



Where to Stash Your Cash

LESSON 10: STUDENT ACTIVITY SHEET 1

There are lots of different choices when it comes to saving and investing your money. Understanding your options will help you make more informed decisions. Study the table below to familiarize yourself with different savings and investing strategies.

Strategy	What is it?	What's the risk?	What are the pros?	What are the cons?
Certificate of Deposit (CD)	Savings certificate issued by a bank or credit union	Minimal risk because it is insured by the Federal Deposit Insurance Corporation (FDIC) through a bank and the National Credit Union Share Insurance Fund (NCUSIF) through a credit union	<ul style="list-style-type: none"> - Higher interest rates than a traditional savings account - Not risky - The longer the term, the higher the interest you usually earn 	<ul style="list-style-type: none"> - Must be left in the bank for a fixed amount of time - Steep penalties for withdrawing money early - Minimum balances required
Savings Account	A deposit account that earns interest and is issued by a bank or credit union	Minimal risk because it is FDIC or NCUSIF insured	<ul style="list-style-type: none"> - Not risky - No restrictions on withdrawals - Low or no minimum balances required 	<ul style="list-style-type: none"> - Lowest interest rates - Some banks charge fees for opening and maintaining accounts
Money Market Account	A type of checking and savings account issued by a bank or credit union to hold your money	Minimal risk because it is FDIC or NCUSIF insured	<ul style="list-style-type: none"> - Higher interest rates than a savings account - Can withdraw money (with some restrictions) 	<ul style="list-style-type: none"> - Higher minimum balance required - Some withdrawal restrictions (e.g., limits on number of withdrawals per month) - Subject to fees if balance below certain amount
Retirement Account	An account such as an IRA and 401(k) that helps you set aside money for retirement	Investment choices range from very secure government bonds to higher risk stocks	<ul style="list-style-type: none"> - Tax-deferred growth - Some employers will match contributions - Helps create long-term savings 	<ul style="list-style-type: none"> - Steep penalties for withdrawing money before retirement - Contribution limits

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Money Matters: Know the Lingo

LESSON 1: STUDENT ACTIVITY SHEET 1

Do you ever feel like money terms go right over your head? The reality is that you probably already know and use a lot of financial vocabulary. Read through the terms below and think about how they connect to your life.

Terms to Know

How Does This Relate to Me?

Cost Comparison

Comparing the cost of two or more goods or services in an effort to find the best value.

When have you used cost comparison?

Provide an example: _____

Cost-Benefit Analysis

Analyzing whether the cost of an item is more than, equal to, or less than the benefit that comes from purchasing that item.

- **Cost** - The price paid for a good or service.
- **Benefit** - An outcome that promotes well-being.

When have you used cost-benefit analysis?

Provide an example: _____

Identify something you want to do or purchase: _____

What is the cost? _____

What is the benefit? _____

Calculating Future Expenses

Identifying the cost of meeting future needs and goals.

- **Short-term, medium-term and long-term goals** - Goals to achieve over specific periods of time.

Identify 3 personal goals. Think about what is needed to accomplish each goal.

Short-term goal: _____

Medium-term goal: _____

Long-term goal: _____

Budget

A plan for future spending and saving, weighing estimated income against estimated expenses.

- **Income** - Payment received for goods or services, including employment.
- **Expense** - Cost paid to secure a good or service.

Choose one of your goals from above and estimate its expense. How much income do you estimate will be needed to support your goal?

Goal: _____

Estimated (monetary) expense: _____

Estimated income needed: _____



Budget Busters: Who's Breaking the Bank?

LESSON 9: STUDENT ACTIVITY SHEET 1

Where does all your money go? No matter how much money you earn, a careful budget lets you know exactly what happens to your cash. Below are three different cash flow scenarios over one month. Review the numbers to determine who's breaking the bank and who will meet their goals the soonest.

Scenario 1

Nate is a junior in high school. He works 15 hours a week at the mall, and his net income after taxes is \$600 a month. He lives with his parents, so he doesn't have rent, utility or food expenses. His older brother owns a car and lets him borrow it to drive to work for \$50 each month; otherwise Nate takes the bus. He really wants to buy a car, so he puts any leftover money toward savings. Nate also pays for his cell phone and personal expenses, such as going to the movies, buying video games and purchasing gifts.

Below is Nate's estimated budget and what he actually spent in one month's time. Analyze Nate's spending to determine why he is not on track to save for that new car, and what changes he can make to get on track.

Net Income: \$600/month

	Budget Goals	Actual Budget
Fixed Expenses		
Savings for a Car	\$100	\$0
Cell Phone	\$75	\$100
Car Payment to his Brother	\$50	\$100
Variable Expenses		
Public Transportation	\$50	\$60
Entertainment	\$50	\$65
Personal Shopping	\$50	\$175
Occasional Spending (gifts, repairs, etc.)	\$25	\$100
Total	\$400	\$600

Continued on the next page.



Budget Busters: Who's Breaking the Bank?

LESSON 9: STUDENT ACTIVITY SHEET 1

Scenario 3

Jamal is a senior in high school and works 30 hours per week at a neighborhood coffee shop. His net income after taxes is \$1,500 and he is saving up for college. He owns a car and makes payments toward it each month, but he lives with his parents so he saves on rent, utilities and food costs. He occasionally goes out with friends and buys things for himself, but he tries to hold back on these things so he can save more for college next year.

Below is Jamal's estimated budget and what he actually spent in one month's time. Analyze his spending to see why he is not on track to meet his goal and determine what he can do to get back on track.

Net Income: \$1,500/month

	Budget	Actual
Fixed Expenses		
College Savings	\$870	\$820
Car Payment	\$125	\$125
Car Insurance	\$95	\$95
Cell Phone	\$85	\$85
Variable Expenses		
Gas	\$100	\$105
Entertainment	\$50	\$75
Personal Shopping	\$50	\$95
Occasional Spending (gifts, repairs, etc.)	\$100	\$100
Total	\$1,475	\$1,500



Budgets 101: How to Get It Done

LESSON 9: STUDENT ACTIVITY SHEET 2

You just accepted your first job and you'll be earning a **gross income** of \$30,000/year. You live on your own and are responsible for all expenses, including rent, car, insurance, cell phone, utilities, entertainment, food, savings and miscellaneous expenses. You have to pay 25% of your gross income in taxes.

Calculate Your Take Home Pay:

With a gross income of \$30,000 and a 25% tax deduction, what is your monthly net income? (Remember this is what you get after taxes.) **Use this number to start your budget.**

Categorize Expenses:

Determine if your expenses are fixed or variable, and write them in the appropriate sections of the table below. Remember your expenses include: rent, car, car insurance, cell phone, utilities, entertainment, food, savings and occasional expenses.

Name: _____

Net Income: _____/month

	Cost
Fixed Expenses	
▪	\$
▪	\$
▪	\$
▪	\$
▪	\$
▪	\$
Variable Expenses	
▪	\$
▪	\$
▪	\$
▪	\$
▪	\$
▪	\$
Total	\$



STUDENT TIP

Refer to the chart on the next page for the percentages needed to calculate these numbers.

Continued on the next page.



Budgets 101: How to Get It Done

LESSON 9: STUDENT ACTIVITY SHEET 2

Divide Your Expenses:

Determine the cost for each category and record the prices in your budget. Use the following percentages to divide your monthly net pay:

Rent: 30% of net pay
Utilities: 10% of net pay
Car Insurance: 5% of net pay
Cell Phone: 5% of net pay
Occasional Spending: 10% of net pay
Savings: 10% of net pay
Food: 15% of net pay
Car Loan: 10% of net pay
Entertainment: 5% of net pay



STUDENT TIP

You may have to make some adjustments based on your preferences. For example, if you want more money for entertainment, can you afford to cut back on rent or your car loan? Or, if you want to live in an urban area where rent is higher, can you cut back on another expense to afford it?

Assess Your Budget:

Compare your expenses to your monthly income. Have you spent everything you've earned? Do you have money left over for savings? What expenses could you lower to increase your savings?
