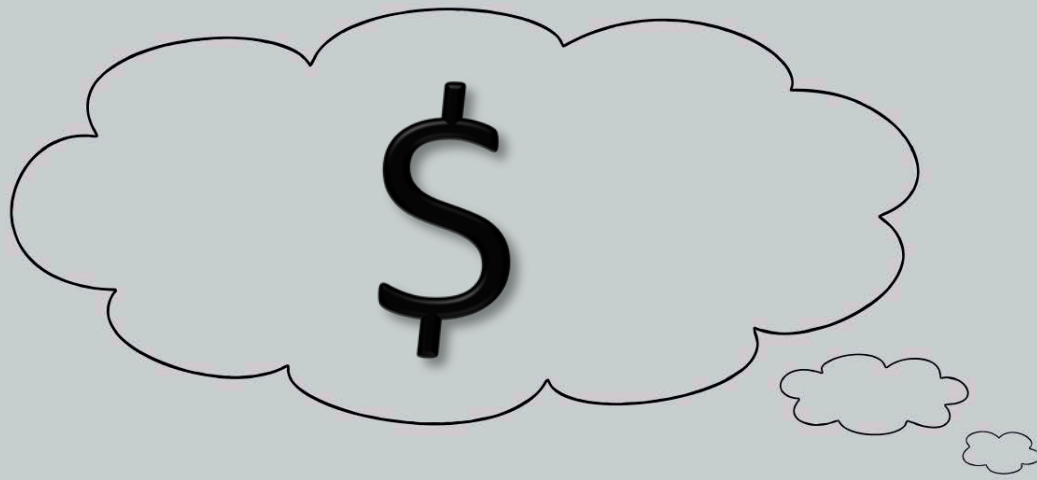


Financial Psychology





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

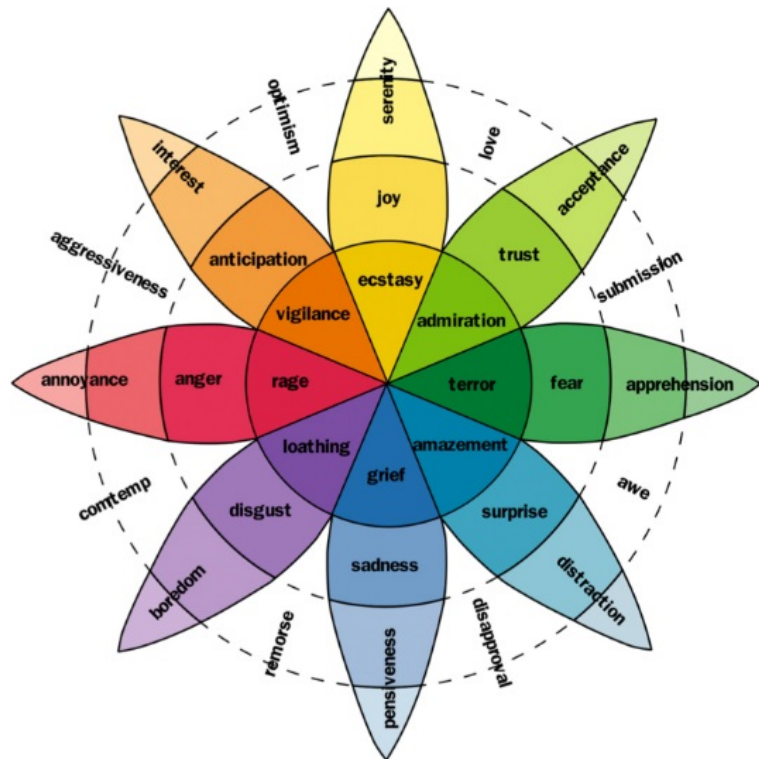
Describe how the following scenario makes you feel:

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. A silver 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?

