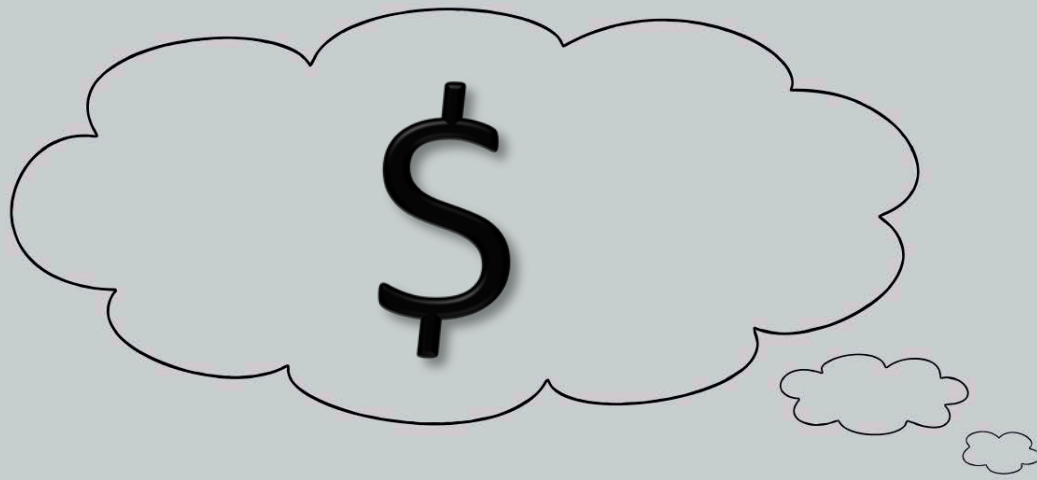


Financial Psychology





Financial Psychology

In this unit you will develop an understanding of how your financial psychology relates to achieving your financial and lifestyle goals. You will explore these concepts by looking in-depth at how your personality, goals, dreams, and emotions can affect your attitude toward money.

The Most Important Thing

Warm-Up Activity

Take a moment to reflect on the following quote:

“Money frees you from doing things you dislike. Since I dislike doing nearly everything, money is handy.” ~*Groucho Marx*

Lesson Activity: Money Motivation

BELIEF STATEMENT: I believe the most important thing money can buy is _____

THE BEN FRANKLIN CLOSE

Reasons For	Reasons Against

The Most Important Thing

Lesson Questions

1. What is the most important factor determining your overall financial success?
 - a. Your current net worth.
 - b. Accumulation of material goods.
 - c. Developing financial skills.
 - d. Freedom from want.
2. Which of the following supports your motivation to acquire money and attain your financial goals?
 - a. Your dreams and personal goals.
 - b. Graduating from school.
 - c. Living without negative emotions.
 - d. Living without stressors.
3. What is motivation?
 - a. The drive to do something.
 - b. Drive to do nothing.
 - c. Lack of energy.
 - d. None of the above.

Essential Questions

What motivates you to get money? _____

Why do these things motivate you to obtain money? _____

How does your motivation affect your desire to earn money? _____

Can your motivation for money affect your wants and needs in life? _____

Money and Emotions

Warm-Up Activity

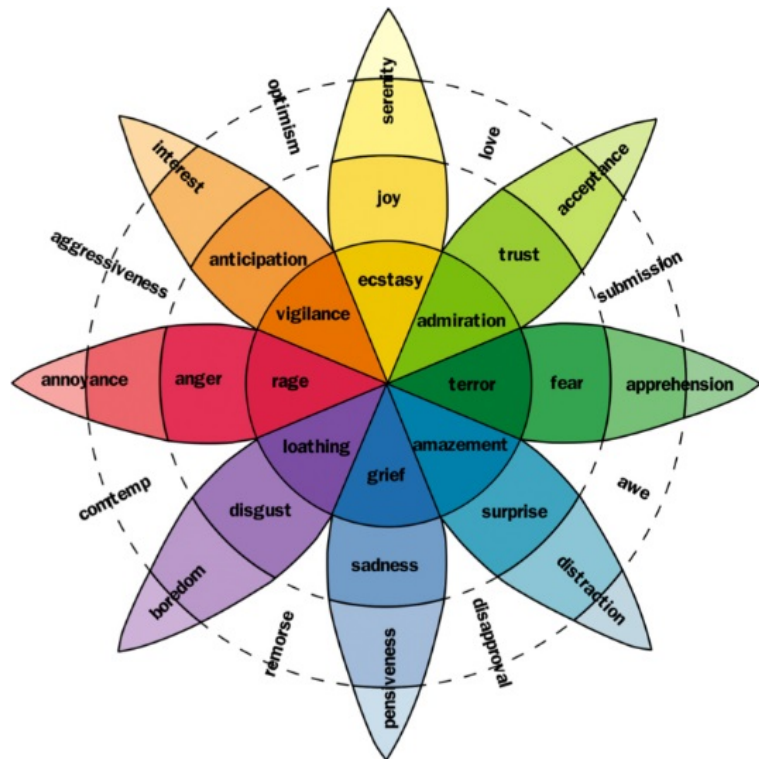
Describe how the following scenario makes you feel:

You are at the mall with your friends. You only have \$10 cash. You want to go to lunch with your friends but the cheapest item on the restaurant menu costs \$15.

Wheel of Emotions

Lots of emotions are involved in making money and financial decisions. According to Robert Plutchik's Wheel of Emotions theory, there are eight basic emotions.

1. Trust → this also includes admiration and acceptance.
2. Fear → the feeling of being afraid, shocked, or scared.
3. Surprise → how you feel when something unexpected happens.
4. Sadness → feeling sad. Other words that describe sadness are sorrow, grief, and depression.
5. Disgust → feeling something is wrong or dirty.
6. Anger → feeling angry or enraged.
7. Anticipation → the sense of looking forward positively to something which is going to happen.
8. Joy → feeling happy, glad.



Money and Emotions

Lesson Activity: How Do You Feel About That?

Follow the instructions provided by your instructor.

In your small group, create a skit/role-play that addresses each of the three scenarios below. Be sure to answer this question in the skit:

How would you feel about each situation?

SCENARIOS

Your girlfriend or boyfriend wants to go out for a nice dinner to celebrate your anniversary.



All your friends are taking a trip to Costa Rica for a week.

A close relative is graduating from college and you want to buy her a great gift to honor her accomplishment.



Lesson Questions

1. Which of the following emotions could influence a person to make an incorrect financial decision?
 - a. Fear
 - b. Joy
 - c. Sadness
 - d. All of the above.
2. How can you avoid having negative feelings about money?
 - a. Delay setting up a savings plan to avoid stress.
 - b. Delay setting up a spending plan to avoid arguments.
 - c. Think about your dreams and hope everything works out.
 - d. Only spend the money you have.
3. Cultural values have little effect on the formation of an individual's lifestyle and financial choices.
 - a. True
 - b. False
4. My personal emotions can be affected by my financial situation.
 - a. True
 - b. False

Essential Questions

How does my financial situation affect my emotions?

How do my emotions affect my financial situation?

Why is it important to know how money and emotions affect each other?

Goals

Warm-Up Activity

What is a goal? _____

What is the difference between goals and dreams? _____

A dream exists only in your head. Think of your dream as a target. Unless you shoot an arrow toward that target, you'll never hit it. Dreams are your ideas of success; goals define the action you must take in order to make dreams real. Goals are expressions of your personal dreams about your ideal future. They are statements of anticipated outcomes you are looking to achieve.

Setting goals and priorities, and then following through with active plans to make them happen, is the essential process for turning dreams into reality. Goals are basically your dreams written down with a solid plan to reach them. The simple act of writing down what you want from life helps keep you focused and in control. How your life pans out is entirely your choice—so write your goals out now, and create a plan to achieve them.

HOW TO SET GOALS TO ACHIEVE YOUR DREAMS

- ☐ Daydream about how you want to live your life and the lifestyle that you picture for yourself.
- ☐ Get these daydreams down in writing — just write. Do not judge.
- ☐ Organize your goals on paper by the date you want to accomplish them.
- ☐ Create a rough plan to accomplish your goals.
- ☐ Review your goals often — every day would be excellent!
- ☐ See it. Believe it. And think about achieving your goals.

You have the ability to get whatever you want in life. Setting goals may sound simple, but that simple action will make a tremendous impact on all areas of your life.

Lesson Activity: I Want It!

I want it!

The best way to get what you want is to set a plan to achieve it.

- What is it that you really want to buy in the next 5-10 years?
- What are you going to do to get there?
- Make your plan today to get started!

I really want ...

I will buy what I want by using the following plan:

- This month I will _____
- Next month I will _____
- Within 6 months I will _____

- This year I will _____

- Next year I will _____

- Two years from now I will _____

- In 5 years I will _____

- In 10 years _____

- In 25 years _____

■ Creating Life and Financial Goals

What's standing between you and your dreams, your future success? **NOTHING** — if you can set goals and make an actionable plan for achieving them!

If you've ever aspired to be comfortably secure or financially independent — even to be a millionaire! — reaching those aspirations requires goal- setting. Just like in sports, you can't score without a goal, right?!

Successful people have written goals. You will achieve a higher percentage of your goals by imagining the successful achievement of those goals. When you write your goals and use mental imagery to focus your thinking, you can actually rewire your brain so the neurons form new connections and make new pathways. This helps you achieve a higher percentage of your goals.

Setting goals for financial planning and life success has many benefits, for example:

- **MOTIVATION.** Goals motivate you. Your life is moving toward some- thing instead of floating to nowhere.
- **SAVING VS. SPENDING.** How much of your monthly paycheck should you save? How much should you spend on shoes and music? Good questions—and without a set goal, you might see your shoe and iPod flourish while your finances suffer.
- **FREEDOM.** Once you've set a goal — believe it or not — you become liberated from constantly worrying and wondering what you're going to do with your life. Plan and set goals when you're young, or else wake up when you're 95 years old and say, "Hey! What happened to my life, my money, and my dreams?"
- **SCORING.** You achieve success by scoring. How can you score if you don't even know where the goal is? Set goals, achieve them, and feel rewarded. Planning ahead makes scoring so much easier.

Goal-setting can improve every area of your life. For a well-balanced life, set goals in each of the following areas:

- Family/Relationships
- Physical Health and Well-being
- Giving Back
- Fun & Toys
- Spiritual Self
- Money/Career
- Personal Growth

■ The S.M.A.R.T. Guidelines

Turning your dreams into reachable objectives takes some thought, but there's a proven technique. Use the **S.M.A.R.T** guidelines:

S – SPECIFIC, SIGNIFICANT

Be **specific**. Describe what you want to accomplish in clear and specific terms. If you can really visualize your goal, it's easier to achieve.

Example: If you're saving money to buy a car, it's much easier to keep to that savings plan when you have the model, color, and features picked out

Significant. Make sure your goals are for what *you* want. Goals should match your personal interests and values.

M– MEASURABLE, MOTIVATIONAL.

Measurable. You must be able to measure your goals; that is, you will know when you get there.

Example: "I will have a net worth of \$2.5 million by my 40th birthday."

Motivational. Your goals should motivate you to move to the next level — and beyond!

A – ATTAINABLE.

Goals must be **attainable**.

Example: Wanting to be President is a tough goal, but possible. Wanting to be Spiderman is a fantasy; you'll never get there.

R – RESULT-ORIENTED, REASONS.

Result-oriented: Phrase your goals in the positive. "I accomplished. I have. I am enjoying." Positive phrases direct your mind to focus on outcomes. When your mind is on board, the rest comes naturally.

Example: I will earn enough money by next January to afford the \$1,000 vacation I've always wanted.

Reasons: Why do you want to accomplish the goal? Deciding on the reasons behind each goal provides inspiration. For instance, if your goal is to be financially-free, some reasons behind that goal might be:

- Spend more time with family or friends.
- Feel more secure about your future.
- Free time to do favorite activities — travel, sports, etc.
- Stand out among friends and associates.
- Be able to afford things you want.
- Ability to help family members and take care of loved ones.

The reasons behind a goal are the fuel that keeps you motivated to accomplish all your hopes, and more!

T – TIME DRIVEN.

Good goals are time-driven. In other words, give yourself a deadline. For your plans to operate smoothly, you need to write down specific dates. You need a sensible time frame in order to work toward a goal and track your progress along the way.

Example: “I have paid of my \$2,300 credit card by Memorial Day, and will be enjoying myself on vacation”

Lesson Activity: Writing S.M.A.R.T. Goals

Remember that your goals must fit together. Goals should be headed in the same direction, not contradictory. For instance, having two goals of “saving up enough money by the end of summer to buy a LED Smart TV” and “taking the summer off to travel” contradict each other—you would only be able to accomplish one or the other. You must decide which is more important to you: TV or travel?

POORLY WRITTEN GOALS	WELL WRITTEN GOALS
<input type="checkbox"/> I want to have more money for vacation.	<input type="checkbox"/> I will have saved \$5,000 by New Years’ Day and will reward myself with a trip to Hawaii with my family.
<input type="checkbox"/> I’ll try to invest more.	<input type="checkbox"/> I will take a class on investing and find a trusted advisor by my birthday this year.
<input type="checkbox"/> I’ll pay my credit cards and hospital bills.	<input type="checkbox"/> By focusing on keeping expenses low, I will pay in full my \$4,200 credit card bill and cleared my hospital bills from my credit by the end of this year.

YOUR SMART GOALS

MAKE IT HAPPEN!

Once you've written down your goals using the S.M.A.R.T. guidelines, follow these steps:

- **Plan of Attack.** Write down each step you need to take toward accomplishing the goal. These step-by-step plans may sound corny, but they work. Reaching goals is like climbing stairs: without steps, how can we ever move up? Build steps in your staircase of life. Suddenly the next level will seem that much closer!
- **Review your goals often.** Write your goals on the back of an index card and tape it to the mirror where you brush your teeth. Put an identical card by your bedside table and another on the dash of your car. Look at your goals daily. Keep them in the forefront of your mind.
- **See it, believe it.** Visualize your goals coming true. The body goes only where the mind has already been. That means you must see, hear, smell, touch, and feel what it will be like to accomplish your goals. Visualization is like daydreaming with a purpose. By imagining yourself already accomplishing your goal, you are well on the road to success.
- **What you think about, you become.** You have the ability to get whatever you want in life. All you need to do is change your thoughts. The law of attraction says you will get whatever you think about, whether wanted or unwanted.

Lesson Question:

1. To set a good goal, you should
 - a. Set a clear timeline for achieving the goal.
 - b. Identify what you are willing to give up in order to attain the goal.
 - c. Both a. and b.
 - d. Neither a. nor b.
2. Goals
 - a. Are just dreams.
 - b. Should only be long-term.
 - c. Should only be short-term.
 - d. Should be specific and achievable.
3. Setting financial goals
 - a. Is not really necessary.
 - b. Is only important if you own a business.
 - c. Is only necessary once per year.
 - d. Is required in order to achieve financial security.

Essential Questions:

How are dreams and goals related?

What do goals have to do with finances?

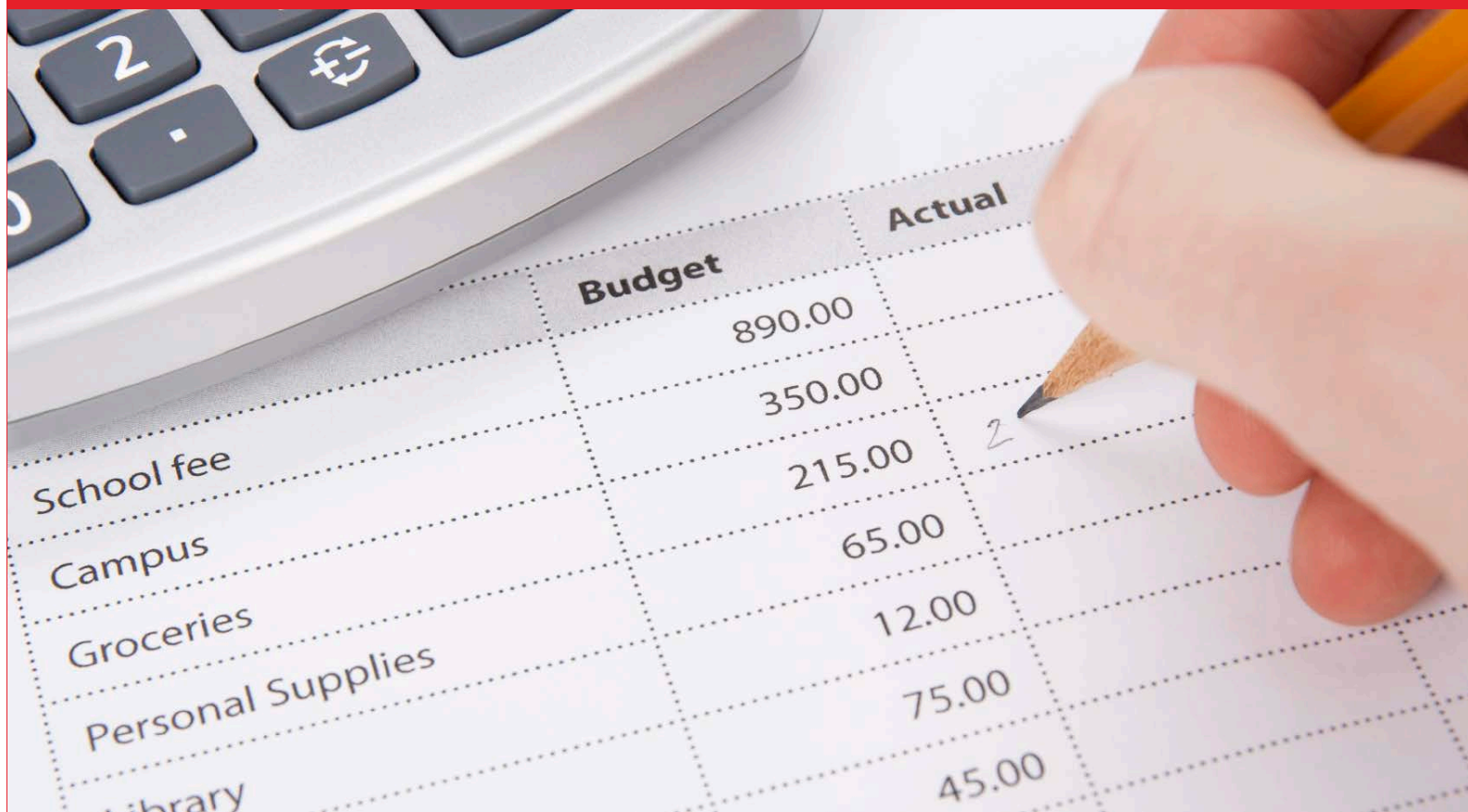
What is the importance of setting goals to reach your dreams?

Accounts, Savings & Budgets



A hand holding a yellow pencil is writing the number '2' in the 'Actual' column of a budget table. The table has two columns: 'Budget' and 'Actual'. The rows list various expenses with their corresponding budget amounts. A calculator is visible in the top left corner of the image.

	Budget	Actual
School fee	890.00	
Campus	350.00	
Groceries	215.00	2
Personal Supplies	65.00	
Library	12.00	
Textbooks	75.00	
	45.00	
	30.00	



Accounts, Savings & Budgets

This unit is designed to help you develop understanding about positive budgeting, savings, and spending habits. Through practical scenarios, you will learn to create monthly budgets and savings plans.

You will also be introduced to the banking process. You will learn how to locate a bank or credit union with which you want to do business, what accounts you should have open, and how to handle those accounts in a professional manner.

Wants vs. Needs

Warm-Up Activity

ITEM	WANT	NEED
Brand new car		
New Xbox player		
Shoes for work		
Groceries		
Shoes for a party next week		
Practical car for work		

We need to understand how our money is spent. The first step is to understand the difference between a “need” and a “want.”

- A **need** is something you must have for survival — something you can’t live without. Food, shelter, and clothing are examples of needs.
- A **want** is something you would like to have — something not absolutely necessary for your survival but that you would enjoy having. Examples of wants include iPods, designer clothes, vacations, Xbox players, or Rolex watches.

Although it may seem trivial, mapping concrete examples of each will help you navigate through your own emotions when making purchasing decisions.

Good money management involves having enough money to cover all your “needs,” while purchasing “wants” only when you have extra money to do so.

Lesson Questions

1. When can a want become a need?
 - a. When it will help you stand out among your peers?
 - b. When it is something you would like to have?
 - c. When it will help you accomplish a financial goal?
 - d. When you find a bargain that will help you purchase an item at a discounted rate?
2. Why is it important to distinguish between wants and needs?
 - a. To purchase those items you want prior to purchasing things you need
 - b. To reduce market risk.
 - c. To calculate your credit balance.
 - d. To help you plan your budget.

Wants vs. Needs

Essential Questions

What is a want?

What is a need?

What are some differences between wants and needs?

Why is it important to recognize differences between wants and needs?

Money Management Styles

Warm-Up Activity

How often do you see other people use cash to make purchases? _____

How often do you use cash? _____

When was the last time you went to a bank? _____

Finance Fundamentals: Financial Means

- Living **beyond** one means is when people spend more money than they have. This means they spend money buying wants rather than needs, and often use credit to attain the items they want.
- Living **within** one's means is when people spend only the amount of money they have. They use credit occasionally, and usually don't have savings accounts because they spend the entire amount of money they have each month.
- Living **beneath** one's means is when people do not spend all their money all the time. They have found the perfect spending balance between purchasing wants v. needs. They have surplus funds and can easily participate in spur-of-the-moment events with their friends.

Lesson Activity: Beyond, Within, & Beneath

Using the graphic, indicate whether the group in each scenario is living beyond, within, or beneath their means.

Money Management Styles

	SCENARIOS	BEYOND	WITHIN	BENEATH
1.	Which group is more likely to buy a large flat-screen plasma TV just in time to watch the Super Bowl, and not have enough money to order pizza during the game?			
2.	Which group is most likely to have a very accurate budget and put money in their savings accounts before they spend money on other things?			
3.	Which group typically has bad credit?			
4.	Which group is most likely to have money set aside for emergencies?			
5.	Which group is most likely to go to restaurants whenever they feel like it, to celebrate a special event or cheer up the family on a bad day?			
6.	Which group is most likely to be able to pay cash to take a flight to the Bahamas on a whim for vacation?			
7.	Which group is more likely to go on a beach vacation they've planned all year?			
8.	Which group is most likely to stick to a list when shopping?			
9.	Which group is most likely to have money set aside for going to a movie or an amusement park?			
10.	Which group is most likely not to have enough money to accompany their friends on a last-minute trip?			

Lesson Activity: New & Old Money Management

Read each scenario below and decide if it describes a “new” or “old” way of handling money.

	SCENARIO	NEW	OLD
1	Spending all your money on wants and not having enough left over for needs.		
2	Setting up a budget that allows you to plan for wants and needs.		
3	Living paycheck to paycheck.		
4	Saving up an emergency fund equal to 3-24 months of your income.		
5	Writing paper checks to pay bills and mailing them in stamped envelopes.		
6	Using the Internet to pay bills online.		
7	Buying what you want when you want it, without regard to price.		
8	Using the Internet to comparison shop, finding the best deal before you buy.		
9	Paying full price at the store.		
10	Using coupons to save a few bucks at the store.		
11	Eating out with friends a few nights a week.		
12	Eating and entertaining at home.		
13	Buying the biggest home for which you can get a loan.		
14	Buying a home that meets your needs.		
15	Buying a new car every few years.		
16	Keeping the car you have for as long as you can.		
17	Eating out at lunchtime every day.		
18	Bringing a bag lunch from home.		
19	Buying new clothes every month.		
20	Finding ways to make clothes you have last a little longer.		

Money Management Styles

Lesson Questions

1. What does it mean to live beneath your means?
 - a. You are able to meet your short-term and long-term financial objectives.
 - b. You spend more than you earn.
 - c. You spend most of what you earn.
 - d. You only spend money on things you need.
2. If you have enough money to pay your bills each month—but not enough to save— it probably means you are _____.
 - a. Wealthy
 - b. Successful
 - c. Living above your means
3. Why do people use a credit card to buy something they are unable to afford now?
 - a. They are poor.
 - b. They may be living above their means.
 - c. They are taking advantage of compounding interest.
 - d. All of the above.
4. People who want immediate gratification often
 - a. Pay cash for all items.
 - b. Buy something they can't afford, using a credit card.
 - c. Decide not to make purchases.
 - d. None of the above.

Essential Questions

What is living within your means?

What does it mean to live beneath your means?

What does it mean to live beyond your means?

Why is it important to know about living within your means?

What is a traditional way of handling money?

Money Management Styles

What is a modern way of handling money?

Which way of handling money do you think will help you enjoy more fun life experiences?

_____Traditional or _____Modern

Why? _____



Let's Learn to Budget

Warm-Up Activity

Why is it important to budget?

How does a budget help you?

Finance Fundamentals: Budgeting Basics

Knowing how to manage money is one of the most important life skills you will ever master. Essentially, proper money management gives you a well-managed, effective life plan.

What is the key to great money management? Just like learning to drive a car, you can learn basic financial strategies that build proficiency. Spending and saving are two of the most important lessons in good money management. Adopting good spending habits and sound saving strategies will guide you toward a balanced, complete life.

A **budget** is simply a plan for how to handle your money, a road map to give you the money you need to live the lifestyle you want. Budgeting has many benefits, including:

- **Control.**
Knowing exactly how much money you have at any given point puts you in the financial driver's seat.

BUDGET TIPS

- ☐ Get your budget down on paper. Use the budget worksheet at the end of this section, access a budget tool online or build an Excel sheet.
- ☐ Write down your specific savings goals and create a step-by-step plan to reach them. Your plan might involve earning more money, cutting your expenses, saving more money, or a variety of other options.
- ☐ Save up and set aside emergency money that is equal to 6 months of your bills.
- ☐ Separate your savings into long-term and short-term funds. You can choose to set up two different savings accounts (be sure to find out if there are added fees) or simply keep track of the money you put away for each purpose.
- ☐ Save money and work your plan.

Let's Learn to Budget

- **Organization.**
Keeping your finances in order is vital and having a financial plan keeps you organized.
- **More Money.**
Working within a budget will leave you with more money every month.
- **Opportunities.**
Sticking with your budget will open up many financial windows of opportunity.

Lesson Activity: Let's Learn to Budget

During this activity, you will play a game to learn about the importance of budgeting. Information is presented on the following five pages to assist you in playing the game.

- Each group will select one its character from the profiles presented in the following pages.
- During the game, you will revise your character's budget and answer the discussion questions for your character.
- The **Let's Learn to Budget Expense Chart** details the dollar amounts associated with each expense adjustment and is located after the character summary pages.
- The objective of the game is to help your character reach his/her stated goal.



	Budget	Actual
School fee	890.00	
Campus	350.00	
Groceries	215.00	2
Personal Supplies	65.00	
Library	12.00	
Textbooks	75.00	
	45.00	
	30.00	

Accounts, Savings & Budget

Character: Anna

Income: \$5,000
Take-home pay: \$3,050
(after federal, state, FICA taxes)

Anna has a well-paying job in sales. She doesn't like her job much, but it pays the bills. She has always loved design and working with animals. She wishes she could be designing marketing material and advertisements for a nonprofit that helps abused animals.

Anna graduated from college with a Bachelor's Degree in Communications. Since high school, she has been volunteering once per month for a nonprofit that helps abused animals. Her resume for her dream job is not the strongest, but it would be good enough to get her an interview. To strengthen her chances of getting the job, she's practicing her interviewing skills with friends and creating marketing material to show potential employers.

She recently interviewed for a position at a job she would love to have, but the pay is too low for her to pay her current bills. Her take-home pay at the potential job would be only \$2,700. Right now her gross income is \$5,000 a month and she brings home \$3,050 after taxes.

Anna's Goal: To find a way to accept her dream job at the lower take-home rate and still meet her expenses. Can you help? Use the following worksheet to calculate new choices for Anna that will allow her to meet her goal.

ANNA'S CURRENT EXPENSES		ANNA'S NEW CHOICES	
\$800	Housing	_____	Housing
\$ 550	Car (incl. gas & insurance)	_____	Car (incl. gas & insurance)
\$ 700	Needs (electric, phone, food)	_____	Needs (electric, phone, food)
\$ 400	Clothes	_____	Clothes
\$ 500	Entertainment	_____	Entertainment
\$ 75	Medical Insurance	_____	Medical Insurance
\$ 200	Toys	_____	Toys
	Credit Card Debt \$3,650 at 22%	_____	Credit Card Debt \$3,650 at 22%
\$65	Minimum monthly payment	_____	Minimum monthly payment
	\$370/mo. to pay off in a year	_____	\$370/mo. to pay off in a year
\$ 150	Student Loan Debt	_____	Student Loan Debt
\$ 150	Travel	_____	Travel
\$200	Friends & family	_____	Friends & family
\$0	Savings	_____	Savings
\$50	Giving back	_____	Giving back
\$3,840	Monthly Expenses	_____	Monthly Expenses
\$2,700	Take-Home Pay	\$2,700	Take-Home Pay
Anna is adding debt of \$790 per month.		New Choices Outcome:	

Let's Learn to Budget

What kind of lifestyle does Anna live? _____

Notes: Recommendations for Anna

Is Anna able to do everything she wants to do? ☐ Yes ☐ No

Does Anna have enough free time to fully experience life? ☐ Yes ☐ No

How would you describe Anna's spending habits? ☐ Frugal ☐ Average ☐ Over-spender

What (if anything) is getting in the way of Anna's enjoyment of fun activities with her friends?

Accounts, Savings & Budget

Character: Kyle

Income: \$2,700
Take-home pay: \$1,625
(after federal, state, FICA taxes)

Kyle just graduated from college and has taken a job as a brand rep. He is into action sports and is working with a start-up clothing company called Ethika. His pay is pretty low but he is able to travel around the country and go to all the surf, skate, motocross, and snow contests. He makes \$2,700 gross and takes home \$1,625 after taxes. The company also pays for his travel and food, covering about 10 days out of each month.

Kyle has built a reputation as a good worker and has developed a good network of people in the industry. He recently received an offer to rep for another company at the same time he works as a rep with Ethika. Kyle has spoken with his boss, who said it was OK as long as it didn't take away time from his current job. The second job would give Kyle additional take-home pay of \$175 per month for only four extra work hours per week.

Kyle's Goal: To have six months or rent, car, needs, medical, and student loan debt in his savings account within one year. These expenses total \$1,225 per month so Kyle needs a total of \$7,350 saved. Currently he has \$5,900 saved. Kyle has met with many people and has asked a successful businessperson from his network to be his mentor. He thinks once he starts his own business, he can be earning \$5,000+ each month within a year. Can you help him meet his goal?

KYLE'S CURRENT EXPENSES

\$400	Housing
\$350	Car (incl. gas & insurance)
\$250	Needs (electric, phone, food)
\$0	Clothes
\$100	Entertainment
\$75	Medical Insurance
\$0	Toys
\$0	Credit Card Debt
\$150	Student Loan Debt
\$0	Travel
\$100	Friends & family
\$122	Savings
\$50	Giving back
\$1,625	Monthly Expenses
\$1,625	Take-Home Pay

Kyle has \$0 money left over but is saving \$122 each month, and has the potential to earn another \$175.

KYLE'S NEW CHOICES

_____	Housing
_____	Car (incl. gas & insurance)
_____	Needs (electric, phone, food)
_____	Clothes
_____	Entertainment
_____	Medical Insurance
_____	Toys
_____	Credit Card Debt \$3,650 at 22%
_____	Minimum monthly payment
_____	\$370/mo. to pay off in a year
_____	Student Loan Debt
_____	Travel
_____	Friends & family
_____	Savings
_____	Giving back
_____	Monthly Expenses
\$1,625	Take-Home Pay

New Choices Outcome:

Let's Learn to Budget

What kind of lifestyle does Kyle live? _____

Notes: Recommendations for Kyle

Is Kyle able to do everything she wants to do? ☐ Yes ☐ No

Does Kyle have enough free time to fully experience life? ☐ Yes ☐ No

How would you describe Kyle's spending habits? ☐ Frugal ☐ Average ☐ Over-spender

What (if anything) is getting in the way of Kyle's enjoyment of fun activities with his friends?

Accounts, Savings & Budget

Character: Carl

Income: \$3,520
Take-home pay: \$2,147
(after federal, state, FICA taxes)

Carl likes to live large. He has a brand-new car, the latest clothes, and rents an expensive apartment. Although he appears wealthy, he has no money in the bank. He has \$12,650 in credit card debt and has to work two jobs just to pay his bills. This month he is late on his car payment, so the credit card company has increased his minimum credit card payment.

People in Carl's life are starting to become upset with him. He never has enough money to take his girlfriend out. When he goes out with friends, he never pays his fair share and they're getting tired of subsidizing him. He's taking a big risk because he has no medical or car insurance. If he gets sick or has an accident, he risks being sued and having money automatically deducted from his paycheck until the judgment is paid.

Carl asked both his employers for a raise, but was denied. He messed up a few times at work because he was worried about his bills, so he cannot be promoted within his company. He works 65 hours a week: at an office mail room during the day and as a security guard at night. His gross pay is \$3,520 per month but after taxes he only brings home \$2,147 (rounded).

Carl's Goal: To pay off all his debt in one year and take a trip with his friends that will cost \$1,000. Can you help?

CARL'S CURRENT EXPENSES

\$1,200	Housing
\$ 750	Car (incl. gas & insurance)
\$ 700	Needs (electric, phone, food)
\$ 400	Clothes
\$ 100	Entertainment
\$ 0	Medical Insurance
\$ 0	Toys
	Credit Card Debt \$12,650 at 22%
\$360	Minimum monthly payment
	\$1,286/mo. to pay off in a year
\$ 0	Student Loan Debt
\$ 0	Travel
\$0	Friends & family
\$0	Savings
\$0	Giving back
\$3,150	Monthly Expenses
\$2,147	Take-Home Pay

Anna is adding debt of \$790 per month.

CARL'S NEW CHOICES

_____	Housing
_____	Car (incl. gas & insurance)
_____	Needs (electric, phone, food)
_____	Clothes
_____	Entertainment
_____	Medical Insurance
_____	Toys
	Credit Card Debt \$3,650 at 22%
_____	Minimum monthly payment
	\$370/mo. to pay off in a year
_____	Student Loan Debt
_____	Travel
_____	Friends & family
_____	Savings
_____	Giving back
_____	Monthly Expenses
\$2,147	Take-Home Pay

New Choices Outcome:

Let's Learn to Budget

What kind of lifestyle does Carl live? _____

Notes: Recommendations for Carl

Is Carl able to do everything he wants to do? ☐ Yes ☐ No

Does Carl have enough free time to fully experience life? ☐ Yes ☐ No

How would you describe Carl's spending habits? ☐ Frugal ☐ Average ☐ Over-spender

What (if anything) is getting in the way of Carl's enjoyment of fun activities with his friends?

Accounts, Savings & Budget

Character: Melanie

Income: \$5,000
Take-home pay: \$3,050
(after federal, state, FICA taxes)

Melanie is a single mom who can't count on money from her ex-husband. She just took a job as a brand representative for a linen company, and works 50 hours per week. She makes \$5,000 gross and takes home \$3,050 after taxes. When she is working outside the office, the company also pays for her food, covering about ten days out of each month.

Melanie has built a reputation as a good worker, and has developed a good network among people in the industry. She has always enjoyed sewing and picks up side jobs from time to time. Her sewing machine is old, and she misses out on jobs because it takes her three times longer to complete projects than it would with a newer machine.

Melanie's Goal: To have six months of rent, car, needs, medical, and student loan debt in her savings account within one year. Currently, she already has \$5,900, and the latest sewing machine will cost her \$2,000. If she invests in the sewing machine, she could earn an extra \$400 per month. She has met with many people and has asked a successful businessperson from her network to be her mentor. She thinks that within a year her sewing business can be earning \$1,000 to \$2,000 more each month. Can you help Melanie meet her goal?

MELANIE'S CURRENT EXPENSES

\$800	Housing
\$550	Car (incl. gas & insurance)
\$700	Needs (electric, phone, food)
\$400	Clothes
\$100	Entertainment
\$75	Medical Insurance
\$200	Toys
\$0	Credit Card Debt
\$150	Student Loan Debt
\$150	Travel
\$200	Friends & family
\$122	Savings
\$50	Giving back
\$3,497	Monthly Expenses
\$3,050	Take-Home Pay

Tonya is adding debt of \$447 per month.

MELANIE'S NEW CHOICES

_____	Housing
_____	Car (incl. gas & insurance)
_____	Needs (electric, phone, food)
_____	Clothes
_____	Entertainment
_____	Medical Insurance
_____	Toys
_____	Credit Card Debt \$3,650 at 22%
_____	Minimum monthly payment
_____	\$370/mo. to pay off in a year
_____	Student Loan Debt
_____	Travel
_____	Friends & family
_____	Savings
_____	Giving back
_____	Monthly Expenses
\$3,050	Take-Home Pay

New Choices Outcome:

Let's Learn to Budget

What kind of lifestyle does Melanie live?

Notes: Recommendations for Melanie

Is Tonya able to do everything she wants to do? ☐ Yes ☐ No

Does Melanie have enough free time to fully experience life? ☐ Yes ☐ No

How would you describe Melanie's spending habits? ☐ Frugal ☐ Average ☐ Over-spender

What (if anything) is getting in the way of Melanie's enjoyment of fun activities with her friends?

Let's Learn to Budget Expense Chart

Directions: Use the chart below to help your characters accomplish their goals.

HOUSING (includes rent, water, and gas/electricity)

- ☐ **\$400**— You get a small bedroom and share a bathroom with two other roommates in an unsafe location.
- ☐ **\$650**— You have a few roommates in a safe location with a small bedroom but your own bathroom.
- ☐ **\$1,200**— You have the master bedroom in a nice, furnished loft at the center of town.

CAR (includes monthly payment, insurance, and gas)

- ☐ **\$300**— Your car looks like a piece of junk, but it's paid for and gets you around.
- ☐ **\$500**— You have a nicer-looking used car that gets good gas mileage.
- ☐ **\$900**— You're turning heads with your ride and your friends always want you to drive.

BASIC NEEDS

- ☐ **\$400**— This covers electric, Internet, cell phone, and really cheap food.
- ☐ **\$800**— This covers electric, Internet, cell phone, basic cable, and healthier food at home. You can eat out a few times a week.
- ☐ **\$1,400**— This covers electric, Internet, cell phone, deluxe cable channels, home phone line, and good healthy food. You can eat out most meals and enjoy nicer meals occasionally.

CLOTHING

- ☐ **\$50**— You pick up a new piece of clothing every other month and have decent clothes for most occasions.
- ☐ **\$175**— You get a complete new outfit every month or two.
- ☐ **\$450**— You get a complete new outfit, with accessories, every month.

ENTERTAINMENT

- ☐ **\$100**— You go out with friends a couple of times a month and try to find free or inexpensive things to do for fun.
- ☐ **\$200**— You usually go out with friends to eat at least once a week while keeping a close eye on your budget.
- ☐ **\$300**— You go out with your friends often and don't monitor your spending too closely.

TOYS

- ☐ **\$100**— You don't buy a lot of new toys but you like to get things you want from time to time.
- ☐ **\$200**— You like your toys but try to limit your purchases to only a few each month.
- ☐ **\$500**— You have to have all the latest gadgets.

TRAVEL

- ☐ **\$100**— You do a little traveling but usually stay in the homes of friends or family.
- ☐ **\$200**— You save up to take one big vacation a year.
- ☐ **\$300**— You and your friends try to do at least one mini-vacation a month and a big vacation every year.

CREDIT CARD MINIMUM PAYMENTS

- ☐ **\$50**— You only use your credit card for emergencies you can't cover with savings.
- ☐ **\$100**— You don't buy anything with your credit card but you used it for a vacation last year.
- ☐ **\$250**— If you want it, you get it.

SAVINGS

- ☐ **\$50**— You save a little here and there.
- ☐ **\$150**— You save regularly each month.
- ☐ **\$250**— You keep your emergency fund high and also save for big purchases.

GIVING BACK

- ☐ **\$50**— You give small amounts when the opportunity presents itself.
- ☐ **\$100**— You give a little each month to charity.
- ☐ **\$200**— You believe it is very important to pay it forward. You have a few charities to which you give regularly.

Let's Learn to Budget

TRACK YOUR SPENDING

Each of us has a limited amount of money available to spend. Being able to manage spending is critical to achieving financial success. More importantly, when you spend wisely you have more money available to save and invest. That means a brighter and richer future for you, your family, and your friends.

- **Tracking Fixed Expenses.** The first step to developing a budget is to account for all your fixed expenses. Fixed expenses are the bills toward which you pay the same amount each month, like rent, car payment, and insurance. Write down your fixed monthly bills. Better yet, create an Excel spreadsheet and enter them there.

Next, account for the fixed expenses you pay annually: car registration, gym membership dues, or anything else you pay each year. Enter these expenses into your budget by taking the annual payment and dividing it by 12. For example, if your gym dues are \$240 each year, your monthly payment is \$20.

- **Tracking Variable Expenses.** Most of us have cash that vanishes each month into unknown voids, like stops for coffee or a burger. To really get a handle on spending, write down every dollar you spend—every latté, every burger, every bus or taxi fare—everything. Keeping a “money diary” helps you understand where your money really goes.

There are several ways to track spending: save receipts, carry a small notebook, or tap into the variety of cell phone apps available. Another easy way to track day-to-day spending is by only using cash. Take out a fixed amount of cash each week, and limit yourself to that amount for your daily purchases. After a month, you'll have a good idea how much money you're spending.

If you're like most people, over time you'll identify areas where you tend to overspend, and possibly other areas where you want to spend more. You may be able to pinpoint those times when you have no idea where your money went.

Once you become aware how you spend your money, you can start building a workable budget.

CREATING YOUR BUDGET

Budgeting is simple. From your income:

- Set money aside into savings accounts and investments first.
- Pay your necessary expenses (needs).
- Leftover money is yours to spend as you wish (wants).

SAVING

The goal of creating a budget is to save money for the things you want now, while making sure you have enough for later. Saving money is the cornerstone of a financially secure lifestyle. Setting aside money each month builds a foundation for establishing future wealth while still leaving you able to enjoy time with your friends now. Putting away your hard-earned dollars will free you from the emotional stresses of everyday bills.

Maybe you want a computer or new clothes. Well, saving allows you to purchase the luxuries you want. The best part is that you can afford it!

Life is about experiences. By saving money for the things you like to do, you'll be able to partake in more activities and holidays, and invest in those things you dream of having.

SEPARATE YOUR SAVINGS

Having real goals in mind makes the choice to save—rather than spending—much easier. Try saving money according to what you want to do with it. Divide and allocate your savings into three specific categories: emergency fund, fun fund, and long-term savings.

Emergency Fund. Your emergency fund is your first priority. Emergency funds should equal six months of your living expenses. That is, if your bills are \$500 per month, you need to save \$3,000 for emergency purposes. Unexpected problems may arise, and your emergency savings fund helps reduce your worry. For example, say your car breaks down and needs expensive repairs. If you have no money saved, how will you get to work? Take the bus? Walk? Bum rides from friends? If you have an emergency savings fund, you'll get back in the driver's seat with little or no stress or panic.

If saving six months of living expenses sounds too difficult, here are two ways to save more:

- Earn more money
- Cut down expenses

Easier said than done, right? But that's really as straight forward as the answer gets. Cutting down is something that can be done immediately and should be addressed first. Increasing income may take a bit more time and resources than cutting expenses, but the combination of the two really create a power-house opportunity to achieve financial security.

Let's Learn to Budget

- **Short-term Savings.** Your short-term savings is important because life is about experiences. Short-term savings are the funds you use for fun things you enjoy doing. How you define “fun” is up to you, but setting aside money for fun is important. You only live once! Determine how much you must save each month to pay for the things you love to do.
- **Long-term Savings.** The long-term savings account is where you hold the money for future investments. This account is the backbone of your financial future. Deposit money into this account every month. Get in the habit of paying yourself first. In other words, before you pay your bills, buy new shoes, or purchase music, first make sure to set aside money in long-term savings. This is the money secret that will give you financial security at a young age.

HOW MUCH SHOULD YOU SAVE?

Set a goal to save 15% of your income for long-term savings and 15% for your fun savings. That means if you make \$1,000 per month, you save \$150 for long-term and \$150 for fun. This goal may sound challenging, but it becomes easier over time. Consider these examples:

- Invest \$100 each month starting at age 18
and you may reach millionaire status at age 56.
- Invest \$400 each month starting at age 18
and you may reach millionaire status at age 45.
- Invest \$700 each month starting at age 18
and you may reach millionaire status at age 40.

Money grows like we've shown in the above examples due to a principle called *compounding interest*. Be aware that the sooner you start to save money, the faster your money will grow.

You may find it hard to save \$100 a month right now. But if you begin controlling your expenses and learning ways to earn more money, your savings plan can easily become a reality.

Saving is the key to calling your own shots. By setting up and following your budget, you'll see your savings grow over time. Start your savings plan now and reap the benefits every day of your life.

Lesson Activity: Budget Chart

Now you will use what you learned to complete your own current budgets in class. Follow the instructor's directions to complete the activity.

You may not know all of the exact numbers, so make your educated best-guess for now and complete the activity by entering the exact numbers when you get home.

Remember: creating a budget is a cumulative and gradual process. You may need to revise your budget several times before you develop one that is final and sustainable.

The revision process is critical.

It is highly recommended as well as convenient to create this ever-evolving budget in Excel. If you're not familiar with a blank Excel sheet, there are many templates online for every kind of budget you can imagine.

To that point, maybe basic Excel could be a quick skill you can pick up over the next few weekends and leverage your new skills as services on online freelancer sites!



Let's Learn to Budget

Budget Chart – IN COLLEGE

Money Coming In		
Employment Income	Current	Goal
Employment Income		
Federal Income Tax	-	
State & Local Tax	-	
Social Security/Medicare	-	
Tips		
Net Income		

Other Income		
Parents		
Grants		
Scholarships		
Other		
Income from Loans		
Total		

Total Income		
---------------------	--	--

Money for Savings		
Emergency Fund		
Retirement Plans		
Investments		
Short Term 'Fun' Savings		
Charities		
Total		

Total Income		
Total All Expenses		
Total Savings		
Money Left Over		

Annual Loan Debt		
Loan Debt at Graduation		

Expenses		
Living Expense	Current	Goal
Rent / Residence Hall		
Renter Insurance		
Utilities (elec, gas, water)		
Cable/Satellite		
Internet		
Phone		
Other		
Total		

School Expense		
Tuition & Fees		
Books & Supplies		
Total		

Travel Expenses		
Transportation/Car pymt		
Insurance		
Registration		
Gas		
Maintenance		
Parking Pass		
Total	0	

Variable Expenses		
Groceries / Meal plan		
Clothes		
Personal Items		
Credit Card Payments		
Entertainment		
Eating Out		
Other		
Total	0	

Total All Expenses		
---------------------------	--	--

Budget Chart - STANDARD

Money Coming In		
Employment Income	Current	Goal
Employment Income		
Federal Income Tax	-	
State & Local Tax	-	
Social Security/Medicare	-	
Tips		
Net Income		

Other Income		
Rental Properties		
Stock Market		
Entrepreneurial Endeavors		
Interest Income		
Other		
Total		

Total Income		
---------------------	--	--

Money for Savings		
Emergency Fund		
Retirement Plans		
Investments		
Short Term 'Fun' Savings		
Charities		
Total		

Total Income		
Total All Expenses		
Total Savings		
Money Left Over		

Expenses		
Living Expense	Current	Goal
Rent / Mortgage		
Taxes / Insurance		
Utilities: Electric /Gas		
Utilities: Water / Garbage		
Cable/Satellite		
Internet		
Phone		
Other		
Total		

Travel Expenses		
Car payment		
Insurance		
Registration		
Gas		
Maintenance		
Other		
Total	0	

Other Expenses		
Student Loan Debt		
Credit Card Debt		
Groceries		
Clothes		
Personal Items		
Entertainment		
Eating Out		
Other		
Total	0	

Total All Expenses		
---------------------------	--	--

Let's Learn to Budget

Lesson Questions

1. If you are wealthy you will ...
 - a. Not be involved in your own personal financial choices.
 - b. Probably make some poor financial choices but continue to work toward your financial goals.
 - c. Make the best choices on which you close network agrees.
 - d. Not need to continue your financial education.
2. Which of the following is the best example of a “variable” expense?
 - a. Rent.
 - b. Gym membership.
 - c. Utility bills based on usage.
 - d. Car payment.
3. The elements of a budget include:
 - a. Planned expenses.
 - b. Planned income.
 - c. An evaluation of the difference between one’s income and one’s expenses.
 - d. All of the above.

Essential Questions

What is a budget?

Why are budgets important?

How do you maintain a working budget?

Can I Afford That? Vehicles

Warm-Up Activity

You have \$400 total to spend on a car each month. You need a car right away because your car broke down and you need to purchase one now. You go to a car lot and see cars you like. Which one(s) fit your budget?

- a. The car that costs \$250 per month?
- b. The car that costs \$350 per month?
- c. The car that costs \$500 per month?

Lesson Activity: Vehicle Considerations

What are the additional car-related expenses you should expect to incur?

How much money will you need to purchase a \$20,000 car “no down payment?”

- | | |
|----------|-------------|
| a. \$0 | c. \$1,500 |
| b. \$750 | d. \$2,500+ |

Can I Afford That? Vehicles

Use the information provided in the two tables below to consider the differences between having no clear plan and having a carefully thought-out plan to prepare for buying a vehicle.

**TABLE I
NO CLEAR PLAN**

- ☐ You see an advertisement and decide to go buy a new car from the dealership.
- ☐ You check out a few cars on the lot, find one you like, and decide to purchase it.
- ☐ You have some marks on your credit which takes your interest rate from 5% all the way up to 12%, increasing your payment by \$150 per month.
- ☐ You decide to buy it anyway, and drive off happy.
- ☐ A month later, you realize you can't afford the car you bought — and you're surprised about the insurance cost.
- ☐ A year later, you are shocked by the cost to register the car, and you don't have the money saved.
- ☐ You decide to sell the car but are "upside down" (meaning you owe more on the loan than the car's current value).
- ☐ The dealer gives you a deal you can't pass up, sells you a new car, and waives the upside-down portion of your loan.
- ☐ The cycle continues.

**TABLE II
CAREFULLY THOUGHT-OUT PLAN**

- ☐ This month: You get an idea about how much you need by looking at vehicles you may want and finding out how much you'll need for a down payment.
- ☐ Next month: You create a savings plan to set aside money each month.
- ☐ In the next three months: You start building your credit so you can qualify to buy the vehicle.
- ☐ This year: You find out how much insurance and registration may cost per month. Complete a preliminary budget. Always **BBB — Budget Before Buying!**
- ☐ Six months prior to purchase: You pre-qualify for a loan.
- ☐ Five months prior: You research the vehicle; look at *Consumer Report* articles; talk to friends with car expertise; and talk to your mechanic.
- ☐ Three months prior: You reevaluate your decision to buy the vehicle, to make sure it aligns with your goals. If it does, you begin searching for a vehicle by shopping at several dealerships and deciding on features.
- ☐ One month prior: You enter into a longer-term negotiation strategy.
- ☐ Purchase date: You do not get *upsold* for any other items. You ensure that you're within budget and that all your goals are met with this purchase.

Lesson Activity: Purchasing a Car

Follow the instructions given by your instructor.

Make sure you look at the information of each vehicle as well as your assigned budget to make informed decisions.

Electric / hybrids cars require no gas. You can use the monthly funds allocated to gas for your monthly payment or save that extra money!

GROUP 1	GROUP 2
<input type="checkbox"/> Monthly Payment: \$2,300	<input type="checkbox"/> Monthly Payment: \$400
<input type="checkbox"/> Est. Gas Cost: \$200	<input type="checkbox"/> Est. Gas Cost: \$600
<input type="checkbox"/> Affordable Down: \$12,000	<input type="checkbox"/> Affordable Down: \$6,000
<input type="checkbox"/> Extra Savings for Down: \$8,000	<input type="checkbox"/> Extra Savings for Down: \$2,000
GROUP 3	GROUP 4
<input type="checkbox"/> Monthly Payment: \$500	<input type="checkbox"/> Monthly Payment: \$250
<input type="checkbox"/> Est. Gas Cost: \$120	<input type="checkbox"/> Est. Gas Cost: \$120
<input type="checkbox"/> Affordable Down: \$3,000	<input type="checkbox"/> Affordable Down: \$4,000
<input type="checkbox"/> Extra Savings for Down: \$2,000	<input type="checkbox"/> Extra Savings for Down: \$0

Can I Afford That? Vehicles

New Tesla Model S

\$106,000 and \$10,600 down.
Monthly Payment \$2,380
ELECTRIC



Registration fee \$980 per year
Tax \$8,200 one time

____ Initial here to choose this car.

New Chevy Volt

\$42,000 and \$4,200 down.
Monthly Payment \$920
ELECTRIC



Registration fee \$570 per year
Tax \$3,700 one time

____ Initial here to choose this car.

Total Monthly Expense:

Total Down Payment:

Used 2009 BMW 5 Series

17,700 miles in good shape
\$72,000 and \$14,400 down.
Monthly Payment \$1,500



Registration fee \$890 per year
Tax \$6,300 one time

____ Initial here to choose this car.

Used Smart Car Coupe

100,000 miles in good shape
\$19,500 and \$3,900 down.
Monthly Payment \$440



Registration fee \$310 per year
Tax \$1,700 one time

____ Initial here to choose this car.

New Toyota Camry

\$21,000 and \$2,100 down.
Monthly Payment \$50



Registration fee \$325 per year
Tax \$1,800 one time

____ Initial here to choose this car.

Used 1989 Honda Civic

100,000 miles in fair shape
\$1,400 and must pay full amount
Payment \$0
Add \$50 per month - maintenance



Registration fee \$80 per year
Tax \$120 one time

____ Initial here to choose this car.

Used Scion xB

12,000 miles in good shape
\$7,900 and \$2,400 down. Monthly
Payment \$150
Add \$30 per month-maintenance



Registration fee \$980 per year
Tax \$820 one time

____ Initial here to choose this car.

Initial the phrase that
describes you:

____ I'm green. I ride my bike,
walk or take public transportation.

____ I live close to work, combine
my trips and don't drive much.

____ I live close to work but take
a lot of weekend driving trips.

____ I drive every day of the week
and take weekend driving trips

TIPS: CAR BUYING

- Budget first. Before you ever set foot onto a car lot, know how much you can afford. Be sure to consider not just the loan payment, but also the hidden costs: registration, insurance, maintenance, and gas.
- Consider the features you need in a car, and find a car that best fits your personal needs.
- Once you decide on a make and model, do your research. Get the **Kelley Blue Book** value to find out the dealer's cost you can expect to pay for your chosen vehicle. The difference between the Kelly Blue book price and the dealer's price is a rough estimate of the money the dealer will make on the sale. It is okay if they make some money; they are running a business that provides you a service. Just make sure it's reasonable.
- Buy used. New cars lose between 20-30% of their value the minute you drive off the lot. On a \$20,000 new car, that's like throwing away \$6,000.
- Buy fuel-efficient cars. Not only is this choice good for the environment, you may save money as fuel prices increase.
- Car financing is important. Check out auto loans with your bank before going to the car lot. Get pre-qualified for a 3-year (or shorter) loan, and look for cars that fit your budget based on what the bank is willing to lend.
- Ask about the vehicle's past history and the dealer's warranties. Have the car inspected by a mechanic independent of the dealership.
- Negotiate. Whether you're purchasing from a private party or a dealer, work toward lowering the cost or adding other benefits.
- Get insurance immediately after purchasing the car. Some dealerships have insurance policies that are extended over the car for a short period of time after the sale. This gives you a few days to engage your own insurance over the vehicle. Be sure to ask; DO NOT assume this to automatically be the case

Can I Afford That? Vehicles

Lesson Questions

1. Which of the following is an example of a cost that is not associated with a car loan payment?
 - a. Principal
 - b. Interest
 - c. Registration
 - d. None of the above
2. If someone says you have been “upsold,” what does that mean?
 - a. You have purchased exactly what you intended to purchase.
 - b. You have purchased less than you intended to purchase.
 - c. You have not been advised as to the available extras.
 - d. You have purchased more than you intended to purchase.

Essential Question

What are all the costs associated with purchasing and owning a car?

Can I Afford That? Renting

Warm-Up Activity

What are five possible hidden costs that you will incur from renting?

For many (probably most) people, renting an apartment or house is the biggest expense in their budgets. Entering into a rental agreement has many financial consequences. One important lesson to learn is that the basic rental figure is not the only cost involved in renting a place to live.

The term *hidden costs* simply means any expense not normally included in the rental or purchase price of an item. When you rent an apartment, there are several expenses—hidden costs in addition to the rent itself—that you must include in your personal budget. For example:

- a. Electricity
- b. Gas
- c. Water, sewer, trash removal
- d. Cable TV and Internet
- e. Repairs
- f. Renter's insurance
- g. Furniture/appliances

Another important lesson to grasp is the fact that how you handle your rental agreement will follow you throughout your life; it becomes part of your credit history. Be sure to maintain an excellent rental and credit history by paying your rent in full and on time. Maintaining your rental agreement responsibly helps ensure that you can live where you want to live, and qualify for the lowest rental rates.

Adopt the BBB Philosophy: BUDGET BEFORE BUYING!

You should always enter the rent or purchase price of an item — and all its associated costs — into your personal budget before you make your decision.

Can I Afford That? Renting

Lesson Activity: Would You Rent to Me?

LANDLORD INFORMATION

- ☐ Mortgage paid by landlord per unit: \$1,100
- ☐ Required Income: 2.5 times the mortgage per unit
- ☐ Median required credit score/history: 650—Fair
(Some lower scores are accepted with a high deposit and good rental history.)
- ☐ Pet Deposit: cats/small dogs \$350
(Some will consider large pets, depending on credit and rental history.)
- ☐ Criminal background requirements: Clean record
(Any misdemeanors must be at least 7 years prior— NO FELONIES.)
- ☐ Rental history: Majority of prior landlords must recommend. NO EVICTIONS.

RENTER 1

- ☐ Income \$2,500
- ☐ Credit score/history 550—Poor
- ☐ Criminal background.....NONE
- ☐ PetsNONE
- ☐ Rental history1 out of 3 prior landlords recommend.
- ☐ Available Funds: \$5000

RENTER 3

- ☐ Income \$3,000
- ☐ Credit score/history 600—Fair
- ☐ Criminal background.....NONE
- ☐ PetsNONE
- ☐ Rental history3 out of 4 prior landlords recommend.
- ☐ Available Funds: \$2000

RENTER 2

- ☐ Income \$3,500
- ☐ Credit score/history 750—Good
- ☐ Criminal background.....NONE
- ☐ PetsLarge dog
- ☐ Rental history3 out of 3 prior landlords recommend.
- ☐ Available Funds: \$1000

RENTER 4

- ☐ Income \$3,200
- ☐ Credit score/history 650—Fair
- ☐ Criminal background.Misdemeanor (7 years ago)
- ☐ PetsNONE
- ☐ Rental history2 out of 4 prior landlords recommend.
- ☐ Available Funds: \$2000

Residential Rental Application

Application Date		Application Number or ID		Equal Housing Opportunity	
APPLICANT INFORMATION					
First Name		Last Name		Middle	SS#
Current Address				City	State and Zip
Date of Birth	Occupation – Full or Part Time		Yearly Income	Home Phone	Cell Phone
Employer			Employer Address		
How Long on Job	Employer Contact Number		In Case of Emergency Notify		
Current Landlord	Landlord Phone	Years with Landlord		Lease Expiration Date	
Current Rent	Auto Lic Plate	Pets? If Yes, What Kind		How Many and Size	
APPLICANT'S BANK REFERENCES					
Checking					
Savings					
Credit Cards/Other					
CO-APPLICANT'S BANK REFERENCES					
Checking					
Savings					
Credit Cards/Other					

Can I Afford That? Renting

CO-APPLICANT INFORMATION					
Legal Name of Applicant-First	Last			Middle	SS#
Current Address				City	State and Zip
Date of Birth	Occupation – Full or Part Time		Yearly Income	Home Phone	Cell Phone
Employer			Employer Address		
How Long on Job	Employer Contact Number		In Case of Emergency Notify		
Current Landlord	Landlord Phone	Years with Landlord		Lease Expiration Date	
Current Rent	Auto Lic Plate	Pets? If Yes, What Kind		How Many and Size	
APPLICANT'S REFERENCES (Other than Relatives)					
Name	Address			Phone	
1.					
2.					
CO-APPLICANT'S REFERENCES (Other than Relatives)					
Name	Address			Phone	
1.					
2.					
YOUR CREDIT HISTORY					
Have you declared bankruptcy in the past seven (7) years?			Yes _____	Bi _____	
Have you ever been evicted from a rental residence?			Yes _____	Bi _____	
Have you had two or more late rental payments in the past year?			Yes _____	Bi _____	
ADDITIONAL INFORMATION: Please give us any additional information that might help the owner/management to evaluate your applications.					
<p>NOTICES:</p> <p>I/We hereby warrant that all representations set forth above are true. To verify the above statements, I/we direct those persons named in this application to ask questions about me/us. I/we waive all rights of actions for consequences as a result of such information. I/we agree and authorize and give permission to the management company, owner or servicing company to perform a credit check on me/us. I/We agree to pay \$_____ for the credit check as permitted by state law.</p>					
APPLICANT: PLEASE DO NOT WRITE BELOW (FOR OFFICE USE ONLY)					
Credit Fee \$: _____		Date: _____		Security Deposit \$: _____ Date: _____	
Credit Report Requested Date: _____		Review Date: _____		by _____ +++ _____ Approved Y _____	
OFFICE NOTES:					
<p>If the application is not approved or accepted by the owner or agent, the deposit will be refunded, the application hereby waiving any claim for damages by reason of non-acceptance which the owner or agent may reject. I recognize that as a part of your procedure for processing my application, an investigative consumer report may be prepared whereby information is obtained through personal interviews with others with whom I may be acquainted. This inquiry includes information as to my character, general reputation, personal characteristics and mode of living, as permitted by state law.</p>					
Name of Applicant _____			Date: _____		

TIPS: FINDING A PLACE TO RENT

Budget first. Before you go out looking for a rental property, be sure you know what you can afford. Fill out the budget worksheet to make sure you're covered. Remember that most places require a security deposit, plus first and last months' rent before you can move in.

Determine whether you're "rent-ready." Is your credit good? Do you have enough cash? Do you have a good rental history? If not, improve these areas before you start looking for a new place to live.

HOUSING BUDGET

Electricity	\$ _____
Gas (Heat)	\$ _____
Water, sewer, trash	\$ _____
Cable TV and Internet	\$ _____
Renter's insurance	\$ _____
Furniture and appliances	\$ _____
Parking	\$ _____
Rent in your area	\$ _____

Research the location where you want to move and visit it several times before making a commitment. Visit the area both by day and at night—some areas look safe during the day but not so much at night. Find out what you're getting into before you unload that moving truck.

Determine the features you need in your rental. Parking, laundry facilities, and number of bedrooms and bathrooms are important things to consider.

Locate some options. Talk with friends, search online, read newspaper classifieds, visit craigslist, drive through the area and look for signs—all these are common ways to find a property.

Develop and practice your contact etiquette. First impressions do count! Be professional, friendly, and courteous. Fill out the application completely in clear, easy-to-read writing.

Inspect the property closely and take pictures of items that may need repair, make copies and share them with the landlord. This step will help protect you from being charged for damages later that may have been there before you moved in.

Know what you're signing. Legal documents can be difficult to understand, so take plenty of time to read the lease carefully and highlight important areas. Understanding contracts is a necessary life skill; use this opportunity to get some practice.

If you are a qualified candidate and have acted professionally throughout your rental history, use that leverage to negotiate. Saving just \$50 a month is \$600 a year in your bank account!

Can I Afford That? Renting

Lesson Activity: My Readiness to Rent

	MY READINESS TO RENT	YES	NO
1	Do I know the essential features (e.g., size, location, etc.) that I need in my accommodations?		
2	Do I have enough money for the first and last months' rent, plus a deposit?		
3	Do I have basic furniture, bedding, and household equipment?		
4	Can I pay the rent without being late for a single payment?		
5	Do I have references and proof of income?		
6	Can I deal calmly and clearly with landlords/real estate agents?		
7	Do I understand the basic rights and responsibilities of being a tenant?		
8	Can I fill in a condition report accurately and fully?		
9	Can I keep good records of tenancy matters, including copies of all documents and records of all phone and other contacts made with agents/landlords?		
10	Can I manage household tasks such as cleaning, cooking and budgeting?		
11	Can I get along with neighbors?		
12	Do I know where to get assistance if I have a problem with my landlord/agent?		

Lesson Activity: Lease Agreement

Review the **Landlord-Tenant Law** and **Residential Lease Agreement** located on the pages following the questions below. Then answer the following questions.

1. What does the "covenant of quiet enjoyment" ensure for a tenant?

2. According to the lease agreement, how long may a tenant's guest stay in the rental without prior written consent from the landlord?
 - a. One week
 - b. Two weeks
 - c. One month
 - d. Three months
3. Who is allowed to smoke in the property?
 - a. Tenants and tenants' guests/visitors
 - b. Tenants only
 - c. Guests only
 - d. No one
4. According to the provisions of the lease agreement, it is fine for the tenant to run a small home business out of the property.
 - a. True
 - b. False
5. How much will the tenant pay if his/her rent check is late? _____

6. Who is responsible to pay for liability insurance covering the property?
 - a. The tenant
 - b. The landlord
 - c. The city
 - d. The state
7. Which of the following represent repairs for which the landlord may charge the tenant at the end of tenancy? (Mark all that apply.)
 - a. Rain or water damage caused by the tenant leaving windows open.
 - b. Large holes in the walls where the tenant hung pictures.
 - c. Unclogging the kitchen drain.
 - d. Replacing the carbon monoxide alarms.
 - e. Rewiring the electrical system.
 - f. Replacing a torn screen door.
8. The tenant may not use the security deposit as a substitute for paying rent.
 - a. True
 - b. False

Can I Afford That? Renting

9. Who is responsible to pay the electric and gas bills for the property during the tenancy?
 - a. The tenant
 - b. The landlord
 - c. The city
 - d. The state
10. How much notice must the landlord give the tenant if the landlord decides to revoke prior consent for the tenant to have a pet dog on the property?
 - a. 7 days
 - b. 21 days
 - c. 30 days
 - d. 60 days

LANDLORD TENANT LAW

Landlord-tenant law governs the rental of commercial and residential property. It is composed primarily of state statutory and common law. A number of states have based their statutory law on either the Uniform Residential Landlord and Tenant Act (URLTA)

(<http://www.law.cornell.edu/uniform/vol7#lndtn>) or the Model Residential Landlord-Tenant Code (<http://www.law.cornell.edu/uscode/text/42/3604>). Federal statutory law may be a factor in times of national/regional emergencies and in preventing forms of discrimination.

The basis of the legal relationship between a landlord and tenant is grounded in both contract and property law. The tenant has a property interest in the land (historically, a non-freehold estate) for a given period of time. *See State Property Statutes*

(http://www.law.cornell.edu/wex/state_statutes3#property). The length of the tenancy may be for a given period of time, for an indefinite period of time (e.g. renewable/cancelable on a month-to-month basis), terminable at any time by either party (at will), or at sufferance if the agreement has been terminated and the tenant refuses to leave (holds over). See Restatement of the Law 2d Property: Landlord and Tenant §§1.4-1.8 (http://www.ali.org/index.cfm?fuseaction=publications.ppage&node_id=40). If the tenancy is for years or is periodic, the tenant has the right to possess the land, to restrict others (including the landlord) from entering upon it, and to sublease or assign the property. The landlord-tenant agreement may eliminate or limit these rights. The landlord-tenant agreement is normally embodied in a lease. The lease, though not historically or strictly considered a contract, may be subject to concepts embodied in contract law. See Contracts; § 1.103 of the URLTA (<http://uniformlaws.org/ActSummary.aspx?title=Residential+Landlord+and+Tenant+Act>).

The landlord-tenant relationship is founded on duties proscribed by either statutory law, common law, or the individual lease. What provisions may be contained in a lease is normally regulated by statutory law. See §1.403 of the URLTA

(<http://www.uniformlaws.org/shared/docs/residential%20landlord%20and%20tenant/urlta%201974.pdf>). Basic to all leases is the implied covenant of quiet enjoyment. This covenant assures the tenant that his possession will not be disturbed by someone with a superior legal title to the land, including the landlord. See Restatement 2d §4.1-4.3 (http://www.ali.org/index.cfm?fuseaction=publications.ppage&node_id=40). A breach of the covenant of quiet enjoyment may be actual or constructive. A constructive eviction occurs when the landlord causes the premises to become uninhabitable.

Housing codes were established to ensure that residential rental units were habitable at the time of rental and during the tenancy. Depending on the state, housing code violations may lead to administrative action or to the tenant being allowed to withhold rent. The habitability of a residential rental unit is also ensured by warranties of habitability which are prescribed by common and/or statutory law. See §2.104 of the URLTA (<http://www.uniformlaws.org/shared/docs/residential%20landlord%20and%20tenant/urlta%201974.pdf>). A breach of the warranty of habitability or a covenant within the lease may constitute constructive eviction, allow the tenant to withhold rent, repair the problem and deduct the cost from the rent, or recover damages. See URLTA §§4.101 & 4.104 & 4.105 (<http://www.uniformlaws.org/shared/docs/residential%20landlord%20and%20tenant/urlta%201974.pdf>).

Unless the lease states otherwise, there is an assumption that the tenant has a duty to pay rent. State statutes may provide for a reasonable rental value to be paid absent a rental price provision. See URLTA

§1.401(b) (<http://www.uniformlaws.org/shared/docs/residential%20landlord%20and%20tenant/urlta%201974.pdf>). In commercial leases rent is commonly calculated in part or whole as a percentage of the tenant's sales. Rent acceleration clauses that cause all the rent to become due if the tenant breaches a provision of the lease are common in both residential and commercial leases. Summary eviction statutes commonly allow a landlord to quickly evict a tenant who breaches statutorily specified lease provisions. Self-help as a method of eviction is generally restricted. Some states do not even allow it for tenants who have held over after the end of a lease. See URLTA §4.207 & Restatement 2d. §14.2 (<http://www.uniformlaws.org/shared/docs/residential%20landlord%20and%20tenant/urlta%201974.pdf>). Landlords are also restricted from evicting tenants in retaliation of action the tenant took in regards to enforcing a provision of the lease or applicable law. See URLTA §§ 4.197 & 5.101 (<http://www.uniformlaws.org/shared/docs/residential%20landlord%20and%20tenant/urlta%201974.pdf>).

Federal law prohibits discrimination in housing and the rental market. See Civil Rights Act of 1866 (<http://www.law.cornell.edu/uscode/text/42/1982>) & 42 U.S. Code, Chapter 45, Federal Fair Housing Act (<http://www.law.cornell.edu/uscode/text/42/chapter-45>).

Can I Afford That? Renting

Residential Lease Agreement

THIS LEASE (the "Lease") dated this _____ day of _____, 20____ BETWEEN:

(the "Landlord") **OF THE FIRST PART**
AND _____ (the "Tenant") OF THE SECOND
PART

IN CONSIDERATION OF the Landlord leasing certain premises to the Tenant, the Tenant leasing those premises from the Landlord and the mutual benefits and obligations provided in this Lease, the receipt and sufficiency of which consideration is hereby acknowledged, the parties to this Lease agree as follows:

Leased Property

1. The Landlord agrees to rent to the Tenant the apartment, municipally described as #1234, Anywhere Town, Mytown, MyState, Zip (the "Property"), for use as residential premises only. Neither the Property nor any part of the Property will be used at any time during the term of this Lease by Tenant for the purpose of carrying on any business, profession, or trade of any kind, or for the purpose other than as a private single-family residence.
2. No guests of the Tenants may occupy the Property for longer than one week without the prior written consent of the Landlord.
3. No pets or animals are allowed to be kept in or about the Property without the prior written permission of the Landlord. Upon thirty (30) days' notice, the Landlord may revoke any consent previously given pursuant to this clause.
4. The Tenant agrees and acknowledges that the Property has been designated as a smoke-free living environment. The Tenant and members of Tenant's household will not smoke anywhere in the Property nor permit any guests or visitors to smoke in the Property.

Term

5. The term of the Lease is a periodic tenancy commencing at _____ on _____ and continuing on a year-to-year basis until the Landlord or the Tenant terminates the tenancy.
6. Any notice to terminate this tenancy must comply with *the Rental Act* of [Your State].

Rent

7. Subject to the provisions of this Lease, the rent for the Property is \$_____ per month (the "Rent").
8. The Tenant will pay the Rent on or before the First of each and every month of the term of this Lease to the Landlord at #1234, Anywhere Town, Mytown, MyState, Zip or at such other place as the Landlord may later designate.
9. The Landlord may increase the Rent for the Property upon providing to the Tenant such notice as required by the *Act*.
10. The Tenant will be charged an additional amount of \$_____ per infraction, for any late Rent.

Security Deposit

11. On execution of this Lease, the Tenant will pay the Landlord a security deposit of \$_____ (the "Security Deposit").
12. The Landlord will return the Security Deposit at the end of this tenancy, less such deductions as provided in this Lease but no deduction will be made for damage due to reasonable wear and tear nor for any deduction prohibited by the *Act*.
13. During the term of this Lease or after its termination, the Landlord may charge the Tenant or make deductions from the Security Deposit for any or all of the following:
 - a. repair of walls due to plugs, large nails or any unreasonable number of holes in the walls including the repainting of such damaged walls;
 - b. repainting required to repair the results of any other improper use or excessive damage by the Tenant;
 - c. unplugging toilets, sinks and drains;
 - d. replacing damaged or missing doors, windows, screens, mirrors or light fixtures;
 - e. repairing cuts, burns, or water damage to linoleum, rugs, and other areas;
 - f. any other repairs or cleaning due to any damage beyond normal wear and tear caused or permitted by the Tenant or by any person whom the Tenant is responsible for;
 - g. the cost of extermination where the Tenant or the Tenant's guests have brought or allowed insects into the Property or building;
 - h. repairs and replacement required where windows are left open which have caused plumbing to freeze, or rain or water damage to floors or walls;
 - i. replacement of locks and/or lost keys to the Property and any administrative fees associated with the replacement as a result of the Tenant's misplacement of the keys; and
 - j. any other purpose allowed under this Lease or the *Act*.For the purpose of this clause, the Landlord may charge the Tenant for professional cleaning and repairs if the Tenant has not made alternate arrangements with the Landlord.
14. The Tenant may not use the Security Deposit as payment for the Rent.
15. Within the time period required by the Act and after the termination of this tenancy, the Landlord will deliver or mail the Security Deposit less any proper deductions or with further demand for payment to: _____, _____, [State], or at such other place as the Tenant may advise.

Quiet Enjoyment

16. The Landlord covenants that on paying the Rent and performing the covenants contained in this Lease, the Tenant will peacefully and quietly have, hold, and enjoy the Property for the agreed term.

Inspections

17. At all reasonable times during the term of this Lease and any renewal of this Lease, the Landlord and its agents may enter the Property to make inspections or repairs, or to show the Property to prospective tenants or purchasers in compliance with the *Act*.

Can I Afford That? Renting

Renewal of Lease

18. The Tenant may renew this Lease as follows: TBD.

Landlord Improvements

19. The Landlord will make those improvements to the Property that are set out in the list attached to this Lease.

Utilities and Other Charges

20. The Landlord is responsible for the payment of the following utilities and other charges in relation to the Property: electricity and natural gas.

Insurance

21. The Tenant is hereby advised and understands that the personal property of the Tenant is not insured by the Landlord for either damage or loss, and the Landlord assumes no liability for any such loss. The Tenant is advised that, if insurance coverage is desired by the Tenant, the Tenant should inquire of Tenant's insurance agent regarding a renter's policy of insurance.
22. The Tenant is responsible for insuring the Property for damage or loss to the structure, mechanical or improvements to the building of the Property for the benefit of the Tenant and the Landlord. Such insurance should include such risks as fire, theft, vandalism, flood and disaster.
23. The Tenant is responsible for insuring the Property for liability insurance for the benefit of the Tenant and the Landlord.
24. The Tenant will provide proof of such insurance to the Landlord upon request.

Abandonment

25. If at any time during the term of this Lease, the Tenant abandons the Property or any part of the Property, the Landlord may, at its option, enter the Property by any means without being liable for any prosecution for such entering, and without becoming liable to the Tenant for damages or for any payment of any kind whatever, and may, at the Landlord's discretion, as agent for the Tenant, rent the Property, or any part of the Property, for the whole or any part of the then unexpired term, and may receive and collect all rent payable by virtue of such renting, and, at the Landlord's option, hold the Tenant liable for any difference between the Rent that would have been payable under this Lease during the balance of the unexpired term, if this Lease had continued in force, and the net rent for such period realized by the Landlord by means of the renting. If the Landlord's right of re-entry is exercised following abandonment of the Property by the Tenant, then the Landlord may consider any personal property belonging to the Tenant and left on the Property to also have been abandoned, in which case the Landlord may dispose of all such personal property in any manner the Landlord will deem proper and is relieved of all liability for doing so.

Attorney Fees

26. In the event that any Action is filed in relation to this Lease, the unsuccessful party in the Action will pay to the successful party, in addition to all the sums that either party may be called on to pay, a reasonable sum for the successful party's attorney fees.

Governing Law

27. It is the intention of the parties to this Lease that the tenancy created by this Lease and the performance under this Lease, and all suits and special proceedings under this Lease, be construed in accordance with and governed, to the exclusion of the law of any other forum, by the laws of the State of MyState, without regard to the jurisdiction in which any Action or special proceeding may be instituted.

Severability

28. If there is a conflict between any provision of this Lease and the applicable legislation of the State of MyState (the "Act"), the Act will prevail and such provisions of the Lease will be amended or as necessary in order to comply with the Act. Further, any provisions that are required by the Act are incorporated into this Lease.
29. In the event that any of the provisions of this Lease will be held to be invalid or unenforceable in whole or in part, those provisions to the extent enforceable and all other provisions will nevertheless continue to be valid and enforceable as though the invalid or unenforceable parts had not been included in this Lease and the remaining provisions had been executed by both parties subsequent to the expungement of the invalid provision.

Amendment of Lease

30. Any amendment or modification of this Lease or additional obligation assumed by either party in connection with this Lease will only be binding if evidenced in writing signed by each party or an authorized representative of each party.

Assignment and Subletting

31. The Tenant will not assign this Lease, or sublet or grant any concession or licence to use the Property or any part of the Property. Any assignment, subletting, concession, or licence, whether by operation of law or otherwise, will be void and will, at Landlord's option, terminate this Lease.

Can I Afford That? Renting

Damage to Property

32. If the Property, or any part of the Property, will be partially damaged by fire or other casualty not due to the Tenant's negligence or willful act or that of the Tenant's employee, family, agent, or visitor, the Property will be promptly repaired by the Landlord and there will be an abatement of Rent corresponding with the time during which, and the extent to which, the Property may have been unrentable. However, if the Property should be damaged other than by the Tenant's negligence or willful act or that of the Tenant's employee, family, agent, or visitor and the Landlord decides not to rebuild or repair the Property, the Landlord may end this Lease by giving appropriate notice.

Care and Use of Property

33. The Tenant will promptly notify the Landlord of any damage, or of any situation that may significantly interfere with the normal use of the Property or to any furnishings supplied by the Landlord.
34. The Tenant will not make (or allow to be made) any noise or nuisance which, in the reasonable opinion of the Landlord, disturbs the comfort or convenience of other tenants.
35. The Tenant will keep the Property reasonably clean.
36. The Tenant will dispose of its trash in a timely, tidy, proper and sanitary manner.
37. The Tenant will not engage in any illegal trade or activity on or about the Property.
38. The Landlord and Tenant will comply with standards of health, sanitation, fire, housing and safety as required by law.
39. The Landlord will use reasonable efforts to maintain the Property in such a condition as to prevent the accumulation of moisture and the growth of mold, and to promptly respond to any written notices from the Tenant in relations to accumulation of moisture and visible evidence of mold.
40. The Tenant will use reasonable efforts to maintain the Property in such a condition as to prevent the accumulation of moisture and the growth of mold, and to promptly notify the Landlord in writing of any moisture accumulation that occurs or of any visible evidence of mold discovered by the Tenant.
41. The Tenant agrees that no signs will be placed or painting done on or about the Property by the Tenant or at the Tenant's direction without the prior, express, and written consent of the Landlord. Notwithstanding the above provision, the Tenant may place election signs on the Property during the appropriate time periods.
42. If the Tenant is absent from the Property and the Property is unoccupied for a period of four consecutive days or longer, the Tenant will arrange for regular inspection by a competent person. The Landlord will be notified in advance as to the name, address and phone number of the person doing the inspections.
43. The hallways, passages and stairs of the building in which the Property is situated will be used for no purpose other than going to and from the Property and the Tenant will not in any way encumber those areas with boxes, furniture or other material or place or leave rubbish in those areas and other areas used in common with any other tenant.
44. Footwear which are soiled or wet should be removed at the entrance to the building in which the Property is located and taken into the Tenant's Property.

45. At the expiration of the term of this Lease, the Tenant will quit and surrender the Property in as good a state and condition as they were at the commencement of this Lease, reasonable use and wear and tear excepted.

Carbon Monoxide Alarm

46. Prior to the Tenant taking possession of the Property, the Landlord will ensure that any carbon monoxide alarm in place is operational. Upon possession, the Landlord will provide the Tenant with working batteries, for all carbon monoxide alarms. The Landlord will be responsible for the repair and replacement of any missing or non-functional carbon monoxide alarm upon written request of the Tenant.
47. The Tenant will keep, test, and maintain in good repair all the carbon monoxide alarms in the Property. The Tenant must provide the Landlord or the Landlord's agent with a written notice if any carbon monoxide alarm needs its batteries replaced or if the alarm is stolen, removed, missing, or not operational. Further, the Tenant must notify the Landlord, or its agent, in writing of any deficiency in any carbon monoxide alarm that the Tenant is unable to fix.
48. No person may remove any batteries from, or in any way render inoperable, a carbon monoxide alarm except as part of the process to inspect, maintain, repair or replace the alarm or batteries in the alarm.

Hazardous Materials

49. The Tenant will not keep or have on the Property any article or thing of a dangerous, flammable, or explosive character that might unreasonably increase the danger of fire on the Property or that might be considered hazardous by any responsible insurance company.

Rules and Regulations

50. The Tenant will obey all rules and regulations posted by the Landlord regarding the use and care of the building, parking lot, laundry room and other common facilities that are provided for the use of the Tenant in and around the building containing the Property.

Address for Notice

51. For any matter relating to this tenancy, the Tenant may be contacted at the Property or through the phone number below. After this tenancy has been terminated, the contact information of the Tenant is:
- a. Name: John Doe.
 - b. Phone: 234-567-9087.
 - c. Email: john.doe@gmail.com.
 - d. Post termination notice address: _____, _____, [State].
52. For any matter relating to this tenancy, whether during or after this tenancy has been terminated, the Landlord's address for notice is:
- a. Name: John Smith.
 - b. Address: #123, _____, _____, _____.

Can I Afford That? Renting

53. The contact information for the Landlord is:

- a. Phone: 123-456-7890.

General Provisions

54. All monetary amounts stated or referred to in this Lease are based in U.S. dollars.
55. Any waiver by the Landlord of any failure by the Tenant to perform or observe the provisions of this Lease will not operate as a waiver of the Landlord's rights under this Lease in respect of any subsequent defaults, breaches or non-performance and will not defeat or affect in any way the Landlord's rights in respect of any subsequent default or breach.
56. This Lease will extend to and be binding upon and inure to the benefit of the respective heirs, executors, administrators, successors and assigns, as the case may be, of each party to this Lease. All covenants are to be construed as conditions of this Lease.
57. All sums payable by the Tenant to the Landlord pursuant to any provision of this Lease will be deemed to be additional rent and will be recovered by the Landlord as rental arrears.
58. Where there is more than one Tenant executing this Lease, all Tenants are jointly and severally liable for each other's acts, omissions and liabilities pursuant to this Lease.
59. Locks may not be added or changed without the prior written agreement of both the Landlord and the Tenant, or unless the changes are made in compliance with the Act.
60. The Tenant will be charged an additional amount of \$_____ for each N.S.F. check or checks returned by the Tenant's financial institution.
61. If the Tenant moves out prior to the natural expiration of this Lease, a re-rent levy of \$_____ will be charged to the Tenant.
62. Headings are inserted for the convenience of the parties only and are not to be considered when interpreting this Lease. Words in the singular mean and include the plural and vice versa. Words in the masculine mean and include the feminine and vice versa.
63. This Lease and the Tenant's leasehold interest under this Lease are and will be subject, subordinate, and inferior to any liens or encumbrances now or hereafter placed on the Property by the Landlord, all advances made under any such liens or encumbrances, the interest payable on any such liens or encumbrances, and any and all renewals or extensions such liens or encumbrances.
64. This Lease may be executed in counterparts. Facsimile signatures are binding and are considered to be original signatures.
65. This Lease will constitute the entire agreement between the Landlord and the Tenant. Any prior understanding or representation of any kind preceding the date of this Lease will not be binding on either party except to the extent incorporated in this Lease.
66. The Tenant will indemnify and save the Landlord, and the owner of the Property where different from the Landlord, harmless from all liabilities, fines, suits, claims, demands and actions of any kind or nature for which the Landlord will or may become liable or suffer by reason of any breach, violation or non-performance by the Tenant or by any person for whom the Tenant is responsible, of any covenant, term, or provisions hereof or by reason of any act, neglect or default on the part of the Tenant or other person for whom the Tenant is responsible. Such indemnification in respect of any such breach, violation or non-performance, damage to property,

injury or death occurring during the term of the Lease will survive the termination of the Lease, notwithstanding anything in this Lease to the contrary.

67. The Tenant agrees that the Landlord will not be liable or responsible in any way for any personal injury or death that may be suffered or sustained by the Tenant or by any person for whom the Tenant is responsible who may be on the Property of the Landlord or for any loss of or damage or injury to any property, including cars and contents thereof belonging to the Tenant or to any other person for whom the Tenant is responsible.
68. The Tenant is responsible for any person or persons who are upon or occupying the Property or any other part of the Landlord's premises at the request of the Tenant, either express or implied, whether for the purposes of visiting the Tenant, making deliveries, repairs or attending upon the Property for any other reason. Without limiting the generality of the foregoing, the Tenant is responsible for all members of the Tenant's family, guests, servants, tradesmen, repairmen, employees, agents, invitees or other similar persons.
69. During the last 30 days of this Lease, the Landlord or the Landlord's agents will have the privilege of displaying the usual 'For Sale' or 'For Rent' or 'Vacancy' signs on the Property.
70. Time is of the essence in this Lease. Every calendar day except Saturday, Sunday or national holidays will be deemed a business day and all relevant time periods in this Lease will be calculated in business days. Performance will be due the next business day, if any deadline falls on a Saturday, Sunday or a national holiday. A business day ends at five p.m. local time in the time zone in which the Property is situated.

IN WITNESS WHEREOF My Name and John Smith have duly affixed their signatures on this _____ day of _____, 20____.

Tenant: My Name

Landlord: John Smith

The Tenant acknowledges receiving a duplicate copy of this Lease signed by the Tenant and the Landlord on the _____ day of _____, 20____.

Can I Afford That? Renting

Lesson Questions

1. Which statement is NOT true about debit cards?
 - a. They are also called ATM cards.
 - b. They give users a loan with arrangements to make payments.
 - c. They are alternatives to cash.
 - d. They allow you to withdraw money directly from your bank account.
2. Which statement is TRUE about credit cards?
 - a. The credit card company lends you money to make a purchase.
 - b. They are linked to bank accounts.
 - c. You may not make a purchase for more than the available balance.
 - d. You can ask for cash back with your purchase.

Essential Questions

What are the potential hidden costs associated with renting a place?



Debit Cards vs. Credit Cards

Warm-Up Activity

Take a minute to reflect on the following quote:

“The only reason a great many American families don’t own an elephant is that they have never been offered an elephant for a dollar down and easy weekly payments.” *Mad Magazine*

Debit Cards

A debit card works like a plastic check. Just like when a check clears, using your debit card deducts money automatically from your checking account. The money is automatically withdrawn at the time of the transaction—unlike a credit card, where the charge is placed on a bill that you’re asked to pay later.

Your bank or credit union can issue you a debit card. Debit cards from a bank have one drawback: you can be charged over-limit fees if your purchases exceed the amount in your checking account.

Private organizations also issue debit cards, which can be a great way to start out. Private debit cards require cash deposits that are applied to the card, so the card would be denied if you tried to make purchases beyond the amount of your deposit. Private debit cards let you learn how to use your “plastic” without worrying about incurring over-limit fees.

Credit Cards

No discussion about money management is complete without addressing credit cards.

Using a credit card is basically the same as a loan. The credit card company lends you money and charges you fees (interest) to borrow their money. The interest rate is determined from your credit history (your past record of paying bills and handling credit). For instance, let’s say you borrow \$1,000 and your interest rate is 25%. If you don’t pay the loan off until a year later, you would owe \$1,250.

Debit Cards vs. Credit Cards

It's All about Convenience

Credit cards are convenient; most businesses accept them and they're easier to carry than cash. Credit cards can be a handy tool for purchasing clothes and groceries as long as you pay the bills in full each month. Avoid carrying the costs and paying sizable interest fees. When faced with an emotional or impulse purchase, pulling out the plastic can be far too easy to do. If money is tight, it's easy to talk yourself into thinking "charging it" is no big deal. But if you don't take spending seriously, receiving that credit card bill can be a painful experience.

- A new pair of shoes that were on sale at a great price = \$68
- A friend came in town for the weekend and you had no cash = \$75
- A dinner out with the family = \$48

While those expenses might not seem large individually, together they total \$191. If you don't have the money this month, how can you expect to have enough to pay off the bill when it arrives next month? And if you don't pay it off in full, the credit card company will start adding finance charges. The longer you carry a balance, the farther down you get toward spiraling out of control. Use an online 'debt payoff calculator' to illustrate how fast credit card debt can multiply.

Be a Bad Customer

The best way to manage a credit card is to be the company's worst customer. Credit card companies make their money when customers carry a balance from month to month. Plan and budget for your purchases properly so you can pay your credit card bills in full each month.

Carrying a small debt for two, maybe three months is not ideal, but is not the end of the world. If you start carrying balances longer than three months, that can be a good indicator that you're developing a debt management problem.

"Cut it out"

If you can't handle credit card debt, you need to literally "cut it out"—snip your plastic cards into pieces before you get into real trouble!

Whether your balance is \$300 or \$3,000, at 24% interest, the interest is working against you—undercutting your financial freedom. Trouble typically begins when people make common mistakes with credit cards:

COMMON MISTAKES WITH CREDIT CARDS

- ☐ Disorganized bill paying (common late fees are \$35 or more).
- ☐ Paying only the minimum payment.
- ☐ Not having a budget in place.
- ☐ Lacking financial and savings goals.
- ☐ Overspending.
- ☐ Not understanding how to most effectively pay off debt.

■ Credit Cards Do Have Advantages

If you understand the dangers of using credit cards, you can learn how to use them to your advantage. For instance, traveling with a credit card is much safer than carrying a pocketful of cash. Credit cards allow you to rent cars easily and, in an emergency, a credit card can be a lifesaver.

However, it is suggested that you not apply for a credit card until you have your emergency fund in place. Before you put credit cards to work for you, you must prove to yourself that you can live successfully within a budget.

When you have no credit history, a good option is to get a *secured credit card*. Secured cards often have high interest rates, but they do offer you the convenience of a credit card while you work on building a credit history.

How do secured cards work? You secure the card by depositing cash in the credit card company's bank. This balance you cannot touch unless you choose to close your credit card. Your cash deposit serves much like collateral for a loan. For example, deposit \$300 with the credit card company and you'll be approved for a \$300 limit on the credit card. If you decide to close the card, you receive your initial \$300 back. And after you have established a proven track record of managing the card, you can apply for an unsecured card (one that does not require a cash deposit as collateral).

Your first step should be to use a credit card each month and pay off the balance in full. After as little as six months, you will have begun building a solid credit history. Note that you do not need to carry a balance to build a credit history. Use the card, pay off the balance each month, and pay on time: that's how you build a positive credit history.

Of course, as you build your credit status, credit card offers will begin flooding your mailbox. Credit card offers vary wildly, so read them carefully. Just because they send you a "pre-approved" application with a huge credit limit doesn't mean you should apply.

■ Minimum payments

You may think it's okay to pay just the minimum payment the credit card company calculates for you. That's a common misunderstanding. In fact, the minimum payment just represents the minimum amount that will keep your account active. It's not enough to actually retire the debt in a reasonable time. Here's an example:

- Let's say you sign up for a credit card with a low limit. You handled your credit card responsibly so the company quickly raises your credit limit to \$1,500.
- You decide it would make your life easier if you purchased a more reliable car; you find a used car for \$1,800 with body damage but it runs great.

Debit Cards vs. Credit Cards

- To avoid emptying your savings account, you decide to pay \$500 in cash and put the \$1,300 balance on the credit card. Although your credit limit will now be maxed, you really want the car.

You receive the first credit card bill and see that your minimum payment is \$33; your interest rate is 24%. Take a look at what happens if you pay only the minimum. It will take you **six years and eight months** to pay off the debt, and it will cost you a total of **\$2,640**. See how much that great, unbeatable deal cost you? The car probably won't be around in six years—but the debt will.

So what happens if you commit to \$100 a month instead of just making the minimum payment? It will take **16 months** to retire your debt and it will cost a total of **\$1,600**.

So what happens if you make the purchase with cash? This scenario looks a whole lot better, but you still paid an extra \$300 for the car. And if you continue using the card before the balance is paid off, it'll take even longer.

Minimum Payment:

\$1,300 original debt

\$1,340 interest

\$2,640 Total

Pay \$100 a month:

\$1,300 original debt

\$ 300 interest

\$1,600 Total

Save for 12 months:

\$1,800 purchase price

\$ 150 save per month

\$ 30 interest earned

Lesson Activity: Using Credit Cards

Follow the directions given by your instructor to complete the activity.

You will receive a specific dollar amount of fake money in a debit account (either \$200 or \$500) and you will also have a credit card with a \$500 limit to use for purchases, with a 28% interest rate each month. These amounts should be written on the first two lines of the table.

After reviewing the list of choices, check the box next to the item you want and write the cost in the Amount column.

Item	Amount
Starting Debit Funds	
Available Credit	
<input type="checkbox"/> Dinner for two \$75	
<input type="checkbox"/> Brand new outfit \$150	
<input type="checkbox"/> Three DVDs \$60	
<input type="checkbox"/> Day at amusement park \$100	
<input type="checkbox"/> Lunch with friends \$35	
<input type="checkbox"/> Four video games \$200	
Total Spent:	

- Decide what you can afford to purchase with your **debit card** based on the starting debit funds you were given. Write the cost in the “Amount” column; total the column when you’re done shopping.

- Can you purchase more than one item within the funds you have? ☐ Yes ☐ No

Would you consider purchasing one or more items with your credit card? ☐ Yes ☐ No

Why or why not?

- Can you think of a time when it would be appropriate to use credit?

Lesson Questions

1. Which statement is NOT true about debit cards?
 - a. They are also called ATM cards.
 - b. They give users a loan with arrangements to make payments.
 - c. They are alternatives to cash.
 - d. They allow you to withdraw money directly from your bank account.
2. Which statement is TRUE about credit cards?
 - a. The credit card company lends you money to make a purchase.
 - b. They are linked to bank accounts.
 - c. You may not make a purchase for more than the available balance.
 - d. You can ask for cash back with your purchase.

Debit Cards vs. Credit Cards

Essential Questions:

What is a debit card? _____

What is a credit card? _____

What are some differences between debit and credit cards? _____

Why is it important to recognize the differences between debit and credit cards?

Banking Basics

Warm-Up Activity

Why should you put your money in a bank?

▀ Banks and Credit Unions

How you manage your money today determines whether you achieve financial freedom tomorrow. Opening and maintaining the right bank accounts is a very important aspect of good money management.

The accounts you have open with a bank or credit union are the center of your financial planning. Everyone needs checking and savings accounts. All your money will transfer from these accounts to pay your bills and to fund your investments.

HOW BANKS AND CREDIT UNIONS WORK

As a business model, the banking concept is pretty simple. In short, banks use your money to make loans to other accountholders.

- **SAVERS** deposit money and earn interest.
- **BORROWERS** borrow money and pay a higher interest rate to the bank, so the bank makes money.

Banks make money by lending money to people at higher rates than they pay the people who deposit money. For example, you deposit money in a savings account and earn 2.25% interest. The bank can then lend money to other customers at an interest return of 8%. The bank earns the difference.

The difference between a bank and a credit union is that a bank is **for-profit**. The income a bank makes is given to its stockholders and investors. A credit union, on the other hand, is **not-for-profit**. The members of a credit union are its owners, and any income the credit union makes is reinvested into the organization.

Banking Basics

DO YOU NEED CHECKING AND SAVINGS ACCOUNTS?

Yes, you do. Here are several compelling reasons to open checking and savings accounts:

- **SAFETY.** Storing your money in a bank is safer than holding cash. Please note that you should still keep several months of cash safely hidden at your house as well.
- **INTEREST.** The bank pays you interest every month just for depositing your money there.
- **DIRECT DEPOSIT.** You can have your employer deposit your paycheck electronically into your checking account.
- **ORGANIZATION.** Bank accounts help you track spending, manage savings, and stay on target with your budget.
- **FUTURE.** Building a relationship with a bank will pay off in the future as your banking needs increase.

Lesson Activity: Banks vs. Credit Unions

Mark the table below to indicate whether a feature is an advantage or disadvantage.

BANKS	Advantage	Neutral	Disadvantage	CREDIT UNIONS	Advantage	Neutral	Disadvantage
Large and smaller				Smaller and regionally located			
Typically have a lot of branches and ATMs				Typically may not have a lot of branches or ATMs			
Typically do not offer the best rates on savings accounts				Typically have good rates on savings accounts			
Charge fees for some accounts				Do not charge fees for accounts			
For-profit companies				Nonprofit organizations so profits are reinvested in the credit union			
Serve their investors and stockholders				Serve their members (customers)			

In order to decide which bank or credit union is right for you, consider your expectations and purposes in opening the accounts. Will your accounts be used for business, pleasure, savings, wage deposits, or eventual loans?

- First, choose a credit union that offers online banking. In today's economy, you cannot do without this feature. Online banking allows you to check balances from the comfort of your home or office. You can pay all your monthly utilities, cell phone, and credit card bills electronically without ever writing a check.
- Next, look at the costs. Financial institutions are competitive, so ask about and compare fees for opening and running an account. Many institutions charge fees for both checking and savings accounts. They also may charge separate fees for such things as:
 - Receiving statements in the mail
 - Online banking
 - Multiple checkbooks
- Finally, choose a bank or credit union that's convenient to where you work or live. Since you can now access your accounts online or by phone, you can make many bank transactions without ever visiting the bank. However, you will want to check out the locations of your bank's ATMs (Automatic Teller Machines).
- Over time, build a long-term relationship with your chosen financial institution. The longer you remain a good customer, the more benefits you'll receive. As you build a banking relationship, the next time you need a car loan, investment account, student loan, or home loan you may find that the terms of those services improve along with the relationship.

In summary, opening and automating your accounts is the first step toward building a financial foundation. Find a credit union or bank with which you can grow over time. Look for one that offers the services you need now, as well as those you may need in the future. Be a good customer and grow with your bank. As that relationship grows, so will the benefits you receive.

Banking Basics

If you had past problems with a bank or credit union, you may have trouble opening an account. Visit <https://www.consumerdebit.com/consumerinfo/us/es/chexsystems/report/index.html> to see if there is a problem being reported. If so, use this form letter to clear up your ChexSystems report.

CHEXSYSTEMS FORM LETTER

Mail to:

ChexSystems, Inc.
7805 Hudson Road, Suite 100
Woodbury, MN 55125

Your Full Name
Social Security Number
ID number (listed on ChexSystems Report)
Address
Contact Number
Name of the bank you are disputing
Bank's Address
Account Number

This letter is about the issue with (*account number, bank*) which I dispute and which I would like your help in clearing. I am disputing both the validity of the alleged debt and the validity of your report.

The Fair Debt Collection Practices Act requires evidence that has my signature and shows I have a contractual obligation to pay. As you are aware, any negative mark on my ChexSystems report for a debt I don't owe is in violation of the Fair Credit Reporting Act (FCRA). Therefore please delete the entry in question.

My permission is required before you take any action that could negatively affect my rating with credit reporting agencies.

Full Name
Signature

Lesson Questions

1. Which of the following statements is true regarding banks and credit unions?
 - a. They offer completely different services.
 - b. Their members own part of the financial institution.
 - c. They typically have the same interest rates.
 - d. They both typically provide savings, checking, and other types of accounts.
2. Which of the following statements is true about credit unions?
 - a. They are nonprofit organizations.
 - b. The Board of Directors serves the shareholders.
 - c. They usually charge higher fees than banks.
 - d. They usually pay lower interest on savings accounts.



Banking Basics

Essential Questions:

What is a bank?

What is a credit union?

What are the advantages and disadvantages of credit unions?

What are the advantages and disadvantages of banks?

Banking Essentials

Warm-Up Activity

What is the difference between a checking and savings account?

■ Evaluating Account Options

- A **CHECKING ACCOUNT** is where most of your transactions will take place. This is the brain of your bank account and will handle most of your money's "ins and outs." For this reason, checking accounts pay little or no interest.
- A **SAVINGS ACCOUNT** pays interest for each day you leave your money on deposit. These are the accounts where you deposit money for short-term and long-term savings. As the money in your accounts grows, the effect of compound interest begins working in your favor.

Once you have chosen the credit union or bank that best suits your needs, immediately open both a checking and a savings account. This is the first step toward getting your finances in professional order.

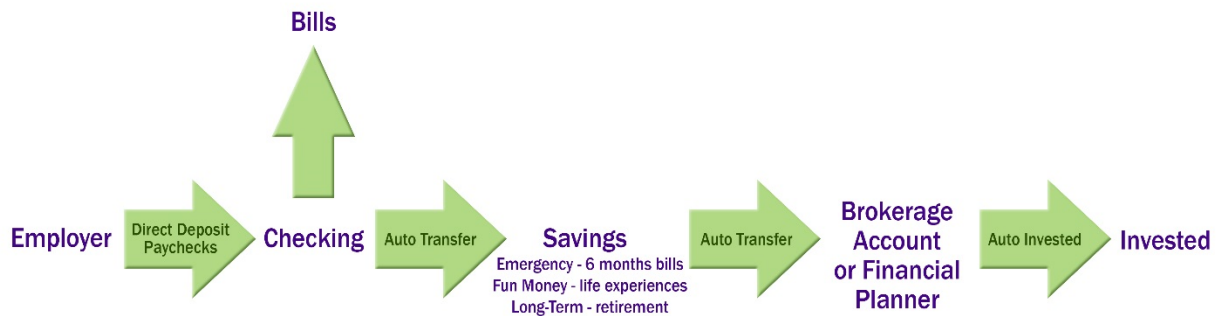
Your savings account is where you will keep your **EMERGENCY FUND**—enough cash set aside to cover six months of your expenses. Your long-term savings also will rest in your savings account before it's moved into an investment.

You also want to have money set aside for fun. It helps to keep your **FUN FUND** separate from your long-term account (as long as the fees for having a separate savings account are minimal). Separating your savings deliberately lets you know exactly how much you have left over to spend on vacations, toys, and clothes for you, and gifts for others.

Savings and checking accounts can be linked to allow easy money transfers between accounts. Ideally, set up your accounts to automatically transfer a set portion of your money each month from checking to savings. That way saving money becomes easy and automatic.

Banking Essentials

Keep on top of your account balances so you know how much money you have available to spend at any time. In the past you may have balanced or seen someone balancing a checkbook by hand; that's what people had to do 40 years ago. In today's age the online banking feature balances your accounts for you.



Use online banking feature to write checks, pay bills, and transfer money. The system will do the math for you, but be sure never to spend more money than you have in the account. When you spend more money than you have, your account becomes overdrawn. Banks charge hefty fees for being overdrawn, so make sure you have enough money to cover your bills.

There's no time like the present to get in the habit of keeping your finances organized and paying your bills on time. Using automatic online bill pay makes banking a breeze. The bank automatically sends a check for you, each month, for a given amount and on the date you choose.

Online bill pay has many advantages:

- **PROFESSIONALISM.** The checks are typed out by the bank, instead of hand-written.
- **TIMELINESS.** Payments are sent like clockwork.
- **ACCURACY.** The bank keeps accurate records and up-to-the-minute reporting.
- **TIME-SAVING.** Your accounts are balanced automatically, which saves you time.

Check your bank statement **every month**. Just one mistake—by the bank, by you, or by a third party—might cost you hundreds of dollars or more! The sooner you catch mistakes, the easier they are to fix. In cases of fraud, identifying the fraudulent charges early saves you money too.

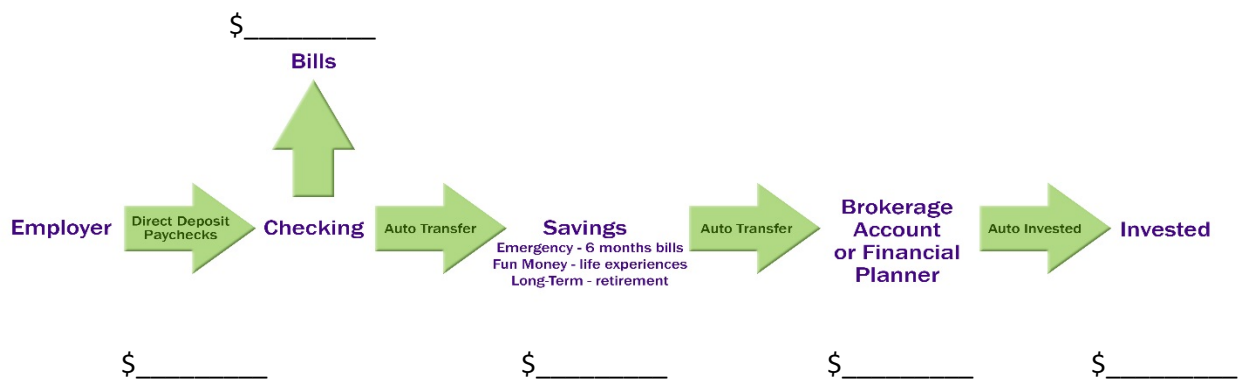
Developing a long-term bank relationship and using the latest online technology lets you handle your banking in a businesslike manner. Your bills will be paid on time with little effort. Your accounts will be automatically balanced and your outgoing checks will look professional.

Lesson Activity: Let's Bank

Divide students into three groups; give them the scenarios below; and instruct them to complete the Automatic Finance System within their groups.

SCENARIO 1:

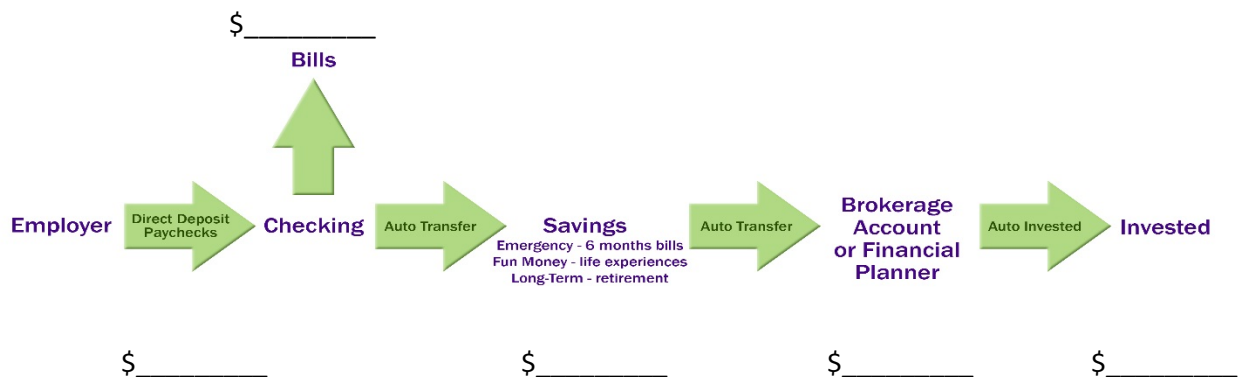
- You have an income of \$4,000 per month.
- You want to set up \$1,500 worth of bills on auto-pay each month.
- You want to save \$9,000 this year. Be sure to set up enough money to be automatically deposited into your savings each month to achieve this goal.
- You also want to save and invest some money each month.



Remaining Funds: \$ _____

SCENARIO 2:

- You have an income of \$5,500 per month.
- You want to set up \$2,500 worth of bills on auto-pay each month.
- You want to save \$12,000 this year. Be sure to set up enough money to be automatically deposited into your savings each month to achieve this goal.
- You also want to save and invest \$500 each month.



Remaining Funds: \$ _____

Lesson Activity: Concept to Practice

The following are two activities for you to complete on your own that will help you get your automated finances started.

Activity #1: Locate a bank with which you want to do business. Remember that when you open a bank account, you are potentially establishing a relationship that may last quite a few years. Large national banks offer many services, some of which you may not use now but may need in the future. Building a long-term relationship with a bank means one day you will receive preferred treatment.

Make sure the bank you choose offers online banking. It simplifies your life and makes all your banking transactions available at the click of a button. It also gives others the impression that your bills are handled by a professional accountant. Use the steps we went through earlier to help you decide on the bank that's best for you.

Activity #2: Once you have chosen the bank that best suits your needs, do the following:

1. Open a checking account and a savings account.
2. Set up direct deposit with your employer.
3. Set up the automatic bill payment system.
4. Set up an automatic savings plan.
5. If you have money to invest, set up an automatic investment plan.



Lesson Questions

1. Which type of bank account is typically the one you use to pay your bills?
 - a. Savings account.
 - b. Checking account.
 - c. Investment account.
 - d. Automatic online bill-pay account.
2. What is the role of an emergency fund?
 - a. To have money set aside for wants.
 - b. To invest in the stock market, real estate, or a business enterprise.
 - c. To fall back on in case of a job loss or unexpected expenses.
 - d. All of the above.
3. A checking account is
 - a. A savings account that pays the depositor a high rate of interest.
 - b. A credit account.
 - c. A transactional account that allows the account holder to make deposits and withdrawals.
 - d. An investment account.



Essential Questions

What’s the purpose of a bank? _____

What conveniences do ATMs provide? _____

What is a checking account? _____

What is a savings account? _____

Credit Debt, & Loans





Credit, Debt & Loans

In this unit you will identify the correlation between your credit history and your financial reputation as well as develop a basic understanding of what credit history is and how to maintain, build or repair your credit.

You will gain an awareness of what identity theft is and how to prevent it happening to yourself. Additionally, you will develop a basic understanding of purchasing a car and the loan qualification process.

What Is Credit?

Warm-Up Activity

Do you think people are more likely to buy something they do not need when they use a credit card? Why? _____

In the financial world, credit refers to an arrangement that defers payment for borrowed money or a purchased item until later. In other words, you get money or stuff now, and you agree to pay it back at a later time. When you buy or borrow on credit, you generally end up paying back more than the original amount in interest. How much interest you pay depends on your credit history (your record of paying bills and handling credit in the past). The percentage of the debt that you're charged on top of the original amount is called interest and it is determined by a percentage called an interest rate.

Learning how credit works is the key to building an outstanding credit history.

■ Credit Cards

When you use a credit card, it's the same as a loan. The credit card company is lending you money and charging you fees (interest) to borrow that money. For instance, let's say you borrow \$1,000 and your interest rate is 25%. If you don't pay the loan off until a year later, you would owe \$1,250.

It's all about convenience. Credit cards are convenient and most businesses accept them.

If you do not have a credit history, the credit cards for which you're initially approved will charge higher interest rates and higher fees; they'll have lower spending limits. They have no way of knowing how trustworthy you are since there is no past information. They charge the higher rate to compensate for the unknown. That's why it is vitally important to remain free of credit card debt.

Credit cards can be handy tools for charging clothes and groceries, as long as you pay the bills in full each month, instead of carrying costs over and racking up interest.

What Is Credit?

The best way to manage a credit card is to be the company's worst customer. Many Americans carry balances on their credit cards from month to month, and that's how the companies make their money. If you pay your credit card bills in full each month by properly planning and budgeting for your purchases, you will benefit yourself by building a credit history instead of putting your money into the credit card companies' pockets.

Credit cards can be a useful financial tool or a debt trap. Use credit cards only to your advantage. That means avoiding credit card debt like the plague! Second, use credit cards to build your credit rating. You can only do that by charging money on your credit card each month and paying it off in full every month. Be sure to follow the guidelines in this section closely!

Start with a Debit Card

Credit cards used improperly will have a negative impact on your finances. Before you get a credit card, start off with a low-cost debit card.

A debit card helps you learn how to manage "plastic money" safely. And unlike a credit card, everyone qualifies for a debit card. You are not required to show proof of income, provide a social security number, or submit to a credit check. Debit cards are accepted almost everywhere a credit card is accepted.

Just load your debit card with cash, and then you can spend the money as you please. It's impossible to incur late fees (which credit card users often face). Some banks do not approve purchases if the purchase total is greater than the money you have in the account. With such banks you do not need to worry about over-the-limit charges. Other banks do allow you to spend a bit over the amount you have available and will charge you a fee. You will need to verify which type of card your bank provides you. You should, however, always be aware of how much you have available to spend.

Credit Card Plan

Allow yourself to get your first credit card only when you're able to live within your budget and when you have six months' worth of expenses in your emergency savings fund. Until then, follow the advice above and practice with a debit card.

When you do get your first credit card, use it only to build your credit rating. Charge an amount of money you know you can pay off in full at the end of the month. When you get the bill, make sure to pay the balance off in full. You will benefit because you're building your credit history by using the card, but paying off the balance in full each month avoids paying interest.

To reap more benefits, get a credit card that offers special bonuses: travel miles or gift certificates, for example. Earn these other “gifts” by spending and paying off your balance in full each month.

If you follow these tips, you’ll build a credit history while getting cool things in the process. The best part is that it’s not costing you a dime! In essence, you’ll be building your credit rating for free.

Cut it Out

If you find you can’t handle the burden of a credit card, you need to literally “cut it out.” That is, snip your plastic card into pieces before you get into real trouble!

A common misperception is thinking it’s okay to pay just the minimum payment calculated for you by the credit card company. This is the bare minimum amount that, if paid, will keep your account active. It’s barely high enough to ever actually retire the debt. If you pay only the minimum payment you could end up paying \$1,000 for a pair of new shoes. Your debt will last a lot longer than the shoes.

Good Credit		Bad Credit	
Purchases	\$1,000	Purchases	\$1,000
Interest rate	7%	Interest rate	27%
Monthly payment	\$10	Monthly payment	\$23
Years to pay in full	12	Years to pay in full	12
Interest paid	\$440	Interest paid	\$2,312
Actual Cost	\$1,440	Actual Cost	\$3,312

Making Purchase in the Future with Savings		Making Purchase Now with Savings	
Purchases	\$1,000	Purchases	\$1,000
Amount saved each month	\$125	Amount saved each month	\$125
Months to save \$1,000	8	Months to save \$1,000	8
Interest earned on savings	\$30	Savings interest forgone	\$30
Actual Cost	\$970	Actual Cost	\$1,030

Once you fully understand the dangers of credit cards, you can see how it’s possible to use them to your advantage. When emergencies happen, a credit card can be a lifesaver.

What Is Credit?

However, remember that until you have your six-month emergency fund you should not apply for a credit card.

■ Already in Debt

If you're already in credit card debt, it's not the end of the world. It will just take added dedication to get out of the hole. The key to getting out of credit card debt is to prioritize the payments.

Call the credit card companies to which you owe money and find out the interest rate they're charging you. While you have them on the line, ask about any promotional rates you may be approved for. Once you have the rates each credit card company charges you, organize a payment structure.

Pay the minimum payment on all credit cards except for the one with the highest interest rate. Put all the money you possibly can toward paying down the high-rate credit card first. Once that card is paid off, take the card with the next-highest rate and pay that one down. Following this payment structure will save you a lot in interest. Keep up that plan until all the cards are paid off.

Building and maintaining a good credit rating will save you thousands of dollars over your lifetime. That means a lot less work and more fun for you—so take time now to handle your credit situation responsibly.

■ Lending Money to Friends

Money shouldn't—but often does—come between friends and family. As a general rule, you should only lend money to loved ones if you do not expect it back. Money is not worth losing friends over; protect your friendships by outlining the details of the loan in writing. Avoid any misunderstandings later on.

Many times when friends need money it is due to poor money management. Of course, emergencies do occur and you may want to treat emergency situations differently. But if your friends already are unable to pay their bills, there's a good chance they won't be able to pay you either.

If you want to help out a friend but can't afford to lose the money, take some form of security as collateral. Hold your friend's bike, car, watch, or something else of value. That will help motivate your friend or relative to pay you back. However, with this alternative, realize that if you execute your claim on the collateral you very well may end the relationship.

Lesson Activity: What's the Best Payment Option?

Look at the items below and determine the best method for purchasing the items. You can choose: save money over time, cash, or credit. Make sure to defend your choices.

Item	Cost	Save money over time	Buy now with cash	Buy now with credit
New computer	\$800			
New clothes for summer	\$500			
Birthday present for a friend	\$100			
Brakes for your car	\$250			
New TV for your room	\$475			
Extra money you have:	\$400			
Amount of credit:	\$1,000			

Lesson Activity: Apply for Your Credit Card

Visit www.StudentExperienceCard.com and review the website in detail. Complete the credit card application. If you agreed to the terms then answer the questions below.

- What was the most important thing you learned about this credit card from reviewing the application?

- Did your opinion of the credit card offering change as you learned more about it? Please describe.

What Is Credit?

Lesson Activity: Credit versus Cash

Watch the video of Tyler Christopher speaking at one of NFEC's *Money X- Live* events.

Tyler Christopher is best known for his role as Nikolas Cassadine on the ABC daytime drama *General Hospital*, a character which he originated in 1996 and played off-and-on until 2011. He was nominated for a Daytime Emmy for the role in 1998, 2005, and 2006. Tyler currently plays on the TV show *The Lying Game*. Follow Tyler on Twitter at @Tyler2929.

Now answer the following questions based on Tyler's experience with money when he was a young man.

1. Did Tyler Christopher really need the purchases he made with the credit card? Why or why not?

2. How could Tyler Christopher have used his credit card to build his credit in college rather than ruin it?

3. How did his choices about credit hurt him later on?

Lesson Questions:

1. Which of the following is the correct definition of “interest”?
 - a. The time a lender allows between a purchase and payment due.
 - b. The fee charged by a lender for borrowing money.
 - c. The rate associated with stock investments.
 - d. The amount a person can purchase.
2. Making a purchase now with money that could have been saved and built interest is an example of _____.
 - a. A credit card purchase.
 - b. A debit card purchase.
 - c. Opportunity cost.
 - d. Good credit.
3. What is credit?
 - a. An arrangement for future payment of a loan or purchase.
 - b. Purchasing an item with cash.
 - c. Purchasing an item with an EFT from your bank account.
 - d. None of the above.



What Is Credit?

Essential Questions:

Why is credit important?

What is an interest rate?

Why do you pay interest on your purchases with a credit card?

How can you have a credit card and not pay finance or interest charges?

Credit History

Warm-Up Activity

Follow the instructor's directions to complete the table.

What doors does having good grades open?	What doors does having bad grades close?
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>

Your credit standing is like a school report card. It grades you on how well you pay back money you borrow. Three organizations (called credit bureaus) rate your credit each month and assign you a grade, which is called a “credit score.” Lenders report the details of all your loans to the credit bureaus. If you always pay back things you borrow, you get an A. If you pay your lenders late, you get a C. And if you don’t ever pay them back, you get an F.

Your credit score determines how easy it will be for you to borrow.

Credit Reports

In today’s age, building and maintaining good credit can make or break your future. Simply defined, good credit means you keep all your financial agreements in good faith; you honor your commitments and pay all your bills on time.

Your *credit history*, or *credit report*, is a detailed account of all information about your credit situation: how much you owe, how you pay your bills, and whether your payments have ever been delinquent. Credit bureaus track and analyze this information to calculate your *credit score*. Credit scores are expressed in numbers between 300 and 850; the higher your score, the better your credit. A good credit score helps you obtain loans, rent apartments, get jobs, and qualify for lower interest rates (and therefore lower payments).

Building and maintaining good credit will save you more than \$10,000—even more than \$100,000—over your lifetime. Let me repeat: *Building and maintaining good credit can save you over \$100,000 in your lifetime*. The best part is that building good credit is one of the easiest things you can do.

Credit History

Your credit score is similar to a report card in school. In school, if you frequently missed class, did poorly on tests, and never did your homework, you probably would receive a bad grade (D or F). With credit, if you don't pay your bills on time, carry a high debt load, and have bills that you stopped paying, you probably will have a bad credit score.

Before you get a car loan, student loan, or buy a home the first thing a lender looks at is your credit report. Prospective lenders review your credit report to determine if they will lend you any money, and if so, at what interest rate. Maintaining an admirable credit history aids many aspects of life. Good credit helps you qualify for a mortgage and obtain car and bank loans. Many employers now look at an applicant's credit before hiring.

What Is a Credit Bureau?

A credit bureau collects and stores credit information on consumers. There are three main credit bureaus: Equifax, Experian, and TransUnion. Each keeps its own records and individual credit scores.

Your credit score is a report card of your credit history for the past 7-10 years. The grading system they use is called a FICO (for the Fair Isaac Corporation) score.

Let's explore what the FICO score evaluates. Five data categories influence your credit score, to varying degrees:

- 35% — Payment history
- 30% — Amounts currently owed
- 15% — Length of your credit history (The longer the better, but don't worry about this one too much: you will build your history over time.)
- 10% — New credit (the number of recently-opened accounts)
- 10% — Types of credit used

FICO GRADES		
720 or higher	Excellent	A
660 to 720	Good	B
620-660	Average	C
560 to 620	Poor	D
560 or less		F

Credit bureaus look at all five areas when scoring your credit, but the payment history and amounts currently owed have the biggest impact. So keeping your balances low and paying your bills on time are the two most important steps toward maintaining good credit! Following is a more comprehensive list of strategies for having a great credit score.

■ The Bottom Line

Without an excellent credit rating, you pose a higher risk to lenders, which will increase your interest rate and closing costs. You are literally giving money away.

Let's take a look at what happens when you buy a car. If you have good credit, you will receive a lower interest rate. But with bad credit, your interest rate increases. In the example shown, you would end up paying **\$4,200 more** over the five-year term of the loan if you had bad credit.

What would you rather spend that money on?

Line Item	Good Credit	Bad Credit
Price of Car	\$25,000	\$25,000
Interest Rate	6.25%	12%
Monthly Payment	\$486	\$556
Years to Pay Off	5	5
Actual Cost	\$29,160	\$33,360
Difference in Price		+\$4,200

STEPS FOR GETTING AN "A" CREDIT SCORE

- ☐ Get a complimentary copy of your credit report.
- ☐ Identify the areas you need to work on and create a credit plan to address those areas.
- ☐ If you're already in debt, create a debt reduction/debt payoff plan.
- ☐ If you don't have a credit history yet, first save 6 months' worth of your bills, have a working budget, and have the ability to control your spending. Then get a credit card, use it each month and pay it back in full each and every month.
- ☐ Set up the automated system so your bills are automatically paid on time.
- ☐ Review your medical and auto insurance to ensure that you have adequate protection in place in case something happens.
- ☐ Review your credit report annually and three months prior to any major purchase.
- ☐ Consider signing up for credit protection plans.
- ☐ Build up your available credit over time and keep your debt load to a minimum.
- ☐ Limit inquiries—don't have your credit report run too often—and be aware and conscientious about things that might impact your credit rating.

TIPS FOR GETTING OR KEEPING GREAT CREDIT

- ☐ **Pay your bills on time.**
Set up automatic bill pay through your bank to make it easy.
- ☐ **Keep debt low.** Low debt helps keep your credit score high and avoids needless interest payments.
- ☐ **Build, repair, or maintain a good credit score.** You must prove to the credit bureaus that you have the ability to pay back money you borrow.
- ☐ **Keep inquiries to a minimum.**
Don't have your credit report run too often.
- ☐ **Have health and auto insurance!**
One of the biggest causes of bankruptcy is medical bills; avoid that problem by making sure you have enough coverage.
- ☐ **Check your credit once a year.** If your credit score is low, hire a professional service to clean up your prior mistakes.
- ☐ **Keep credit cards open with a zero balance.**
Credit bureaus will give you a higher rating when they see you have the ability to access more money.
- ☐ **Use your credit actively and pay everything off in full every month.** Credit bureaus punish people who do not use their credit.
- ☐ **Build up to \$25,000 to \$40,000 of available credit** on various credit cards and maintain a zero balance on each one at the end of each month. Don't do this if you cannot control your spending.

■ Already in Debt

If you're already in credit card debt, it's not the end of the world; you'll just need some added dedication to get yourself out of the hole. The key to getting out of credit card debt is to prioritize payments.

- Get a free copy of your credit report from all 3 credit bureaus (Experian, TransUnion and Equifax) by visiting www.AnnualCreditReport.com.
- Dispute the negative items on your credit report. The credit bureau has 30 days to verify the information or it drops off your report.
 - Letter templates can be found at the end of the lesson.
- Continue your letter-writing campaign. You can expect some of the items to drop off, but others won't.

Credit, Debt, and Loans

- If you still owe money to lenders that have put bad marks on your credit, contact each lender directly. (Sample form letters for contacting both businesses and the credit reporting companies have been provided at the end of the lesson.)

Call each credit card company to which you owe money. Find out the interest rates they're charging you and ask about any promotional rates for which you may be approved. Once you have the rates you're paying to each credit card company, organize a payment structure.

Pay just the minimum payment on all credit cards except the one with the highest interest rate. Put all your payment money toward paying the highest-rate credit card down first. Once the high-rate card is paid off, begin paying down the one with the next-highest rate. Keep up the plan until all your cards are paid off. Following this payment structure will save you a lot in interest.



Lesson Questions

1. A credit score is:
 - a. A detailed report about a person's credit history.
 - b. A report that outlines payback history and debts owed.
 - c. A report to help lenders determine one's creditworthiness for future lending.
 - d. All of the above.
2. Which of the following actions will limit your possibility of getting and keeping an "A" credit rating?
 - a. Creating a debt reduction plan if you are in debt.
 - b. Having adequate medical and auto insurance.
 - c. Keeping debt load to a minimum.
 - d. Checking your credit each time you pay off an account.
3. Your credit history ...
 - a. Allows you to make purchases that you pay for at a future date with interest.
 - b. Is a debit card.
 - c. Is a profile that reflects your payback history.
 - d. Is debt that should be avoided.
4. A credit bureau:
 - a. Collects and stores consumer credit information.
 - b. Collects and stores consumer purchase data.
 - c. Collects and stores consumer medical information.
 - d. Collects and stores consumer investment information.
5. Which of the following categories influence your FICO score?
 - a. Outstanding debt
 - b. Payment history
 - c. Types of credit used
 - d. All of the above

6. Your credit history is:
 - a. A report of your assets.
 - b. A detailed budgeting plan.
 - c. A detailed account of your credit situation.
 - d. A detailed report of your tax payments.
7. Good credit means:
 - a. You keep your financial commitments most of the time.
 - b. You honor the only the debts that are the most important.
 - c. You build wealth through a sustainable investment plan.
 - d. You honor your commitments and pay all your bills on time.
8. To build an excellent credit rating, you should:
 - a. Get a complimentary copy of your credit report each year.
 - b. Create and follow a debt reduction plan.
 - c. Set up an automatic payment system to pay your bills.
 - d. All of the above.



Essential Questions:

What is a credit report or credit history?

Why is it important to have a good credit score?

What doors are opened by having a positive credit score?

Why is a negative credit score bad?

What are some important ways to get and keep good credit?

FORM LETTER TO A BUSINESS OR LENDER TO REMOVE FRAUDULENT CHARGES FROM YOUR ACCOUNT

[Date]

[Name of Company]

[Fraud Department or Billing Inquiries]

[Address]

[City, State, Zip Code]

RE: [Account Number (if known)]

[Your Name]

[Your Address]

[Your City, State, Zip Code]

Dear Sir or Madam:

I am writing to dispute [a] fraudulent charge[s] on my account in the amount[s] of [\$_____], and posted on [dates]. I am a victim of identity theft, and I did not make [this/these] charge[s]. I request that you remove the fraudulent charge[s] and any related finance charges from my account, send me an updated and accurate statement, and close the account (if applicable). I also request that you stop reporting this inaccurate information and report the correct information to all of the nationwide credit reporting companies (CRCs) to which you provided it.

Enclosed is a copy of my Identity Theft Report, credit report, and account statement showing the fraudulent items related to your company that are the result of identity theft. Also enclosed is a copy of the Notice to Furnishers of Information issued by the Federal Trade Commission, which details your responsibilities under the Fair Credit Reporting Act as an information furnisher to CRCs.

Please investigate this matter and send me a written explanation of your findings and actions.

Sincerely,

[Your Name]

FORM LETTER TO CREDIT AGENCY DISPUTING FRAUDULENT CHARGES FROM YOUR CREDIT REPORT

[Date]

[Name of Company]

[Address]

[City, State, Zip Code]

RE: [Your Name]

[Your Address]

[Your City, State, Zip Code]

Dear Sir or Madam:

I am a victim of identity theft and I write to dispute certain information in my file resulting from the crime. I have circled the items I dispute on the attached copy of my credit report. The items I am disputing do not relate to any transactions that I made or authorized.

Please remove or correct this information at the earliest possible time. I dispute the [name of source, like "Company" or "Court"] [name of item, like "account" or "judgment"] because [explain why the item is inaccurate]. As required by section 611 of the Fair Credit Reporting Act, a copy of which is enclosed, I am requesting that the item[s] be removed [or request another specific change] to correct the information.

[If possible] — I have enclosed copies of documents that support my dispute.]

Please investigate and correct the disputed item[s] as soon as possible.

Sincerely,

[Your Name]

Identity Theft

Warm-Up Activity

You work hard to save your money and purchase a nice HDTV and Wii for your bedroom. It took you almost a year to save the money but now you are enjoying the TV and video game player with your little brother. Then you wake up the next morning and see that it is all gone. How could this have happened? Someone has stolen it while you were sleeping. All you worked for gone without you having a chance to defend yourself.

How does this make you feel?

Identity Basics

An issue that can severely affect your credit score is *identity theft*. Identity thieves get hold of your social security or account number and use it to charge up your credit or steal money from your bank accounts. Your identity can be stolen by any of these methods:

METHOD	PREVENTION
Old hard drives	Consistently erase/delete information
Hacking	Make your passwords harder, and change them on a set cycle (i.e., quarterly)
Pharming — Hackers redirect you to a website without your knowledge, and attempt to collect your information fraudulently.	Check the URL of any website that asks for personal information. Use only secure sites when making transactions. The website URL should begin with https. Virus protection and firewalls should be installed and updated. Use settings that block or warn you about suspicious websites.
Dumpster diving — people dig through your trash seeking information.	Use a shredder to destroy documents.

Identity Theft

METHOD	PREVENTION
Mail theft — going through your mailbox or forwarding mail to another location.	Use paperless bills and pay attention to your mail. Get a mailbox at the U.S. Post Office. Opt out of pre-approved credit cards by visiting www.optoutprescreen.com .
Stealing your purse or wallet	Don't carry your social security card, and limit other information that thieves could get their hands on. Keep your personal information in a secure place at home.
False scanners on ATMs	Pay attention — fake scanners can sometimes be identified if you are aware.
Phishing — someone calls or emails you pretending to be another company and tries to get your information.	Order a free copy of your credit report from the three credit bureaus: Experian, Transunion, and Equifax. Visit www.MyAnnualCreditReport.com to secure your report annually.

Types of Identity Theft

Ask: “What are the main types of identity theft?” Listen to responses, then go over the information below (also provided in the Student Guide).

- **Social Security Identity Theft.** If someone uses your SSN to get a job, the employer may report that person's income to the IRS using your SSN. When you file your tax return you won't include those earnings. IRS records will show you failed to report all your income. The agency will send you a notice or letter saying you got wages but didn't report them. The IRS doesn't know those wages were reported by an employer about which you're unaware. If someone uses your SSN to file for a tax refund before you do, the IRS might think you already filed and got your refund. When you file your return later, IRS records will show the first filing and refund, and you'll get a notice or letter from the IRS saying more than one return was filed for you.
- **Driver's License Identity Theft.** If your government-issued identification—driver's license, passport, or Medicare card—has been lost, stolen, or used fraudulently, contact the agency that issued the identification.
 - Contact the appropriate agency in your state.
 - Department of Motor Vehicles for drivers licenses and ID cards
 - Social security office for Medicare card
 - US Department of State – Bureau of Consular Affairs for passports.
 - Cancel the lost or stolen item and get a replacement.

- Ask the agency to put a note in your file so no one else can get a license or ID in your name.
- **Financial Identity Theft.** “Existing accounts” are bank/credit accounts for which you already have a card, accounts that you personally opened. When your wallet gets stolen existing accounts often are hit quickly, within a matter of hours. The thief knows that as soon as you notice the cards missing, you’ll report them and they’ll no longer work. More importantly, thieves also know that if they use the card after it’s reported stolen they run a higher risk of being caught.
 - **Banks** have had to deal with identity theft for a while now, and have clear-cut guidelines for how to handle a hijacked account. Most often damage is negligible, a few hundred dollars and the inconvenience of wasted time. Sometimes your money is tied up while the bank investigates the problem, but even then you’re only looking at a couple of months.
 - **Credit card companies**, too, have dealt with identity theft for several years. The difference between your ATM card with the VISA logo on it and your VISA credit card is that the ATM card takes money directly out of your personal account. But money spent using the credit card is essentially a loan. So while the identity thief takes your money with an ATM card, they are taking a loan in your name when they use your credit card. In other words, the credit card company is out the money, not you. Although it’s often called *credit card fraud*, this type of fraud is generally accepted as one of the main forms of identity theft.
- **Medical Identity Theft.** A thief may use your name or health insurance numbers to visit a doctor, get prescription drugs, file claims with your insurance provider, or get other care. If the thief’s health information is mixed up with yours, your treatment, insurance and payment records, and credit report may be affected. Signs of medical identity theft include:
 - A bill for medical services you didn’t receive.
 - A call from a debt collector about a medical debt you don’t owe.
 - Medical collection notices on your credit report that you don’t recognize.
 - A notice from your health plan saying you reached your benefit limit.
 - A denial of insurance because your medical records show a condition you don’t have.
- **Insurance Identity Theft.** Insurance identity theft is closely related to financial identity theft and medical identity theft. It can affect your finances and healthcare treatment, but by nature insurance identity theft puts its victims through a special type of hell.
- **Children’s Identity Theft.** The Children’s Online Privacy Protection Act (COPPA Rule) was put in place to protect kids’ personal information on websites and online services—including apps—directed to children under 13. The COPPA Rule also applies to a general audience site that knows it’s collecting personal information from kids that age.

Identity Theft

- **Criminal Identity Theft.** Criminal identity theft is just as difficult a problem to resolve as medical identity theft. Like medical identity theft, criminal identity theft has a way of coming back to haunt you even after you think you it's been resolved. The easiest way to detect criminal identity theft is to get caught speeding. The officer who stops you will run your license and registration. If there are warrants out for your arrest, they will give you a pretty set of matching silver bracelets and free public transportation to the local precinct.
- **Mortgage Identity Theft.** In a real estate investment scheme, mortgage fraud perpetrators persuade investors or borrowers to purchase investment properties, generally at fraudulently inflated values. Borrowers are persuaded to purchase rental properties or land under the guise of quick appreciation. Victims pay artificially inflated prices for these investment properties and, as a result, experience personal financial loss when they discover the true value. Analysis of FBI cases opened in FY 2010 revealed that 43% of FBI field offices have reported such activity, with losses exceeding \$76 million.
 - **Equity skimming** schemes occur when mortgage fraud perpetrators drain all the equity out of a property. For example, perpetrators charge inflated fees to “help” homeowners profit by refinancing their homes multiple times and skimming the equity from their property. A perpetrator also will help a homeowner establish a home equity line on a property. The perpetrator then encourages the homeowner to access these funds for investment in various scams.
 - **Foreclosure rescue** schemes are often associated with advance fee/loan modification program schemes. Perpetrators convince homeowners that they can save their homes from foreclosure through deed transfers and paying up-front fees. This “foreclosure rescue” often involves a manipulated deed process that results in the preparation of forged deeds. In extreme instances, perpetrators may sell the home or secure a second loan without the homeowner’s knowledge, stripping the property’s equity for personal enrichment. For example, the perpetrator transfers the property to his name via quit claim deed and promises to make mortgage payments while allowing the former homeowner to remain in the home paying rent. The perpetrator profits from the scheme by remortgaging the property or pocketing fees paid by desperate homeowners. Often the original mortgage is never paid by the perpetrator and foreclosure is only delayed

AVOID IDENTITY THEFT

- ☐ Purchase a shredder and destroy personal information before discarding.
- ☐ Check the URL before entering personal information on the web.
- ☐ Erase old hard drives before selling or discarding the computer.
- ☐ Use unique passwords and keep them secure.

IDENTITY THEFT PREVENTION

Explain that there are many ways to prevent one's identity from being stolen. Go over the examples that follow:

- **The National Do Not Call Registry** offers an opportunity to limit the telemarketing calls you receive. Once you register your phone number, telemarketers covered by the National Do Not Call Registry have up to 31 days from the date you register to stop calling you.
- **For Credit and ATM or Debit Cards:**
 - Don't disclose your account number over the phone unless you initiate the call.
 - Guard your account information. Never leave it out in the open or write it on an envelope.
 - Keep a record of your account numbers, expiration dates, and the telephone numbers of each card issuer so you can report a loss quickly.
 - Draw a line through blank spaces on charge or debit slips above the total so the amount can't be changed.
 - Never sign a blank charge or debit slip.
 - Tear up copies and save your receipts to check against your monthly statements.
 - Cut up old cards—cutting through the account number—before you throw them away.
 - Open your monthly statements promptly and compare them to your receipts. Report mistakes or discrepancies as soon as possible.
 - Carry only the cards you'll need.
- **For ATM or Debit Cards:**
 - Don't carry your PIN in your wallet, purse, or pocket or write it on your card. Never write a PIN on the outside of a deposit slip, an envelope, or anywhere it could be lost or viewed. Memorize all your PINs.
 - Carefully check all your ATM or debit card transactions; funds for each item you purchase will be quickly transferred out of your checking account.
 - Regularly check your account activity, especially if you bank online. Compare the current balance and transactions to those you've recorded. Report any discrepancies immediately.
 - Read the Privacy Notices, which explain the personal financial information a company collects; whether the company intends to share your personal financial information with other companies; what you can do to limit sharing; and how the company protects your personal financial information.
- **Use only a secure server** to access the Internet. Cyber hackers can get into your system and steal critical personal and financial information.
- **Shred. Shred. Shred.** If you feel like you're shredding every piece of paper that enters your home, you're doing it right. Invest in a shredder – it's worth it.

Identity Theft

- **Keep your Social Security card**, passport, license, and other valuable personal information hidden. A lockbox (or safety deposit box) is a good idea. Leaving the lockbox out in the open isn't.
- **Avoid writing or printing** your phone number or Social Security number on checks.
- **Get a mailbox** that locks.
- **Opt out** of unnecessary (sometimes risky) credit or insurance offers. Call 1-888-5OPTOUT and alert all 3 credit bureaus that your name is not for sale.
- **Never provide your social security** information or private contact information over the phone—unless YOU initiated the phone call.
- **Delete any suspicious email.** If it seems strange, it is. If it seems too good to be true—it is.
 - If you're communicating with a business, be sure that electronic data is encrypted (secure) and that their security systems are audited.
 - Watch for people who may try to eavesdrop and overhear information you give out verbally. A great example is not saying your phone number aloud in a supermarket when you've forgotten your loyalty/discount card.

What if You're a Victim?

If you find yourself victim to identity theft, the Federal Trade Commission (FTC) suggests following these steps:

- Contact the fraud departments of the three consumer reporting companies to place a fraud alert on your credit reports.
- Close all accounts that you know or believe have been tampered with or opened fraudulently.

If you report:	Your maximum loss:
Before any unauthorized charges are made	\$0
Within 2 business days after you learn about the loss or theft	\$50
More than 2 business days after you learn about the loss or theft, but less than 60 calendar days after your statement is sent to you	\$500
More than 60 calendar days after your statement is sent to you	All the money taken from your ATM/debit card account, and possibly more; for example, money in accounts linked to your debit account.

If your identity is stolen you should contact the following agencies:

- The three credit bureaus: Trans Union, Equifax, Experian
- The Federal Trade Commission
- The IRS
- Internet Crime Complaint
- Local police department
- Report scams to your state Attorney General
- If you're outside the US, file a complaint at econsumer.gov
- If you get unsolicited email offers or spam, send the messages to spam@uce.gov
- If you get what looks like lottery material from a foreign country through the postal mail, take it to your local postmaster.

REPORTING AGENCIES' CONTACT INFO

- ☐ Equifax : Fraud Assistance Division
Fraud hotline: 1-800-525-6285
P.O. Box 740241, Atlanta, GA 30374-0241
- ☐ Experian : Fraud Victim Assistance
Fraud hotline: 1-888-EXPERIAN (397-3742)
P.O. Box 9332, Allen, TX 74013
- ☐ TransUnion : Fraud Victim Assistance
Fraud hotline: 1-800-680-7289
P.O. Box 6790, Fullerton, CA 92834-6790

The form letters found at the end of the lesson can be used to assist with reporting fraudulent charges applied to your account(s).



Lesson Activity: Identifying Identity Theft

For this activity, the class will be divided into three groups. Your instructor will provide detailed instructions on how to proceed.

GROUP 1	<ul style="list-style-type: none"><input type="checkbox"/> One person has worked for a long time to build good credit.<input type="checkbox"/> The person has very little credit and pays off all of his/her credit cards every month.<input type="checkbox"/> One day he/she tries to buy a new car, and finds out that he/she is being denied a loan due to poor credit.
GROUP 2	<ul style="list-style-type: none"><input type="checkbox"/> One person with bad credit wants to buy a house very badly.<input type="checkbox"/> He/she knows someone who knows someone who can get him/her a new social security number for \$250. The person buys the new number and buys the house of his/her dreams.<input type="checkbox"/> Two months later, two police officers come knocking on the door. The person is shocked —he/she thought he/she hadn't done anything wrong.
GROUP 3	<ul style="list-style-type: none"><input type="checkbox"/> One person finds a wallet on the floor.<input type="checkbox"/> The person takes all of the money from the wallet and uses the credit cards.<input type="checkbox"/> The owner of the wallet finds out what happened, using online banking, and calls the police.

Lesson Activity: Identity Theft Check

Complete the form below and turn it in to the class instructor so he/she can check

First Name	_____				
Last Name	_____				
Phone	_____	Alt. Phone	_____		
Email Address	_____				
Street Address	_____				
City	_____	State	_____	Zip Code	_____
Social Security Number	_____				
Driver's License Number	_____				
Date of Birth	_____				
Place of Birth	_____				

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Lesson Questions

1. Which of the following represent(s) ways in which identity theft occurs?
 - a. Online.
 - b. Via old computer hard drives.
 - c. Stealing wallets.
 - d. All of the above.
2. What do shredding and changing passwords have in common?
 - a. Each makes it easier for identity thieves to steal information
 - b. They have nothing in common.
 - c. They help prevent identity theft.
 - d. They eliminate “dumpster diving.”

Essential Questions:

What is identity theft?

Identity Theft

How can I protect myself from identity theft?

Why is identity theft bad?

FORM LETTER TO A BUSINESS OR LENDER TO REMOVE FRAUDULENT CHARGES FROM YOUR ACCOUNT

[Date]

[Name of Company]

[Fraud Department or Billing Inquiries]

[Address]

[City, State, Zip Code]

RE: [Account Number (if known)]

[Your Name]

[Your Address]

[Your City, State, Zip Code]

Dear Sir or Madam:

I am writing to dispute [a] fraudulent charge[s] on my account in the amount[s] of [\$_____], and posted on [dates]. I am a victim of identity theft, and I did not make [this/these] charge[s]. I request that you remove the fraudulent charge[s] and any related finance charges from my account, send me an updated and accurate statement, and close the account (if applicable). I also request that you stop reporting this inaccurate information and report the correct information to all of the nationwide credit reporting companies (CRCs) to which you provided it.

Enclosed is a copy of my Identity Theft Report, credit report, and account statement showing the fraudulent items related to your company that are the result of identity theft. Also enclosed is a copy of the Notice to Furnishers of Information issued by the Federal Trade Commission, which details your responsibilities under the Fair Credit Reporting Act as an information furnisher to CRCs.

Please investigate this matter and send me a written explanation of your findings and actions.

Sincerely,

[Your Name]

FORM LETTER TO CREDIT AGENCY DISPUTING FRAUDULENT CHARGES FROM YOUR CREDIT REPORT

[Date]

[Name of Company]

[Address]

[City, State, Zip Code]

RE: [Your Name]
[Your Address]
[Your City, State, Zip Code]

Dear Sir or Madam:

I am a victim of identity theft and I write to dispute certain information in my file resulting from the crime. I have circled the items I dispute on the attached copy of my credit report. The items I am disputing do not relate to any transactions that I made or authorized.

Please remove or correct this information at the earliest possible time. I dispute the [name of source, like "Company" or "Court"] [name of item, like "account" or "judgment"] because [explain why the item is inaccurate]. As required by section 611 of the Fair Credit Reporting Act, a copy of which is enclosed, I am requesting that the item[s] be removed [or request another specific change] to correct the information.

[If possible] — I have enclosed copies of documents that support my dispute.]

Please investigate and correct the disputed item[s] as soon as possible.

Sincerely,

How to Pay Off Debt

Warm-Up Activity

How does reducing or eliminating debt help you achieve your dreams?

Lesson Activity: Risks and Rewards

List (at least) five risks you believe are associated with carrying a debt load. _____

How can you reduce, manage, or eliminate the risks you listed in the previous question?

Lesson Activity: Drowning in Debt

After watching the video, use the information below to help Sara make the proper decision about handling her credit card debt.

Sara has three credit cards.

- She owes \$8,000 on a credit card with a 27% rate.
- She owes \$5,000 on a credit card with a 22% rate.
- She owes \$6,000 on a credit card with a 14% rate.

How to Pay Off Debt

- She owes \$0 on a new credit card and can transfer up to \$10,000 from her other credit cards. She would receive 0% interest for 6 months; after that the interest rate becomes 18%.

What should Sara do? _____

Help Rob make the proper decision about handling her credit card debt.

Rob has three credit cards.

- He owes \$20,000 on a Perkins student loan with a 5% interest rate.
- He owes \$10,000 on a Stafford student loan at 7% interest.
- He can qualify for a student loan consolidation that would consolidate the debt into a single payment. The new loan would be for \$30,000 with an interest rate of 8%.

Should Rob consolidate his loans? _____

CALL TO ACTION

- ☐ Accurately calculate your current loan balance(s).
- ☐ Contact your loan companies. Keep an organized account of the balance, terms, interest rates, payments, and any other relevant details.
- ☐ Create a rough plan for reducing your loan debt.
- ☐ Create a rough plan for paying your loans.

Lesson Activity: Create Your Loan Payoff Plan

Follow your instructor's directions, answer the questions about your Loan Payoff Plan to complete this activity.

1. I seek a job (I have a job) that pays \$_____ take-home pay per month.
2. I keep my monthly expenses at or below \$_____
3. This plan allows me to allocate \$_____ per month toward paying off debt.
4. At this rate I will be debt-free in _____ years.

Creditor Name	Type of Loan	Amount Owed	Interest Rate	Min Paymt	Avail Bal	Important Terms
Subsidized Loan 1	Student	\$12,860	6%	\$108	\$0	15 year payoff
Stafford (unsub)	Student	\$20,009	6.8%	\$177	\$0	15 year payoff
Perkins Loan	Student	\$15,020	5%	\$159	\$0	10 year payoff
Grad Plus	Student	\$5,000	7.90%	\$47	\$0	15 year payoff
Visa #1	Credit card	\$567	27%%	\$20	\$433	
MasterCard	Credit card	\$2,245	24%	\$32	\$255	
Discover	Credit card	\$8,967	22%	\$149	\$33	
Visa #2	Credit card	\$6,200	0%	\$62	\$5,800	1 year at 0%, then 9.9%

5. Using the example above, toward which debt should the maximum payment be applied? _____

How to Pay Off Debt

6. Using the example above, what debt should the minimum payments be applied toward?
 - a. Perkins Loan
 - b. Visa #2
 - c. Subsidized Loan 1
 - d. All besides the one with the highest interest rate
7. Using the example above, which balances should be transferred to Visa #2?
 - a. Visa
 - b. Stafford, Unsubsidized
 - c. MasterCard
 - d. Discover
 - e. Visa, MasterCard and as much of the Discover balance that will fit.

Lesson Questions:

1. If you are unable to pay off the entire balance you owe in credit card debt, the best way to pay off the balance is to _____.
 - a. Make minimum monthly payments.
 - b. Pay off the card with the lowest interest rate first.
 - c. Pay the maximum your budget allows on the card with the highest interest rate.
 - d. Pay the maximum payment on the card with the highest balance.

Essential Questions:

Why is it important to minimize stress before making financial decisions?

What steps can you take to establish a payoff plan for future debt?

Car Loans

Warm-Up Activity

What is a car loan? _____

Why is it a good or bad idea to get a car loan? _____

How to Get a Car Loan

Choosing the right car loan can save you thousands of dollars. Be sure to learn all the ins and outs of entering into a car loan agreement, so you can evaluate your choices intelligently.

Car loans are available under different terms, ranging from one year to seven years in length. The longer the loan, the lower the payments. But long-term car loans have some possible negative consequences.

When you're just starting out managing your finances and learning to handle money, we suggest that you don't enter into a car loan with a term any longer than three years. Although a longer term will reduce your payments, sticking to three years means you'll own your car free and clear after three years instead of turning your first car into a never-ending purchase.

Upside Down and Out

The worst type of car loan is an upside-down loan. What does that mean? Upside-down is when the amount you owe on the loan is greater than the value of the car. For example, let's say you purchase a new car for \$20,000 on a seven-year loan. After paying on the car for three years, you still owe \$12,687. But what if, after three years, the car is only worth \$9,000? You would owe \$3,687 more than the car is worth! That's an example of an upside-down loan.

In this situation, if you want to buy another new car, you'll have to pay not only the \$3,687 that you're short, but also come up with a down payment for the new car!

On the other hand, if you had taken out just a three-year loan, in three years you would own the car completely. Then you'd have the \$9,000 value of your car available in trade to use as a down payment on another vehicle.

Many people fall into the trap of buying cars they can't really afford on long-term loans. Avoid that trap by sticking with car loans with three-year or shorter terms.

Car Loan Lenders

When you apply for a car loan, lenders want to be sure you can repay the loan. Lenders look at several key areas to decide whether you qualify:

- **Credit report.** The better your credit score, the lower your interest rate—which translates into lower payments.
- **Income.** Lenders evaluate your income compared to the debts you owe (this relationship is called your debt-to-income ratio). Your ideal situation will be a consistent employment history with little debt.
- **Equity.** The more cash you can put down up front, the less you'll need to borrow. A large down payment makes loan qualification easier.

Before you head off to the car dealership, go to your bank, credit union, or an independent car lender to pre-qualify for a loan. If you already have financing, you'll get a better deal. Shop around for the best auto loan just like you shop around for the best car price.

Budget Before Buying. Before getting any loan, plug it into your budget and make sure it fits. Never enter into any loan agreement that you can't truly afford.



REMEMBER THE BBB PHILOSOPHY
Budget Before Buying

▼ Beware the Repo!

What happens if I can't keep up with my car payments?

If you miss several months of car payments, the lender will contract with a repossession ("repo") company. "Repo" companies send people to take the car back, typically on the back of a tow truck. You lose the car, all the money you've paid monthly, and your down payment too. On top of that, your credit history will be seriously damaged. You'll have major difficulty qualifying for another car loan.

Don't be that pathetic person who calls the police to report a car stolen only to find out the lender took it back due to lack of payment.

▼ Maintain Insurance

Every car owner must insure the vehicle. When your car is paid for, you can insure your car at the minimum level required by state law. But when you have a car loan, the lender will require that you carry full coverage. That's because lenders have to protect themselves from incurring a loss if the car is damaged. If you don't have insurance or if you miss insurance payments, the lender will start to charge you extra for loan insurance that they provide— and it's expensive.

Shop around for an insurance company at the same time as you shop for your auto loan and car. Good, clean driving records help you get the best insurance rates.



Lesson Questions:

1. Why is a car loan considered a “bad” debt?
 - a. It takes a long time to pay off.
 - b. The bank must charge a high interest rate.
 - c. The car may decline in value before the debt is paid.
 - d. The car will appreciate in value at the time the loan is made.
2. Why do people with good credit pay less for most things?
 - a. They are better negotiators than people with bad credit.
 - b. They are more conservative purchasers than people with bad credit.
 - c. They only pay cash.
 - d. They are less of a credit risk.

Essential Questions

How can your credit score affect the car loan for which you qualify?

How does a car loan affect your credit score over time?

Loan Manager

Warm-Up Activity

Pretend you want to apply for a loan.

What are some things that you think a loan manager would review to decide whether to approve your loan? _____

Lesson Activity: The Loan Manager

Read the following scenarios and be prepared to answer the questions about each.

You received a thousand dollar check and ...

Your friend Tom had his car break down and he needs to buy a car quickly to get to work. He needs to borrow \$900 for the full down payment. Do you lend it to him?

Collateral	Minimal. Tom only has \$200 for a down payment.
Credit	Tom has no credit history.
Income	Tom is making \$1,000 per month.
Debt	Tom's total debt is \$1,400 on credit cards. His total monthly payments — including debts, rent, and insurance — come to \$800 per month.
Assets	Tom has \$200 in a savings account.
Overall	Tom has a spotty job history and he has jumped fields several times — cashier, salesperson, stylist, and pet groomer.

Would you let Tom borrow money? _____

Why or why not? _____

Loan Manager

Samantha is trying to move to college but her student loan has been delayed. She needs \$900 to help meet expenses.

Collateral	No collateral
Credit	Good but short history. She has opened a few credit cards over the last year and has always paid them back in full and on time.
Income	Samantha makes \$1,200 a month.
Debt	Zero now but she is requesting a \$5,000 loan for her first year in college. Her other expenses — rent, insurance, and cell phone — total \$450 per month.
Assets	She has saved \$2,000 from holiday and birthday money and deposited it in a CD rather than savings to earn higher interest. The only problem is that account restrictions do not allow her to remove the money for another 6 months.
Overall	She has been working for a marketing company for the last 2 years and is studying event promotion in college.

Would you let Samantha borrow money? _____

Why or why not? _____

Lesson Questions:

1. Which of the following statements is NOT true?
 - a. A loan is a sum of money that you borrow.
 - b. A loan must be repaid.
 - c. A lender is an organization that lends money.
 - d. Collateral is anything you own.
2. If you purchase a vehicle and obtain a loan to pay for the vehicle, what is the collateral?
 - a. Your word that you will pay for the vehicle.
 - b. The vehicle.
 - c. The loan.
 - d. The person lending the money.



Essential Questions:

What is collateral? _____

What is a lender? _____

What do I need to bring with me when I submit a loan application to a lender?

Loan Qualifications

Warm-Up Activity

What are three things you know about qualifying for a loan?

How to Qualify for a Loan

The key to qualifying for any type of loan is preparation.

- For every major purchase, start with a sensible budget plan to avoid getting into bad debt situations.
- Figure out how much you can afford for a payment by plugging figures into your personal budget to see how much you can handle.
- Carefully consider your comfort level with the payments prior to making any purchase or investment decision.

Lenders look at five areas to determine whether you're eligible to qualify for a loan:

1. **Credit.** The first thing most lenders look at to qualify you for a loan is your credit report. Although you may qualify for some loans with poor credit, you'll end up paying a much higher interest rate—which means higher payments.
2. **Debt-to-income Ratio.** Lenders look at how much money you make compared to the bills you have. They want to make sure you make enough money to make all your monthly payments and still have money left over. Let's say you make \$4,000 per month and your loan payment is \$3,800. That doesn't look good for you. The lender will be thinking, "How can this person afford to pay me?" Having a low debt-to-income ratio lessens your personal risk when making a purchase.
3. **Liquid Assets.** Liquid assets are defined as money you have readily available, like money in your savings or checking account. Many lenders want to make sure you have enough liquid assets available to cover payments for a few months. Lenders want to see on average at least three months of loan payments in an account. To be safe, we suggest you have at least six months of payments set aside, in addition to the down payment, before you enter into a loan agreement.

Loan Qualifications

4. **Equity.** Equity equals the value of the purchase minus any outstanding debts against it. During the loan qualification process, equity can be loosely defined as how much of your own money you put in. For example, the more money you give as a down payment, the easier it will be to qualify for a loan.
5. **Collateral.** Collateral is the asset you pledge in order to receive the loan. Usually the purchase item itself serves as collateral for a loan. That means that the lender really owns the item (i.e., the car or property) until the loan is paid off. If you default on the loan, the lender will take back the item.

The better you are prepared in these five areas, the lower your payments may be. Be prepared for your first loan and save a lot of money!



Lesson Questions:

1. Which of the following is a good way to obtain the best possible loan?
 - a. Be flexible.
 - b. Define your goals for the purchase.
 - c. Accept what is offered.
 - d. Be inflexible about the interest rate.
2. Which of the following is **NOT** an area at which lenders look when determining whether you are eligible for a loan?
 - a. Debt-to-income ratio
 - b. Credit
 - c. Education
 - d. Assets
3. What are four items lenders look for when qualifying an applicant?
 - a. Credit, cash, education, income.
 - b. Credit, equity, assets, debt-to-income ratio
 - c. Equity, cash, credit score, debt.
 - d. None of the above.

SECTION A - LOAN DATA

BORROWER'S PERSONAL AND FINANCIAL INFORMATION

2. AMOUNT OF LOAN \$

6. NUMBER OF YEARS AT PRESENT EMPLOYMENT

7. LIQUID ASSETS (savings, bonds, etc.) \$

PROPERTY INFORMATION AND PURPOSE OF LOAN

3. CASH PRICE \$

Loan Qualifications

Essential Questions:

What is a fixed-rate loan? _____

What is an adjustable-rate loan? _____

What is a debt-to-income ratio? _____

