is the Safe Driver Discount?
 - b. How much is the Multi-Policy Discount?
8. Contact Information:
 - a. What is the customer service phone number?
 - b. What is the email address for support?

Answer Key:

1. Policy Holder Information:
 - a. Buddy Smith
 - b. 123 Main Street, Springfield, USA
2. Driver Information:
 - a. Buddy Junior
 - b. Yes
3. Vehicle Information:
 - a. Jeep Wrangler
 - b. 2024
 - c. \$70,000
4. Policy Period:
 - a. January 1, 2024
 - b. December 31, 2024
5. Coverage Details:
 - a. \$100,000 per person
 - b. \$1,500
 - c. \$750
6. Premium Details:
 - a. \$5,400
 - b. \$1,350
7. Discounts Applied:
 - a. \$0
 - b. \$50
8. Contact Information:
 - a. 1-800-123-4567
 - b. support@abcinsurance.com

Lesson 14 - Financial Mistakes and Pitfalls

Directions: Identify the type of scam for each scenario.

Fake Charity Pyramid Scheme Phone Scam

Ponzi Scheme Internet Scam Online Shopping Scam

Scenario 1

Buddy gets a call from someone claiming to be from the IRS. The caller says that Buddy owes back taxes and will be arrested if he doesn't pay immediately. The caller instructs Buddy to purchase gift cards and provide the card numbers over the phone to settle the debt. Scared and wanting to avoid trouble, Buddy complies and loses several hundred dollars.

Type of Scam: _____

Scenario 2

Buddy receives an email that looks like it's from his bank, asking him to verify his account information to prevent it from being locked. The email contains a link to a website that looks identical to his bank's site. Trusting the email, Buddy clicks the link and enters his login details. Shortly after, Buddy notices unauthorized transactions in his bank account.

Type of Scam: _____

Scenario 3

Buddy finds a great deal on a popular gadget at a fraction of the usual price on a website he's never heard of before. Excited, Buddy places an order and pays with his credit card. Weeks go by, and the item never arrives. Buddy tries to contact customer service, but the website and its support vanish without a trace.

Type of Scam: _____

Scenario 4

Buddy receives a call from an investment company offering an opportunity to invest in a new technology startup. The representative promises returns of 20% per month, which is much higher than any other investment Buddy knows about. Impressed by the returns and the professional-sounding pitch, Buddy invests \$1,000. Over the next few months, Buddy receives the promised returns and decides to invest more. Unbeknownst to Buddy, the returns are actually being paid from the investments of new investors, not from any real profits.

Type of Scam: _____

Scenario 5

Buddy is approached by someone on the street collecting donations for a charity claiming to support local children's hospitals. The person has a clipboard with official-looking documents and is very persuasive. Feeling charitable, Buddy donates \$50. Later, Buddy tries to look up the charity online and finds out it doesn't exist.

Type of Scam: _____

Scenario 6

Buddy receives an invitation from a friend to join an exclusive investment club. To join, Buddy needs to pay an initial fee of \$200. The friend explains that Buddy will earn money by recruiting others to join the club, and as more people join, Buddy will move up in the hierarchy and earn a percentage of the fees from new members. The friend boasts about how much money they've made and promises Buddy that it's a foolproof way to get rich quickly.

Type of Scam: _____

Answer Key

Scenario 1: Phone Scam

Scenario 2: Internet Scam

Scenario 3: Online Shopping Scam

Scenario 4: Ponzi Scheme

Scenario 5: Fake Charity

Scenario 6: Pyramid Scheme

Reflection/Class Discussion

Scenario 1: Phone Scam

Spotting the Scam:

- **Caller ID Verification:** Verify the caller's identity by calling back using a known and trusted number for the organization they claim to represent.
- **Pressure Tactics:** Be cautious of callers who create a sense of urgency or threaten legal action if immediate payment is not made.
- **Payment Method:** Recognize that legitimate entities like the IRS do not demand payment via gift cards or wire transfers.

Dealing with the Scam:

- **Cease Communication:** Hang up immediately if you suspect a scam.
- **Report:** File a complaint with the Federal Trade Commission (FTC) and your state's Attorney General's office.
- **Financial Protection:** Contact your bank or credit card company if you provided payment information to the scammer.

Scenario 2: Internet Scam

Spotting the Scam:

- **Email Authenticity:** Check the email address and look for signs of phishing, such as misspellings or unusual domains.
- **Links Inspection:** Hover over links to verify the destination URL before clicking. Ensure it matches the sender's purported identity.
- **Request for Personal Information:** Legitimate organizations do not ask for sensitive information via email.

Dealing with the Scam:

- **Immediate Action:** Change your account passwords and notify your bank of unauthorized transactions.
- **Report:** Report the phishing attempt to your email provider, and if financial loss occurred, to the FTC and your bank.
- **Preventive Measures:** Enable two-factor authentication on your accounts and use anti-phishing software.

Scenario 3: Online Shopping Scam

Spotting the Scam:

- **Unknown Website:** Research the website's reputation using customer reviews and trusted sources before making a purchase.
- **Too Good to Be True Prices:** Be wary of significantly discounted prices compared to other retailers.
- **Lack of Contact Information:** Ensure the website provides a legitimate physical address and contact details.

Dealing with the Scam:

- **Contact the Seller:** Attempt to contact customer support through all available channels (phone, email, social media).
- **Dispute Charges:** Contact your credit card company to dispute the charge and potentially reverse the transaction.
- **Report:** Report the fraudulent website to the FTC and your state's consumer protection agency.

Scenario 4: Ponzi Scheme

Spotting the Scam:

- **Unrealistic Returns:** Be skeptical of investment opportunities promising unusually high returns with little or no risk.
- **Lack of Transparency:** Request detailed information about the investment strategy and business operations.
- **Pressure to Invest Quickly:** Ponzi schemes often pressure investors to act fast before the opportunity is gone.

Dealing with the Scam:

- **Cease Investing:** Immediately cease further investments and withdraw any remaining funds if possible.
- **Report:** Report the scheme to the Securities and Exchange Commission (SEC) and your state's securities regulator.
- **Legal Recourse:** Consider consulting with a financial advisor or lawyer to explore legal options for recovering lost funds.

Scenario 5: Fake Charity

Spotting the Scam:

- **Research the Charity:** Verify the legitimacy of the charity by checking their registration status and reputation on trusted charity evaluation websites.
- **Pressure to Donate:** Be cautious of high-pressure tactics and emotional appeals designed to prompt immediate donations.
- **Lack of Transparency:** Legitimate charities provide clear information about their mission, use of funds, and impact.

Dealing with the Scam:

- **Cease Donations:** Stop any further donations to the suspected fake charity.
- **Report:** Report the scam to your state's Attorney General's office, the FTC, and local law enforcement.
- **Spread Awareness:** Share your experience with others to prevent them from falling victim to similar scams.

Scenario 6: Pyramid Scheme

Spotting the Scam:

- **Recruitment Focus:** Pyramid schemes emphasize recruitment of new members over selling legitimate products or services.
- **Income Promises:** Be wary of promises of large profits with minimal effort or risk.
- **No Tangible Product:** Legitimate businesses typically sell products or services; pyramid schemes focus on recruiting participants.

Dealing with the Scam:

- **Cease Participation:** Stop recruiting others and avoid further involvement in the scheme.
- **Report:** Report the pyramid scheme to the FTC and your state's Attorney General's office.
- **Legal Consultation:** Seek legal advice to understand your rights and options for recovering any invested funds.

Lesson 15 - Behavioral Finance

Directions: Identify the type of behavioral finance bias for each scenario

Confirmation Bias Mental Accounting Overconfidence Bias

Anchoring Bias Loss Aversion Herd Mentality

Scenarios:

1. Scenario 1: Buddy is playing a card game with his friends. After winning a few rounds, he becomes overconfident in his abilities. He bets all his savings on the next game, convinced he will win again, but ends up losing everything.

Bias: _____

2. Scenario 2: Buddy sees a laptop priced at \$1,500 initially. Later, he finds the same model on sale for \$1,200. Despite not needing a new laptop urgently, he buys it because he feels he's getting a great deal compared to the higher initial price.

Bias: _____

3. Scenario 3: Buddy's classmates start investing in a popular stock because it's trending on social media. Without researching, Buddy invests a significant amount because he doesn't want to miss out, even though the stock's fundamentals are unclear.

Bias: _____

4. Scenario 4: Buddy buys a video game for \$20 but doesn't use it much. When a friend offers to buy it for \$15, Buddy refuses, preferring to keep it rather than lose \$5, even though he's not enjoying the game.

Bias: _____

5. Scenario 5: Buddy believes a particular brand of sneakers is the best. He only reads positive reviews and testimonials about those sneakers online, ignoring negative reviews that mention quality issues and discomfort reported by other users.

Bias: _____

6. Scenario 6: Buddy receives \$50 for his birthday and decides to save it for a new bike he wants. However, when he gets his \$20 allowance, he spends it immediately on snacks and small toys without saving any for his bike fund.

Bias: _____

Answer Key:

1. Overconfidence Bias
2. Anchoring Bias
3. Herd Mentality
4. Loss Aversion
5. Confirmation Bias
6. Mental Accounting

Reflection/Class Discussion

1. Overconfidence Bias
 - Self-reflection: Encourage Buddy to reflect on past decisions and consider if he might be overly confident in his abilities.
 - Seeking Feedback: Suggest Buddy seek feedback from others to gain different perspectives on his decisions and performance.
2. Anchoring Bias
 - Comparative Analysis: Teach Buddy to compare prices across different stores or websites before making a purchase to avoid being anchored to a specific price point.
 - Delayed Decision-making: Encourage Buddy to delay making a decision immediately after encountering the anchor, allowing time to reassess and consider other options.
3. Herd Mentality
 - Independent Research: Encourage Buddy to conduct independent research before following trends or popular opinions.
 - Contrarian Thinking: Teach Buddy to question the reasons behind popular opinions and consider whether they align with his own values and goals.
4. Loss Aversion
 - Pros and Cons Assessment: Encourage Buddy to list the pros and cons of holding onto or letting go of an asset or investment.
 - Risk Assessment: Teach Buddy to assess risks objectively and consider potential rewards before making decisions driven by fear of loss.
5. Confirmation Bias
 - Diverse Sources: Encourage Buddy to seek out information from multiple perspectives, including both positive and negative reviews.
 - Fact-checking: Teach Buddy the importance of verifying information and seeking out evidence that contradicts his existing beliefs.
6. Mental Accounting
 - Budget Tracking: Suggest Buddy uses budgeting tools or apps to track spending across different categories and identify patterns influenced by mental accounting.
 - Financial Planning: Encourage Buddy to consider all sources of income and expenses as part of a comprehensive financial plan, rather than segregating money based on its source or intended use.

Lesson 16 - Financial Goal Setting

Setting SMART Financial Goals

Short-Term Goal (Within 1 year)

Goal:

- Specific:
- Measurable:
- Achievable:
- Relevant:
- Time-bound:

Steps to Achieve Goal:

- 1.
- 2.
- 3.

Medium-Term Goal (1-3 years)

Goal:

- Specific:
- Measurable:
- Achievable:
- Relevant:
- Time-bound:

Steps to Achieve Goal:

- 1.
- 2.
- 3.

Long-Term Goal (3+ years)

Goal:

- Specific:
- Measurable:
- Achievable:
- Relevant:
- Time-bound:

Steps to Achieve Goal:

- 1.
- 2.
- 3.

Reflection:

- Which goal are you most excited about achieving? Why?
- What challenges might you face in reaching your goals?
- How will you track your progress towards your goals?

Conclusion:

Setting SMART goals helps you plan for the future and achieve your dreams! Remember to review your goals regularly and adjust your plans as needed.

Worksheet: Setting SMART Financial Goals - Answer Key (Answers Will Vary)

Short-Term Goal (Within 1 year)

Goal:

- Specific: Save \$100 for a new video game by the end of this school year.
- Measurable: Keep track of saving progress in a piggy bank or jar.
- Achievable: Save \$10 each month from allowance and birthday money.
- Relevant: I love video games and want to buy the latest one.
- Time-bound: Achieve goal by June 30th of this year.

Steps to Achieve Goal:

1. Save \$10 from allowance each month.
2. Ask for extra chores to earn more money.
3. Avoid spending money on other toys or snacks.

Medium-Term Goal (1-3 years)

Goal:

- Specific: Save \$300 for a new bicycle by the end of 3rd grade.
- Measurable: Keep track of saving progress in a savings account or piggy bank.
- Achievable: Save \$25 each month and ask for birthday and holiday money contributions.
- Relevant: I want to ride a bike with my friends and go on adventures.
- Time-bound: Achieve goal by the end of 3rd grade, in three years.

Steps to Achieve Goal:

1. Save \$25 from allowance and any extra money earned.
2. Ask for bicycle contributions instead of other gifts for birthdays and holidays.
3. Look for sales or discounts on bicycles.

Long-Term Goal (3+ years)

Goal:

- Specific: Save \$1,000 for college tuition by the time I graduate from high school.
- Measurable: Keep track of saving progress in a savings account.
- Achievable: Save \$20 each month and start a college savings account with help from parents.
- Relevant: I want to go to college to learn new things and have a good job in the future.
- Time-bound: Achieve goal by high school graduation in eight years.

Steps to Achieve Goal:

1. Save \$20 from allowance and any money earned from part-time jobs.
2. Ask parents to open a college savings account and contribute regularly.
3. Look for scholarships and grants to help pay for college.

Reflection:

- Which goal are you most excited about achieving? Why?
 - Buddy is most excited about achieving the goal of saving for a new video game because he loves playing video games and wants to get the latest one to enjoy with his friends.
- What challenges might you face in reaching your goals?
 - Buddy Junior might face challenges such as temptation to spend money on other toys or snacks instead of saving for his goals.
- How will you track your progress towards your goals?
 - Buddy Junior will track his progress by keeping his savings in a piggy bank or jar and by regularly checking how much he has saved towards each goal.

