

Instructors Guide:
College



Financial Capability Curriculum



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Instructors Guide

Adult Advanced

Adult Foundation

College

High School

6th - 8th Grade

3rd - 6th Grade

PK - 2nd Grade



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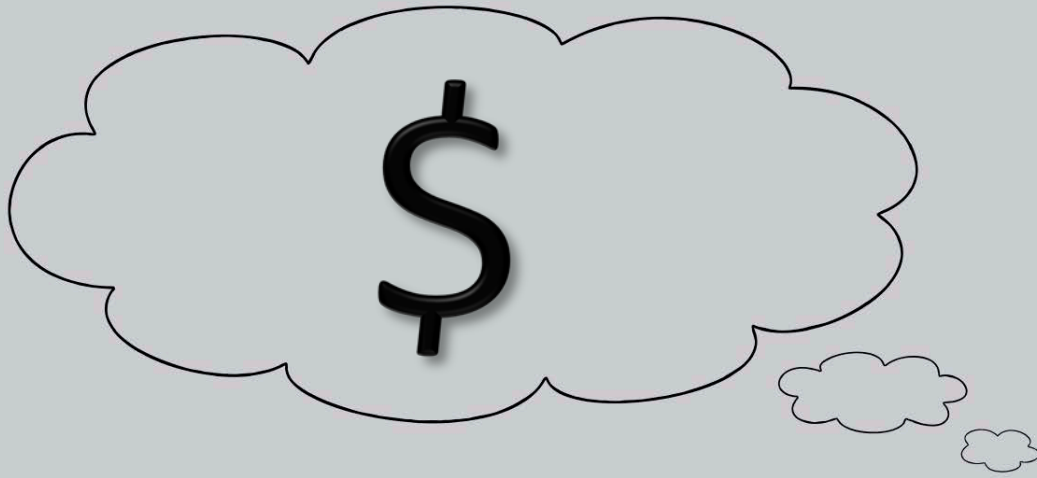
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Financial Psychology





Financial Psychology

In this unit students will develop an understanding of how their financial psychology relates to achieving their financial and lifestyle goals. Students will explore these concepts by looking in-depth at how their personalities, goals, dreams, and emotions can affect their attitudes toward money.

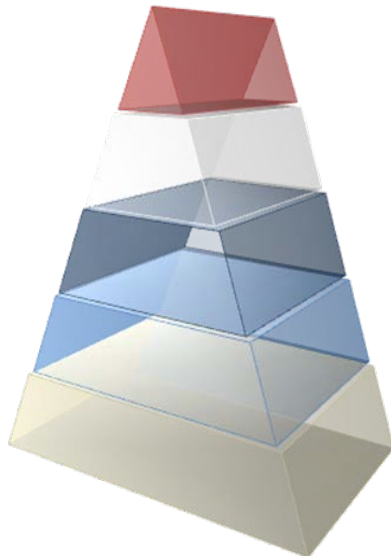
How Does Financial Psychology Develop?

Duration	◆ 20-30 minutes
Lesson Overview	◆ In this lesson, students will learn how financial beliefs and behaviors are related to the general psychological principles of needs, wants, and environmental influences.
Big Idea	<ul style="list-style-type: none">◆ Your ability to change your behavior impacts your financial well-being.◆ There's a relationship between your values, emotions and personal finances.◆ Your financial traits and habits impact your finances.◆ Your values and emotions will influence your financial decisions.◆ There are factors that influence your decisions.
Essential Questions	<p>At the end of the lesson, your students should be able to answer the following:</p> <ul style="list-style-type: none">◆ How does Maslow's hierarchy of needs relate to an individual's financial attitudes and behavior and motivate you to get money?◆ How does the concept of human conditioning relate to an individual's financial attitudes and behavior?◆ What level of Maslow's hierarchy of need do you identify with in terms of your financial life?◆ How has human conditioning shaped your financial life?
Skills	<ul style="list-style-type: none">◆ Assess how different emotional states can lead to different actions being taken.◆ You can assess external information to make informed decisions that align with your goals.
Vocabulary	<ul style="list-style-type: none">◆ Hierarchy of needs◆ Physiological needs◆ Security needs◆ Love and belonging needs◆ Esteem needs◆ Self-actualizing needs◆ Human conditioning

Anticipatory Set

Ask students to complete the **Warm-up Activity** in their Student Guides. Give the following instructions:

- Pretend you have just received \$1,000 to spend any way you please, with no strings attached.
 - Take a few minutes to write down what you would do with the money.
 - After you've figured out how you'd spend the \$1,000, take a few minutes to explain why you'd spend it that way. For example,
 - If you're going to put it all in savings, what are you saving for?
 - If you're going to buy gifts, what's the occasion?"



MASLOW'S HIERARCHY OF NEEDS

Self-Actualizing Needs. The highest level of Maslow's Hierarchy of Needs is self-actualizing. This is when people focus on personal growth, legacy, and making a positive difference.

Esteem Needs. Fourth on Maslow's Hierarchy of Needs includes the desire for personal achievement, accomplishment, status, and earning respect.

Love and Belonging Needs. These social needs include the desire to be accepted and loved, and share affection.

Security Needs. The next level of Maslow's Hierarchy of Needs includes the desire for safety and security.

Physiological Needs. Maslow believed that needs such as food, water, air, and sleep are the most basic, fundamental, and instinctive. All other needs described in this hierarchy become secondary until core physiological needs are met.

Developed by Abraham Maslow in his 1943 paper *A Theory of Human Motivation*. Please note: This coursework is not validating Maslow's theory. However, it gives us a good framework to understand the impact of finances on our lives.

Lesson Explanation

Ask students to review the graphic of Maslow's *Hierarchy of Needs* in the Student Guide. To facilitate in-class instruction, ask student volunteers to give examples from their own lives demonstrating each type of need.

How Does Financial Psychology Develop?

Tell students: “Psychologist Abraham Maslow developed his *Hierarchy of Needs* theory in 1943. As we can see from the pyramid graphic, according to Maslow, the higher people climb up the needs hierarchy, the better their lives will be.

Now, where does a person fall on the pyramid when he or she is suffering from heavy financial stress? If you’re about to lose your home, you’re probably not thinking about self-actualization. Financial issues place you in the lower levels of need. You must address the issues before you can address the higher levels of need.

Tell students to take a minute to look over their answers from the earlier activity.

- When you had \$1,000 to spend, how did you spend it?
- What need did that money fulfill?
- If you were relieved to have money for electricity, gas, and rent your financial life probably centers on your physiological needs right now.
- If you decided to save that \$1,000 for retirement, you were fulfilling a security need.

For in-class instruction, ask student volunteers to share examples (if they feel comfortable doing so.)

Say, “Now that we’ve seen how finances can fulfill different psychological needs, let’s think about how we’ve learned to use money to fill those needs in our lives. We’re going to step away from Maslow for a minute and talk about human conditioning.”

Humans are conditioned to move away from pain and toward pleasure. That makes sense, right? Let’s think about that on a financial basis.

- If you take pleasure in your daily latte or your monthly manicure, it’s easy to justify spending your money on those things.
- If your favorite place to be is the beach, it’s probably easier for you to save money to spend on gas and a rental board and boardwalk fries for your next trip to the beach.

These all are financial decisions that move us toward pleasure—we’re using money to get what we want.

We also make financial decisions that avoid pain. The positive aspects of pain avoidance are things like using money to buy insurance to avoid the future pain of paying medical bills out-of-pocket; or putting money in savings to avoid the fear that comes when you get your paycheck and it’s less than you need to cover monthly expenses. The negative aspects come in when we avoid spending money wisely because it’s not as much fun as spending money on fun. That’s how we get into situations where we spend \$4 a day on coffee but don’t have anything saved for retirement.

Often the difference between making smart financial decisions and foolish financial decisions comes down to whether we're conditioned to think about money in terms of long-term pain and pleasure, or short-term pain and pleasure.

- Someone who knows from life experience that it's painful not to have enough money for rent or food or medicine will probably take steps to avoid that pain by saving, planning, and thinking about long-term stability.
- Someone who has always been fairly comfortable in terms of meeting their physiological and security needs but uses money to reward themselves or loved ones—that is, someone who's always used money to meet love and belonging needs—will find it pretty painful to cut back on spending money to buy gifts.

Tell students, "Think back to the way you spent your imaginary \$1,000 at the beginning of the lesson. What were your motivations? Avoiding pain, seeking pleasure, or both?"

Lesson Activity: Applying Maslow's Needs Hierarchy

Instruct Students to go to the **Applying Maslow's Needs Hierarchy Activity** in the Student Guide and reach each scenario. Then ask the class:

- What level of need in Maslow's hierarchy is each person trying to meet?
- What do you think is motivating the person—seeking pleasure or avoiding pain?"

Facilitate discussion about motivation and how it relates to a person's needs.

- Clarissa's hours were just cut at work. She has enough savings to make her rent payment this month, but the loss of salary will mean that she will have to choose whether to pay her electric bill or her phone bill. Clarissa cancels plans with friends to go to a concert and takes a weekend job babysitting to earn extra money. What level of Maslow's hierarchy of needs is she seeking to fulfill? Would you say Clarissa is seeking pleasure or avoiding pain?
- Every year, Bill's neighborhood goes all-out on holiday celebrations. Every neighbor participates in a house-decorating contest, a cookie exchange, a White Elephant gift exchange, and the block party. Only one neighbor has ever opted out, and everyone gossiped about her at the block party that year. Bill doesn't particularly enjoy the holidays, but he still plans to spend over \$500 on neighborhood events this holiday season. What level of Maslow's hierarchy of needs is he seeking to fulfill? Would you say Bill is seeking pleasure or avoiding pain?

How Does Financial Psychology Develop?

- Melody is planning to start an after-school program teaching dance to underprivileged children. She hopes the program will help inspire children to work hard and find a passion for creative expression, just like she did when she started taking dancing lessons at age four. Now that Melody has a successful dance studio and a booming business, she wants to pass the same opportunities along to others. What level of Maslow's hierarchy of needs is she seeking to fulfill? Would you say Melody is seeking pleasure or avoiding pain?
- When Damien was growing up, his parents lived paycheck-to-paycheck. He remembers not having enough money for new clothes or shoes, and even a few times when they didn't have enough to eat. Now that Damien is an adult, he has a good salary and a stable job. However, Damien always worries about what would happen if he lost his job. He still buys everything used and puts as much as he can into savings, just in case. What level of Maslow's hierarchy of needs is he seeking to fulfill? Would you say Damien is seeking pleasure or avoiding pain?

Lesson Questions

1. Which statement best describes Maslow's Hierarchy of Needs theory?
 - a. The rise to the top is slow.
 - b. The rise to the top is rapid.
 - c. The slower the rise, the happier the person's life will be.
 - d. The higher people climb, the better their lives will be.**
2. Which of the following statements is NOT true about human conditioning?
 - a. Humans move toward pleasure.
 - b. Humans move away from pain.
 - c. Humans make financial decisions based on logic rather than emotions.
 - d. Humans usually make smart financial decisions by considering short-term pain and pleasure.**
3. Maslow's hierarchy of needs suggests that basic needs, like food, water, and shelter, must be satisfied before higher level needs, such as esteem and self-actualization.
 - a. True**
 - b. False

4. Humans are conditioned to _____ pleasure and _____ pain.
- a. enjoy; dislike
 - b. accept; reject
 - c. **seek; avoid**
 - d. take; give

Lesson Review

- ◆ Instruct participants to complete the Essential Questions in the Student Guide.

Closing Activity/ Remarks

- ◆ Discuss the answers to the **Essential Questions**.

Loans & Debt





Loans & Debt

Students will develop a basic understanding of loans and the loan qualification process. Students will gain awareness of types of debt, investment in one's education and the dangers of defaulting on loans.

Quantifying Your College Decision

Duration ♦ 20-40 minutes

Lesson Overview ♦ Students will learn to evaluate college options that support their goals and chosen career fields.

Big Idea

- ♦ There are ways to evaluate loans and their impact on your personal financial plan.
- ♦ There are reasons and consequences to taking on debt.
- ♦ Debt can be a part of your financial plan.
- ♦ There are tools that help us calculate loan payments.
- ♦ There are consequences to not paying debt.
- ♦ Major expenses should be planned for in advance.
- ♦ There are things you can do to prepare to qualify for a loan.
- ♦ Loan decisions should align with your personal financial goals.

Essential Question At the end of the lesson, students should be able to answer the following:

- ♦ What is the best college option for my chosen career?

Skills

- ♦ Ability to create a sensible financial plan for attending college.
- ♦ Ability to make a checklist to estimate college expenses.

Vocabulary

- ♦ Higher education
- ♦ Training school
- ♦ Community college

Anticipatory Set

Have students complete the **Warm-up Activity** in the Student Guide by answering the following questions:

- How many years of higher education are required for my desired occupation?
- Is a college education required?

Lesson Explanation:

Tell participants to think about the following questions:

- What is it about college that is necessary for your profession?
- Do you simply need to acquire a particular type of knowledge?
- Or do you need to learn a particular skill?
- Is it important to have a college degree from a high-caliber university?
- Does that matter in your chosen field?

Explain that not everyone benefits equally from a college degree, even in terms of professional aspirations. There are alternatives to college. Let's think about those.

- There are specialized training schools for some fields. Is that a possibility for you?
- You can also obtain a lot of basic college credits from community colleges. The benefit of community college is that most community college credits have a lower price tag than a four-year college or university, even when course content and teaching are virtually identical.

If college aligns with your goals and fits with your important motivators, chances are you should put in the effort and work toward getting a degree. But although there are many benefits to college that you may not realize until you get there, if you find that your goals and motivators don't fit with college, finding an alternative may be your best route.

Lesson Activity: College Options

Direct students to the **College Options Activity** in the Student Guide. You may go through each form separately with the whole class or address questions as they arise.

- If computers and internet access are readily available for all students, ask them to spend 20 – 30 minutes researching college options and their respective costs.
- If such access is unavailable, assign as research homework and have them use their research to complete the following activities.

Instruct students to complete the activity by answering the questions.

- Based on the research you did, how many years of higher education (education after high school) will you need? _____ years
- Is college a good option for you? Yes No
- Does the business or job that you desire require a college education? Yes No

What other options may fit your situation best?

Quantifying Your Decision

Now that you know the education requirements for your chosen career, research your college options. Finding which college best suits you is a difficult choice in life. Take time to browse a few possibilities to begin looking at all the financial aspects. In order to really look at the financial differences, you will research five different types of colleges. Write down the name and tuition per year for one of each of the following:

1. State college in your home state
2. State college in another state
3. Private college
4. Community college
5. Technical college

In addition to choosing the college that best fits you, one of the most difficult things about college can be figuring how you will fund it. There are lots of options out there for you!

Have students take a minute to brainstorm some things you will need to consider when planning to finance your college education. Have them write their answers in the workbook.

Lesson Explanation

Another extremely important part of reckoning the cost of college is calculating college expenses. Ask students:

- What do you think your college expenses will be?
- What types of expenses do you need to include?
Examples: tuition; books; room and board; rent; food.

Listen to their responses, then prompt further discussion by asking:

- What about travel costs?
- What about your paper and pens (stationery)?
- What about cell phones and computer access?
- What about entertainment while you are in college?

Unless you are extremely well-disciplined, you will sometimes want to let your hair down a bit and go out, right? Well, entertainment costs money. You need to make allowances for that.

- What about health care costs?
- Do any of you have children?

Single parents often get a lot of encouragement to go or go back to college. They're told it's the route to a better life for both them and their kids – and that's probably true. However, if you have children or even are just in a position where you have to care for someone, then you have a dependent and you must factor their needs into your college costs, too.

- What about emergencies? You can't predict the future, but you have to try to prepare for it, right?
 - What if you had to fly or drive home an extra time during the college semester?
 - What if you find yourself needing books beyond your prescribed reading list?
 - What if you have to move unexpectedly or have to buy yourself a new computer because your old one broke? It happens. And you have to make some allowances.

Lesson Activity: Developing a Checklist of College Expenses

Ask students to consider and forecast their potential college expenses. Reiterate that these expenses are in addition to base tuition at their colleges of choice.

Suggest that creating an Excel sheet at home will help them track their expenses as they grow or as they consider new items they had not thought of initially.

Lesson Activity: Running the Numbers

Now, by estimating, we are going to calculate the amount you will take out in student loans in order to receive the higher education you desire.

Pick three of the schools you researched above, and fill out the information below.

SCHOOL #1, 2, 3

- How much will your total tuition be: \$ _____
- Will you be eligible for the National Pell Grant? Yes No
Go to <http://studentaid.ed.gov/types/grants-scholarships/pell>.
This website will also help you assess your expected aid.
Feel free to play around and see what you are eligible for. \$ _____
- Will you be eligible for any additional scholarships or grants that you have found Yes No
If so, calculate the amount you believe you will receive: \$ _____
- Will you be working? Yes No
If not, you will need to add in monthly living expenses as part of your student loans.
- Go to the college's Financial Aid website. They will often provide "expected living costs."
If not, do your best to estimate your monthly living expenses in college. Include rent, food, car, books, gas, etc. \$ _____

Total Needed in Student Loans: \$ _____

Quantifying Your Decision

Lesson Questions

1. If you decide to attend college rather than receive a trade certificate, what is one way to reduce the total cost of your degree?
 - a. Go to a university out of state.
 - b. Negotiate better tuition expenses with your financial aid officer.
 - c. **Attend a community college to gain transferable credits then transfer to a university.**
 - d. Max out student loans. They will remain in deferment as long as you are in college.
2. All high-paying, satisfying careers require a college education.
 - a. True
 - b. **False**

Lesson Review

- ◆ Instruct students to answer the **Essential Questions** in the Student Guide.

Closing Activity/ Remarks

- ◆ Discuss the answers to the **Essential Questions**.

Invest in Your Future

Duration ♦ 30-40 minutes

Lesson Overview ♦ In this lesson, students will gain in-depth knowledge of how to calculate return on investment by pursuing higher education, to demonstrate how continued education is an investment in their financial independence later in life.

Big Idea

- ♦ There are ways to evaluate loans and their impact on your personal financial plan.
- ♦ Major expenses should be planned for in advance.
- ♦ There are reasons and consequences to taking on debt.
- ♦ Debt can be a part of your financial plan.
- ♦ There are tools that help us calculate loan payments.
- ♦ There are consequences to not paying debt.
- ♦ There are things you can do to prepare to qualify for a loan.
- ♦ Loan decisions should align with your personal financial goals.

Essential Questions At the end of the lesson, students should be able to answer the following:

- ♦ How is college an investment?
- ♦ What is ROI?
- ♦ What is one way to see ROI from attending college?

Skills

- ♦ Ability to calculate the return on investment of a college education.
- ♦ Students will understand how to achieve a good return on investment from higher education to promote their financial independence.

Vocabulary

- ♦ ROI (Return on Investment) — the profit or return from the original invested amount.
- ♦ Income potential
- ♦ FAFSA
- ♦ COA – Cost of attendance, or the amount of money one needs to attend a given institute of higher education.

Anticipatory Set

Read the following quote to students and have them write what they think it means in the **Warm-Up Activity** in the Student Guide.

“If you must work for money, find a way to work and be happy. That is financial intelligence.” ~*Robert Kiyosaki*

Discuss the quote and why it is important to pursue one’s personal passion when choosing a career and higher education.

Lesson Activity: A College Degree Is Valuable!

Hook the participants into the session by presenting the video **C7 - Student Debt Documentary**. Upon conclusion of the video, pose the following questions:

- What are some of the lessons we can learn from this video?
- Does anyone share any of the concerns raised in the video?
- What are some actions you might take to mitigate these concerns?

Lesson Explanation

Present the following information to participants to help them understand the benefits of earning a college degree:

- Georgetown’s Center on Education and the Workforce study reflects that
 - a doctoral degree holder will earn \$3.3 million over a lifetime,
 - a college graduate will earn \$2.3 million, and
 - those with just a high school diploma will earn \$1.3 million.
- A recent study conducted by the College Board reflects that college graduates earn 80 % more on average than high school graduates, which can add up to more than \$1 million over a lifetime.

Of course, the college you attend also has an impact on your earning potential.

Today we will be talking about ways you can maximize the return on this important investment. We will also talk about how to protect your investment and how to reduce the risks associated with investing in a college education.

- How do you define return on investment?
- What is a return on investment or ROI?”

Let’s talk about how you work out the return on investment for college by looking purely at numbers.

Loans & Debt

So how do you calculate ROI? The short answer is that you take the total cost of attendance for your chosen college and work out what you will actually pay out to meet that cost. If you have a lot of financial aid, you know your out-of-pocket expense will be lower. You probably still will bear some costs for your college education, but chances are it will be much lower and thus you will have a higher ROI.

Example: if you invested **\$100** into your education in a specified time period and made **\$50** more in the next time period than you would have that is a **50% ROI**. (50 divided by 100 = 0.5).

Tell students that regardless whether they attend college, trade school, or vocational school, higher education is an investment. Explain that receiving any type of education beyond high school will increase income potential over one's lifetime.

- Discuss the income potential of a massage therapist and that person's entrepreneurial possibilities.
Examples: Own a day spa; personal massage therapist; work at a spa or doctor's office, etc.
Explain that this type of training can be attained at a vocational school.
- If the students choose to pursue college, they must determine which school is the best choice for a good ROI.
Example: If they want to become a personal fitness coach who makes an average of \$40K per year, is it smart to receive a degree from Harvard that costs \$420K?
- Discuss how college loans may be suitable as an investment towards their futures. Explain that it is important to be careful when choosing a college, because college loans are loans for school that must be repaid when college is complete.

Describe the following individuals and have students compare the two and determine which option is the better investment:

1. A graduate with \$180,000 in student loans who earns \$38,000 per year.
2. A graduate who got the same degree for \$28,000 and who earns \$36,000 per year.

Give students the following tips to prepare for college and determine the best investment option for their educational investments.

- Attend a community college.
- Apply for scholarships.
- Fill out the FAFSA.
- Work with a college planner.
- Apply for federal, state and college scholarships. Sometimes more expensive schools can actually be cheaper depending on the aid package a student receives.

Invest in Your Future

Advise students that once they have worked out the cost, they need to look at the annual repayments they will make on any loans.

Then look up the average salary for their profession earned by people with college degrees, and compare that to the average salary for professionals in that field who do not have college degrees.

Explain that they can also look at the return on investment over a period of years. A great tool for assessing ROI is <http://www.payscale.com/college-roi>. This organizes a scale of cost and annual ROI per college. The ROI appears as a percentage and you can search for the schools or types of schools that interest you. You can also look at the return with or without financial aid, on campus, off campus, or off campus with family.

The tool can also look at ROI by major as well as by a number of other categories. This tool is well worth looking into.

Lesson Activity: Which Would You Choose?

Direct students to the **Which Would You Choose Activity** in the Student Guide, and walk through the following education investments students can pursue. Allow them to work in small groups together (if preferred), and have them determine the best option and its ROI.

SCENARIOS

1. You are a teller at your local bank. Your boss suggests that if you attend a banking seminar and complete the coursework you will receive a raise of \$250 more per month. The seminar costs \$500 that you must pay out-of-pocket.
 - What is the ROI after the first year? **Answer:** $\$3000 / \$500 = 600\%$ ROI
 - Is the ROI positive? **Answer:** Yes
 - When do you break even? **Answer:** After 2 months
 - Will this seminar benefit you in the future? **Answer:** Yes
 - Will you make more money over time? **Answer:** Yes
2. You have a desire to become an accountant. The degree will cost you \$35,000 at your local university and you will graduate in 4 years. You will pay for all of this with student loans. The average accountant in your area makes \$50,000 per year. Or you can choose to go to work right away and earn \$35,000 per year; however, you will be unlikely to receive any major raises.
 - What is the ROI on this degree? **Answer:** $15k / [35k + (35k * 4)] = \sim 8.5\%$ ROI
 - How beneficial will attaining the degree be? **Answer:** Marginally; similar to other investments such as stocks

Loans & Debt

- Without considering student loan interest, when will you break even on this decision? **Answer:** 11.66 Years
- Considering the ROI shown in this example, what choice would you make?

After the students complete the scenarios, ask them if they understand how an education is a ROI. Discuss each scenario and how each situation has benefits to receive a ROI.

Lesson Questions:

1. What is typically a person's first large investment?
 - a. An automobile.
 - b. A house.
 - c. **A college or trade school education.**
 - d. A high school education.
2. What does ROI stand for?
 - a. Refund of Interest.
 - b. Refund of Investment.
 - c. **Return on Investment.**
 - d. Return of Interest.

Lesson Review

- ◆ Instruct students to answer the **Essential Questions** in the Student Guide.

Closing Activity/ Remarks

- ◆ Discuss the answers to the **Essential Questions**.
- ◆ Encourage students to conduct the financial aid research projects outlined in their student guides.

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