

**Essential Question:** How does personal financial decision-making affect the quality of life?

**Credit and Borrowing:** Credit is how much money businesses are willing to give to people, with the understanding that it will be paid back with interest. The most common form of this credit is a credit card. Each credit card has a limit of money set which gives the consumer the ability to buy until the credit limit is reached. Each month if the debt is paid off there are no interest payments which are very convenient. However, if the debt is not paid off then an interest fee is charged to the remaining balance. According to [indexcreditcards.com](http://indexcreditcards.com) the average interest rate for a credit card is 16.89%. (Feel free to use the calculator on the computer)

If you went on a shopping spree and bought \$1,500 worth of goods, but could only pay the credit card company \$300. What would your interest payment be for one month (divide the 16.89% by 12 for one month's interest. Find out how much you own and multiply the interest rate)?

The average credit card debt in North Carolina is \$6,000. What is their average payment for a year (multiply the full finance percent by the \$6,000)?

What are the benefits and problems of Credit Cards?

**Credit may also be used for purchasing larger goods like homes.**

**Companies keep track of your credit history to come up with a credit score.** If people pay their debts on time companies like this give them a high credit score. If people do not pay their debts, or pay them late or carry too much debt their credit score is lowered.

<http://financialplan.about.com/od/creditdebtmanagement/a/importantcredit.htm>

What things does your credit score influence?

House Loans: For a \$200,000 loan a difference of 15 points on your credit score causes the house payment to go up \$14 a month. How much money would this be over the 30 year loan?

Is it important to have a good credit score? Why or why not.

Click on the link below:

<https://8359774241.mortgage-application.net/Calculators/Payment.aspx>

The typical home in Charlotte is around \$250,000. Use the calculator to determine your monthly payment use 3.625% as your interest rate, and 30 years as the loan term. Next change the loan amount to \$200,000 because you paid \$50,000 as a down payment. What is the difference in the monthly payments, and is a down payment important?

Next change the loan term to 15 years, and lower the interest rate to 2.875% (it is lower because the loan is shorter). What are the monthly payments?

Next redo the \$200,000 loans for 30 and 15 years and change the Amortization to yearly. How much interest do you pay for each loan? (don't forget to change the 30 interest rate back to 3.625)

Why do people take these loans if they have to pay so much interest?

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## **Savings and Investing**

Read the article below.

Going beyond the minimum

Having enough in savings to fund a single crisis is extremely helpful, but it may not be enough for safety.

Some common crises may go well beyond the need for \$2000. For example, if the primary breadwinner in your family loses his job and is out of work for a few months, \$2000 wouldn't begin to cover what you'd need in order to get by. What's more, crises often seem to come in bunches; the car breaks down and then you get sick the

very next week. If your savings account is only funded enough to take care of one crisis and you get hit by two in rapid succession, you'll be in trouble.

A better savings goal

How much you really need in your savings account depends on your lifestyle and circumstances. If you're single, have a stable job, and you have parents or other family members who can be counted on to help out in a pinch, you won't need to save as much as someone who is married with several young kids and doesn't have anyone else around for financial support. In the former situation, saving enough to get you through three months without any other sources of income should be enough. If your living situation is more precarious or other people are

depending on you, aim for 6 to 12 months' worth of expenses in your savings account.

Do you agree with this advice why or why not?

Median income in the United States is around \$50,000 per year. At age 25 if you had no money saved guess how much money a year you should save to live well in retirement at age 65?

How much if you had no money at age 40?

After you have typed in your guess go to the link below and find out what they recommend.

<http://cgi.money.cnn.com/tools/saveyoung/index.html?iid=EL>

How were your predictions?

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For the following types of investments find out what their strengths and weakness are. Fill in the chart.

Savings account

[http://www.ehow.com/info\\_8152201\\_weakneses-strengths-savings-account.html](http://www.ehow.com/info_8152201_weakneses-strengths-savings-account.html)

Certificate of deposit

<http://budgeting.thenest.com/weaknesses-strengths-certificate-deposit-20731.html>

Stocks

[http://www.ehow.com/about\\_4795009\\_advantages-disadvantages-common-stocks.html](http://www.ehow.com/about_4795009_advantages-disadvantages-common-stocks.html)

Bonds

<http://library.wallstreetsurvivor.com/2013/04/01/pros-and-cons-of-bonds/>

## Mutual Funds

<http://www.moneycrashers.com/mutual-fund-types-pros-cons/>

Type	Strengths	Weaknesses
Saving Account		
Certificate of Deposit		
Stocks		
Bonds		
Mutual Funds		

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