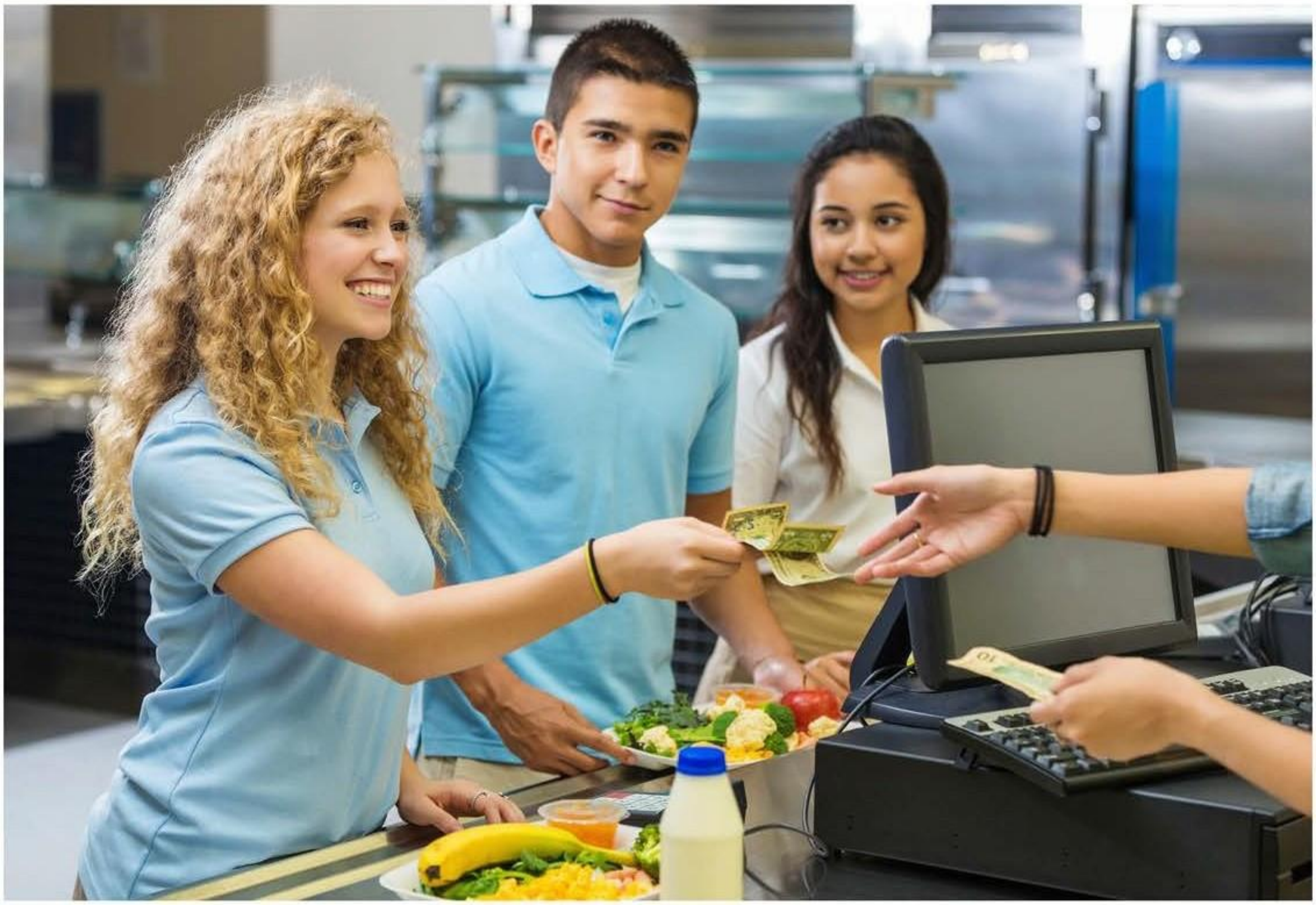
Money Smart for Grades 9-12



Educator Guide

FDIC
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WELCOME TO MONEY SMART

Welcome to ***Money Smart***, an exciting interactive exploration of the concepts of money. This standards-aligned, cross-curricular program is designed to promote personal financial education in grades 9 through 12 students and young adults aged 18 to 20. You can use ***Money Smart*** to add engaging and enriching activities to financial literacy and economics instruction. Extension activities support English Language Arts, Math, Social Studies and Economics, and Technology, while also helping your students build the foundation to become financially responsible adults.

In ***Money Smart*** you will find:

- **Twenty-Two Lessons** with hands-on, cross-curricular activities that engage ninth- through twelfth-grade students and young adults aged 18 to 20 in discussing and exploring key financial concepts
- **Teacher Presentation Slides,** which provide helpful visuals, as well as challenge exercises and reflective prompts to support the activities in each lesson
- **A Student Guide** with handouts, worksheets, and resources that let students explore the topics covered in each lesson and apply their new knowledge
- **A Parent/Caregiver Guide** with information about topics being covered in class, conversation starters, online and literary sources, along with conversation starters and family activities to try together

Developing positive financial habits equips students with 21st-century skills and tools that last a lifetime. We hope you and your students enjoy learning about money and its many uses.

We are eager to hear from you about how you use this curriculum. We would like to know what works well and what could be improved to make ***Money Smart*** even better. If you have any questions, we would like to help. Please contact us with your comments and questions via e-mail at **communityaffairs@fdic.gov**.

GETTING STARTED

Money Smart provides a comprehensive, developmentally appropriate program for teens and young adults to build an understanding of key financial concepts.

There are many features that help make the ***Money Smart*** curriculum engaging, motivating, and easy to use. Each lesson includes learning objectives, essential questions, supplies needed, and preparation required, as well as the following features and components to support easy integration of ***Money Smart*** activities into your instructional day.

STANDARDS

Each lesson promotes real-world connections through student-centered learning experiences and aligns to the following education standards, including Common Core State Standards in mathematics and English Language Arts. The **Education Standards Chart** identifies which standards are met in each lesson.

- Financial Literacy Jump$tart Standards
- English Language Arts Common Core State Standards
- Mathematics Common Core State Standards
- National Standards in Economics by Council for Economic Education
- Partnership for 21st-Century Skills

GRADE-LEVEL MODIFICATIONS

Please note the modifications identified throughout the lessons to differentiate learning experiences for beginners and advanced learners. Modifications provide developmentally appropriate activity recommendations and extension opportunities for a wide range of learning levels.

PRESENTATION TIME

Each lesson plan includes an estimated time needed to teach the lesson. Actual time required will vary classroom to classroom. The estimation includes time spent on the **Warm Up**, **Guided Exploration**, **Independent Exploration**, and **Wrap Up**. Activities may also be taught as several short lessons over a period of days or weeks. **Extended Exploration** activities are included to extend financial literacy learning opportunities throughout the year and provide easy ways to integrate the topics into various content areas.

ASSESSMENTS

A variety of assessments will be integrated throughout each of the twenty-two lessons. Assessments are designed to build value, meaning, and context around a topic, while providing teachers with opportunities to evaluate prior student knowledge, and collect evidence of their new understandings of lesson concepts and skills. Pre- (formative) and post- (summative) assessments are noted on the first page of each lesson. Assessments include discussions, reflections, questions and answers, reading, writing, and problem-solving exercises. Student handouts are an especially useful form of written assessment.

LESSON STRUCTURE

Each lesson is designed to include the following:

- **Warm Up** introduces students to the topic and sparks inquiry.
- **Guided Exploration** integrates key financial literacy learning objectives with teacher support and guidance. Through whole-class discussions and activities, students discuss key topics and begin connecting the concepts to the context of their own lives.
- **Money Smart Tips** are provided throughout lessons to offer additional guidance, interesting and relevant financial facts, and additional ideas to help make ***Money Smart*** a success in your classroom.
- **Independent Exploration** activities are designed to engage students in the process of learning through individual discovery, research, and interpretation. These activities are more independent than the Guided Exploration activities and may also be used as homework assignments, for collaborative group work, or independent study.
- **Wrap Up** provides a reflection question or activity to review lesson concepts and allow students to demonstrate their understanding.
- **Extended Exploration** provides teachers with additional opportunities to extend financial literacy concepts throughout the school year within core content areas including English Language Arts and Math. Activities can be completed as a class, in small groups, or by students individually. Useful resources (such as books, web links, games, or videos) are also included to promote even more student engagement. The books and online resources suggested in this guide are just a few of the many available resources that explore these topics, and are not endorsed by the FDIC.
- **Student Handouts** (found in the **Student Guide**) and **Teacher Presentation Slides** provide dynamic instructional support. Student handouts create an opportunity for students to apply their knowledge and for teachers to assess their understanding. Teacher presentation slides offer visuals and interactive activities corresponding with lessons.
- The **Answer Key**, **Glossary**, and **Standards Chart** house all of the information needed to check for understanding, define key terms, and check which activities meet specific education standards. Vocabulary words are **bolded** in each lesson as they are introduced. It may be helpful to distribute copies of the entire glossary to students as a reference.

MONEY SMART AT HOME

The ***Money Smart*** curriculum includes a helpful **Parent/Caregiver Guide** that corresponds to the classroom materials. Families may also use it independently of the curriculum. It contains resources, activities, games, and conversation starters on financial literacy topics covered in each lesson. Use the following ideas to encourage parents to use the guide at home:

- Introduce parents to the ***Money Smart*** program and share the **Parent/Caregiver Guide** at the start of the school year.
- Discuss the ***Money Smart*** program during parent/teacher conferences, or in monthly parent newsletters home, and the importance of building healthy financial habits early on in life.

- Hold a ***Money Smart*** family night. Play games and have students share short skits about financial concepts they have learned.
- Send student handouts from each lesson home in homework folders for parents to review and sign.

MONEY SMART PORTFOLIO

To promote positive financial behaviors and demonstrate the compounding knowledge of financial literacy skills developed throughout the ***Money Smart*** curriculum program, introduce the **Money Smart Portfolio** into your classroom. The **Money Smart Portfolio** is a semester-long project that collects student handouts and activities from each lesson to be presented as a final portfolio.

The portfolio creation recognizes students' financial growth throughout each phase of the learning process. The portfolio also enables students to walk away with a comprehensive resource that may be referred back to anytime a financial question arises in their futures. Using the **Money Smart Portfolio** as a semester-long project also gives students a long-term goal to work toward, while enabling an excellent opportunity for final assessment.

Money Smart Portfolio is designed for the following purposes:

- Assess student understanding from each phase of the program
- Create opportunities for final student self-reflection and personal assessment
- Reaffirm for students the intrinsic nature of financial skills and how one skill and strategy leads to another
- Build long-term vision for students to invest in the program from beginning to end

FINANCIAL LITERACY ALL YEAR LONG

Highlight financial literacy at your school all year long, especially in April, during National Financial Literacy Month and School Library Month.

- Create bulletin boards or posters with students about financial literacy themes learned in ***Money Smart***
- Create a class or school newsletter with students to distribute to the school community about money skills and financial concepts covered in class.
- Publish student handouts and activities from the ***Money Smart*** lessons by sharing them on a classroom blog, website, or through social media.
- Display student work in the classroom, library, and hallways to spread financial literacy throughout the school community.
- Connect with other teachers to integrate real-world applications of financial literacy across all disciplines and classrooms, from Math to English Language Arts and Technology courses.

The more that students are exposed to financial literacy, and the more opportunity they have to practice applying their new knowledge and understanding of concepts, at school and at home, the more prepared they will be to live ***Money Smart*** lives.

LESSON 12: HALLS OF KNOWLEDGE

GRADES 9 – 12 AND AGES 18 – 20

LESSON OVERVIEW

With college a looming expense for many high school students and recent graduates, researching colleges and how to finance an education enables students to fully assess their choices. This lesson explores different ways to finance a college education, from building savings to **financial aid** and **loans**. Emphasizing research to build knowledge is the key component of this lesson as students employ strategies of weighing costs, benefits, and options to make prudent personal choices regarding higher education.

TOPIC: Financing College

SUBJECT CONNECTIONS: Math, English Language Arts

TIME REQUIRED: 80 minutes *(excluding* **Extended Exploration** *activities)*

LEARNING OBJECTIVES:

Students will be able to…

- Identify the costs of college
- Understand student loan management
- Research and compare different college financial aid choices
- Discuss the earning potential of a degree in relationship to its cost

SUPPLIES:

- Projector (for teacher presentation slides)
- Access to the Internet **(optional)**
- Sticky notes and poster board **(optional)**

PREPARATION:

- Make copies of student handouts
- Set up projector with presentation slides

STUDENT HANDOUTS:

(found in **Student Guide***)*

- ***College Planning Prep***
- ***Federal Student Aid Options***
- ***Comparing Choices***
- ***College ROI (Return on Investment)***

TEACHER PRESENTATION SLIDES:

- ***What Is Your Skill and Will?***
- ***Cost of College***
- ***The Financial Aid Process*** *(6)*

ESSENTIAL QUESTIONS:

- *How much does college cost?*
- *How can I pay for college?*
- *What types of financial aid are available and how do I learn more about them?*

ASSESSMENT ACTIVITIES:

PRE-ASSESSMENT:

- ***College Planning Prep*** handout

POST-ASSESSMENT:

- **College Tips** activity
- ***Comparing Choices*** handout
- ***College ROI*** handout

MONEY SMART PORTFOLIO:

- ***College Planning Prep*** handout
- ***Federal Student Aid Options*** handout
- ***Comparing Choices*** handout
- ***College ROI*** handout

INSTRUCTION STEPS

WARM UP

COLLEGE PLANNING PREP [15 MINUTES]

Open the lesson by sharing the ***What Is Your Skill and Will?*** slide. Ask students what the famous quote from Muhammad Ali means to them. What is the "skill" and "will" he refers to? Engage students in thinking about their own "wills" for their future. What do they want to accomplish? What type of career do they see for themselves? Next, ask students to contemplate the "skills" needed to meet their goals. What type of training and education goes into achieving your vision? Guide the discussion to explain that going to college is one way to help build your skills and achieve your goals.

MONEY SMART TIP!

Refer back to Lesson 1, *Working Hard for the Money*, and have students review the career options they researched.

Help students understand that, whereas pursuing a college degree can be both time-consuming and expensive, college graduates usually see a **return on their investment (ROI)** and benefit from long-term payoffs (for example: more career options, better promotion opportunities, higher earnings, and lower unemployment on average). Explain that continuing your education beyond high school is a large investment that takes a lot of planning and research. Whether they are interested in going to a college or university, community college, trade, career, or technical school, or entering the workforce, tell students that it is never too late to think about how to pay for expenses.

Next, distribute the ***College Planning Prep*** handout. Give students time to complete the activity, and invite volunteers to share their thoughts for each piece of the concept map. Lead the discussion by showcasing that there are many different elements to consider when planning for college, including the size of school students are interested in, how to finance a degree, and what type of extracurricular activities they may want to participate in. Planning for college includes a variety of components that all need to be considered equally.

GUIDED EXPLORATION

COST OF COLLEGE [35 MINUTES]

Display the ***Cost of College*** slide and review the different expenses that are part of preparing a budget for college. Ask students why they think it's important to consider costs beyond just tuition and have them explain why they think it is important to budget living expenses as part of a college prep plan. Explain that, if you are moving out on your own for the first time, expenses may be much different than what you are used to. Likewise, attending college may also bring new expenses into the budget by way of books and technology needed to perform schoolwork.

Grade-Level Modifications:

Beginner: Review the principles of budgeting from Lesson 3, *Can You Pay Your Bills?*, and have students reiterate the basic building blocks of a budget.

Advanced: Challenge students to create a projected budget for each of the expenses included on the ***Cost of College*** slide.

Next, ask students how they think it is possible to pay for college expenses. In addition to saving and working to pay for education, explain that financial aid can also help offset the costs of college. Display the (6) ***Financial Aid Process*** slides (**https://www.studentaid.ed.gov/sites/default/files/financial-aid-process.png**). Review each of the steps with students and discuss the differences between **scholarships**, **grants**, and **loans**.

- **Scholarships:** money for college that you will not be expected to repay. Scholarships sponsored by colleges are often designated for students who satisfy certain merit-based criteria, such as excellent academic or athletic performance.
- **Grants:** money for college that you are not expected to repay. Often awarded based on need.
- **Loans:** money borrowed that must be repaid with interest.
- **Work-Study Programs:** money earned for college by working to help pay for educational expenses.

MONEY SMART TIP!

Expand the discussion of loans to include repayment information. Have students contemplate the terms of loans and ramifications of making payments late or missing payments altogether. Connect back to Lesson 7, *Capacity, Character, Collateral, and Capital*, to reiterate the impacts loans can have on credit.

Engage students in a discussion next about the **Free Application for Federal Student Aid (FAFSA),** which is an application for federal student financial aid such as Pell grants, student loans, and college work-study programs. Explain that filling it out is the first step in order to apply for federal student aid. Help students understand that many states and schools also use FAFSA information to award their financial aid.

Distribute the ***Federal Student Aid Options*** handout and divide the class into small groups. Assign each group a different a financial aid item to research and then have groups present their findings to the class.

MONEY SMART TIP!

Show students the FAFSA form and how to fill it out. Encourage students to share this information with their parents and to complete one if they haven't done so already. https://fafsa.gov/

INDEPENDENT EXPLORATION

Note: These activities are more independent than the Guided Exploration activities and may be used as homework assignments, collaborative group work, or independent study.

COMPARING CHOICES [25 MINUTES]

Distribute the ***Comparing Choices*** handout and have students work individually or in small groups to research and record the different costs associated with the three colleges in the sample scenario. Next, encourage students to research and compare three colleges of their own choice (or use three colleges or universities in your area).

MONEY SMART TIP!

The *Comparing Choices* handout works well as a homework assignment to offer students additional time to research and reflect on their college choices. Additionally, share with your students the resources from the Consumer Financial Protection Bureau's Know Before Your Owe Student Loans Project, which includes information on understanding loans and grants, as well as comparing financial aid packages from multiple institutions (http://www.consumerfinance.gov/students/knowbeforeyouowe/). Additionally, discuss with your students the seriousness of making student loan decisions and inform them that even in a bankruptcy, student loans are not released.

Invite volunteers to share the expenses they researched, and reiterate the importance of looking at college costs not just from a tuition point of view, but also to include other expenses such as books, transportation, housing, and food.

Next, explain that comparing costs is important in making a college decision, but so is considering the ROI (return on investment). If you spend a certain amount of money to attend college, how much money will you be able to earn in your lifetime as a result of the money spent? Invite volunteers to share their thoughts and then distribute the ***College ROI*** handout.

WRAP UP

TAKE-HOME PAY [5 MINUTES]

Close the lesson by asking students to write down one tip on a sticky note or piece of paper about how to prepare for college costs. Have students give you their sticky notes as a ticket out of class and then compile them on a poster board or classroom wall to create a comprehensive college planning resource.

EXTENDED EXPLORATION

Note: Use the following ideas to extend financial literacy concepts throughout the school year within core content areas through English Language Arts, Math, Social Studies and Economics, and Technology activities, projects, and discussions. Duration of activities will vary.

ENGLISH LANGUAGE ARTS

- **Writing Prompts:**
    - Do student loans help or hurt the U.S. economy? Choose a position and support your argument.
    - What is your opinion of for-profit schools? Do you agree or disagree with a profit-driven model for offering college education? Explain your reasoning.
- **Suggested Readings:**
    - *What's Holding You Back?* student profiles with videos, by the College Board: Read about and watch videos (approximately 1 minute each) of real college students and their experiences on the path to college. **http://youcango.collegeboard.org/stories/all**
    - *How Much Will College Cost in 25 Years?* Read and investigate the future of college costs. **http://archive.freep.com/article/20140913/FEATURES01/309130060/college- cost-in-25-years**

MATHEMATICS

- **Activity/Project Ideas:**
    - Have students calculate and analyze the impact of inflation on higher-education costs. How much will college cost five years from now? Ten years? Fifty years?

SOCIAL STUDIES AND ECONOMICS

- **Discussion Topics:**
    - Explore the connection between education and earnings. Ask students: *If you go to college does that guarantee economic success? Why or why not?*
    - Discuss different positions on what role the government should play in supporting higher education, such as levels of federal financial aid, interest rates on federal loans, and for-profit institution regulations.

TECHNOLOGY

- **Online Resources:**
  - *Center for Student Opportunity*: A web resource that helps empower first-generation college students.**http://www.imfirst.org/center-for-student-opportunity/**
  - *College Savings Calculator*: An online calculator that calculates how much to save for college. **http://www.360financialliteracy.org/Topics/Paying-for-Education/Saving-for-College/College-Savings**
  - *The College Board*: A web resource that helps students reach success and opportunity through college. Resources include college planning, college searches, and preparing for college entrance exams. **https://www.collegeboard.org/**
  - *Federal Student Aid*: a comprehensive resource on federal financial aid for college, including preparing for college, qualifying for aid, and applying for and managing loans. **https://www.studentaid.ed.gov/**
  - *College Scorecard* by the US Department of Education: Make informed decisions by reviewing college affordability and assessing personal factors such as location, size, and programs offered. **https://collegescorecard.ed.gov.**
  - *Compare and Pay for College*: A web resource housing information on comparing colleges, obtaining financial aid, and searching for scholarships. **http://www.nerdwallet.com/nerdscholar/compare-colleges-and-pay**
  - *Know Before You Owe, Student Loans Project* by the Consumer Finance Protection Bureau: Information on understanding loans and grants, as well as comparing financial aid packages from multiple institutions. **http://www.consumerfinance.gov/students/knowbeforeyouowe/**
  - *Paying for College* by the Consumer Finance Protection Bureau: An online tool to help consumers make informed financial decisions about how to pay for college by comparing financial aid offers and understanding loan repayment options. **http://www.consumerfinance.gov/paying-for-college/**
- **Activity/Project Ideas:**
  - Have students use spreadsheet software to create a college budget. Students may start with a template at **http://office.microsoft.com/en-us/templates/my-college-budget- TC102347374.aspx**.

ANSWER KEY

for Student Handouts

LESSON 12: HALLS OF KNOWLEDGE

Student Handout: *College Planning Prep.* Answers will vary. Use handout to assess student ability to articulate preferences for each section.

Student Handout: *Federal Student Aid Options*

Pell Grant:

How does it work? A Federal Pell Grant, unlike a loan, does not have to be repaid. Federal Pell Grants usually are awarded only to undergraduate students who have not earned a bachelor's or a professional degree.

How much money is it for? Amounts can change yearly. The maximum Pell Grant award is $5,645 for the 2013–14 award year (July 1, 2013, to June 30, 2014). For the 2014–15 award year (July 1, 2014, to June 30, 2015), the maximum award will be $5,730. The amount you get, though, will depend on your financial need, your cost of attendance, your status as a full-time or part-time student, and your plans to attend school for a full academic year or less. You may not receive Pell Grant funds from more than one school at a time.

Who is eligible to receive it? Undergraduate students; in some cases, however, a student enrolled in a post- baccalaureate teacher certification program might receive a Pell Grant. You are not eligible to receive a Federal Pell Grant if you are incarcerated in a federal or state penal institution or are subject to an involuntary civil commitment upon completion of a period of incarceration for a forcible or nonforcible sexual offense. Where can we learn more about it? **https://studentaid.ed.gov/types/grants-scholarships/pell**

Perkins Loan:

How does it work? Perkins Loans are low-interest federal student loans for undergraduate and graduate students with exceptional financial need. Not all schools participate in the Federal Perkins Loan Program. You should check with your school's financial aid office to see whether your school participates.

How much may be borrowed? Funds depend on your financial need and the availability of funds at your college. The amount you can borrow depends on your financial need, the amount of other aid you receive, and the availability of funds at your college or career school. You should apply for federal student aid early to make sure you are considered for a Perkins Loan. Due to limited funds, not everyone who qualifies for a Perkins Loan will receive one. If you are an undergraduate student, you may be eligible to receive up to $5,500 a year. The total you can borrow as an undergraduate is $27,500. If you are a graduate or professional student, you may be eligible to receive up to $8,000 per year. The total you can borrow as a graduate student is $60,000, which includes amounts borrowed as an undergraduate.

What are the terms of the loan? The interest rate for this loan is 5 percent. Your school is the lender; you will make your payments to the school that made your loan or to your school's loan servicer. There are no other charges beyond the interest rate. However, if you skip a payment, if your payment is late, or if you make less than a full payment, you might have to pay a late charge plus any collection costs.

Who is eligible to receive it? Available to undergraduate, graduate, and professional students with exceptional financial need.

Where can we learn more about it? **https://studentaid.ed.gov/types/loans/perkins**

Direct Loan:

How does it work? Direct Loans are low-interest loans for students and parents to help pay for the cost of a student's education after high school. The lender is the U.S. Department of Education (the Department), though most of the contact will be with your loan servicer.

How much may be borrowed? The maximum amount you can borrow each year in Direct Subsidized and Unsubsidized Loans depends on your grade level and on whether you are a dependent student or an independent student.

What are the terms of the loan? Interest rates for Direct Subsidized and Unsubsidized Loans for undergraduates with a first disbursement date between July 1, 2014, and June 30, 2015, are 4.66 percent. Interest rates for Direct Unsubsidized Loans for graduate students are 6.21 percent. Interest rates for Direct PLUS Loans are 7.21 percent.

Who is eligible to receive it? Available to undergraduate and graduate

students. Where can we learn more about it? **http://www.direct.ed.gov/**

College Work-Study Programs:

How does it work? Provides funds for part-time employment to help needy students to finance the costs of postsecondary education.

How much do you earn? Hourly wages are at least the federal minimum wage.

What kinds of jobs are available? Community service jobs, including: reading tutors for preschool-age or elementary school children; mathematics tutors for students enrolled in elementary school through 9th grade; literacy tutors in a family literacy project performing family literacy activities; or emergency preparedness and response.

Who is eligible for this program? Available to undergraduate, vocational, and graduate students enrolled or accepted for enrollment at participating schools.

Where can we learn more about it?

http://www2.ed.gov/programs/fws/index.html **Student Handout: *Comparing***

	University of Michigan	Indiana State University	Butler University
Tuition/Fees	$39,122	$8,098	$33,138
Housing/Meals	$9,752	$8,772	$10,830
Books/Supplies	$1,048	$1,170	$1,000
Transportation	$0	$0	$0
Misc. Education Costs	$2,054	$2,186	$2,500
Total Expenses	**$51,976**	**$20,226**	**$47,468**

Which university will be the most expensive for Mariel to attend? Why do you think this is?
University of Michigan, because Mariel will pay much more for out-of-state tuition.

If you were Mariel, which school would you pick, and why? Answers will vary.

Based on your research, which college do you think you would like to attend, and why?
Answers will vary. Use handout to assess student ability to compare data and make an informed choice.

What other factors go into deciding which college to attend? Answers will vary, but encourage students to think about other benefits and drawbacks of different college choices, such as marketability to employers and internship opportunities.

Student Handout: *College ROI (Return on Investment).* Deciding on a college includes a number of factors, including location, cost, and academic programs. Learn more about how to measure your potential return on investment by following the steps below. Answers will vary. Use handout to assess student ability to compare data and make an informed choice.

GLOSSARY

401k: A plan offered through an employer that gives employees a choice of investment options, typically mutual funds, to save a portion of their salary for retirement.

403b: A plan offered by to employees of public schools, certain non-profits, and some members of the clergy to set aside money for retirement.

Annual Percentage Rate (APR): The cost of borrowing money on a yearly basis, expressed as a percentage rate. For example: a $100 loan repaid in its entirety after one year with a $10 finance charge has an APR of 10%.

Annual Percentage Yield (APY): A percentage rate reflecting the total amount of interest paid on a deposit account based on the interest rate and the frequency of compounding for a year. For example: a $1,000 investment that earns 6% per year pays $60 at year-end and has an APY of 6%.

Asset: An item with economic value, such as stock or real estate.

Auto Insurance: A contract between you and an insurance company in which you agree to pay a fee (premium) and in return, the insurance company agrees to pay for certain expenses associated with an accident or other covered losses on your vehicle. (See also **Insurance**.)

Automated Teller Machine (ATM): A machine, activated by a magnetically encoded card or other medium that can process a variety of banking transactions. These include accepting deposits and loan payments, providing withdrawals, and transferring funds between accounts.

Balance Sheet: A summary of a company's assets, liabilities, and shareholders' equity.

Bank: A financial institution and business that accepts deposits, makes loans, and handles other financial transactions.

Bank Teller: A bank employee who handles routine transactions, such as deposits or withdraws into a bank account.

Beneficiary: Someone who is designated to receive certain benefits after the death of another individual.

Bonds: A debt security, similar to an "IOU". When you buy a bond, you are lending money to the issuer in exchange for the issuer's promise to pay you a specified rate of interest and to repay the principal when it "matures," or comes due.

Branch Manager: A bank employee that supervises bank operations at a branch location.

Budget: A plan that outlines what money you expect to earn or receive (your income) and how you will save it or spend it (your expenses) for a given period of time; also called a spending plan.

Capacity: Refers to your ability to repay a loan and other debts.

Capital: Refers to the value of your assets and your net worth.

Career: The type of work a person pursues for the majority of their life that may involve formal education, special training, or be within a specific industry.

GLOSSARY (continued)

Cash Flow: The amount of money flowing in (income) and flowing out (expenses) of a personal budget.

Cash Flow Statement: A summary of the money that comes in (income) and out (expenses) of a household or business over a period of time.

Certificate of Deposit (CD): A special type of savings account offered by banks or credit unions that typically offers a higher rate of interest than a regular savings account. You generally must keep your funds in the CD for a specified period of time to avoid penalties. The end of that time period is called the "maturity date."

Certified Public Accountant (CPA): An accountant who has passed an examination and met other requirements and has been granted a certificate by a state agency.

Character: In finance, this refers to how you have paid your bills or debts in the past.

Charitable Giving: Money that you give to a nonprofit organization, charity, or private foundation.

Checking Account: A deposit account at a financial institution that allows consumers to make deposits, pay bills, and make withdrawals. Money that is in a checking account is very liquid, meaning it can be easily accessed.

Claim: Request to an insurance company for payment for a covered loss under an insurance policy.

Closing Costs: The expenses incurred by sellers and buyers in transferring ownership in real property. These costs may include the origination fee, attorneys' fees, loan fees, title search and insurance, and recordation fees.

Collateral: An asset that secures a loan or other debt that a lender can take if you default (don't repay) the money you borrow. For example: if you get a real estate mortgage, the bank's collateral is typically your house.

College Work-Study Program (Federal Work-Study): A program that enables qualifying students to work part time to receive money that helps finance the costs of post-secondary education.

Commercial Property Insurance: Coverage that a business or other entity purchases from an insurer to help cover losses to buildings and contents due to a covered cause of loss, such as a fire. (See also **Insurance**.)

Compound Interest: The interest paid on principal and previously earned interest.

Consumer Installment Loan: Money that a person borrows and agrees to pay back by making a set number of payments over a period of time.

Co-Pay: Also known as a copayment, a fixed amount (for example: $15) you pay for a covered health care service, usually when you get the service.

Corporation: A legal entity that is distinct from the individual(s) who compose the business yet has rights and abilities similar to those of a natural person.

Credit: The ability to borrow money and pay it back later.

Credit Card: A plastic card that can be used to obtain credit (such as to purchase goods and services).

Credit Card Accountability Responsibility and Disclosure Act: A law that prohibits certain practices that are unfair or abusive. The law also makes the rates and fees on credit cards more transparent so consumers can understand how much they are paying for their credit card and can compare different cards.

GLOSSARY (continued)

Credit Report: A record of your credit - and some bill repayment history - and the status of your credit accounts. This information includes how often you make your payments on time, how much credit you have, how much credit you have available, how much credit you are using, and whether a debt or bill collector is collecting money you owe.

Credit Score: A number, roughly between 300 and 800, that measures an individual's credit worthiness. The most well-known type of credit score is the FICO® score. This score represents the answer from a mathematical formula that assigns numerical values to various pieces of information in your credit report.

Credit Union: A not-for-profit financial institution owned by its members and represented by a volunteer board of directors who are elected by the membership. To become a member, you must meet the credit union's field of membership requirements and open a share account.

Creditworthiness: A creditor's measure of a consumer's past and future ability and willingness to repay debts. (See also **Credit Report** and **Credit Score**.)

Crowdfunding: A process of raising money for a cause or purpose, often online, from multiple people.

Customer Service Representative: A person who provides general information, handles complaints or inquiries, and may help consumers open accounts.

Debit Card: A plastic card that can be used to deposit or withdraw cash from a checking or other bank deposit account, such as at automated teller machines or at retail locations that accept cards.

Debt-to-Assets: Measures the ratio of your monies owed (liabilities such as a car loan) to items that are of value (assets such as property). To calculate, you divide your total liabilities by your total assets. For example: if you own a home that is worth $200,000 (asset), but you have a mortgage of $50,000 left on the home (liability), your debt-to-asset ratio is 25% ($50,000 ÷ $200,000 = 0.25 or 25%).

Debt-to-Equity: A measure of solvency (the ability of a business to pay off its debt if the business were immediately sold) that is calculated by dividing total liabilities by stockholders' equity.

Debt-to-Income: A measure calculated by dividing your monthly debt payments by your gross monthly income. For example: if you pay $200 each month for a car loan and $1,000 each month for a home loan, your total debt payment each month is $1,200 ($200 + $1,000). If your monthly gross income is $4,000, then your debt-to-income ratio is 30% ($1,200 ÷ $4,000).

Deductible: The dollar amount or percentage of a loss that you have to pay before the insurance policy begins to pay.

Deduction: An amount that reduces the amount of income on which a person pays tax.

Direct Loan: A low-interest loan for students and parents to help pay for the cost of a student's education after high school.

Disability Insurance: Protects a person from loss of income due to a covered illness or injury. (See also **Insurance**.)

Diversification: The approach of spreading your money among various investments with the hope that if one investment loses money, the others will make up for those losses; also referred to by the phrase "don't put all your eggs in one basket.

GLOSSARY (continued)

Entrepreneur: An individual who establishes and operates his or her own business.

Equal Credit Opportunity Act: A federal law that prohibits credit-related discrimination on the basis of gender, race, marital status, religion, national origin, age, or receipt of public assistance.

Equity: The difference between the value of a piece of property (such as a house) and any debts for it (such as the amount of a mortgage).

Estate: The property of a person who has died.

Estate Planning: Planning for what will happen with assets or property after death.

Estate Tax: A tax on your right to transfer property at your death.

Executor: Someone who is selected to administer an estate (for example, make sure that the instructions in the will are properly followed).

Expense: The cost of goods and services.

Federal Deposit Insurance Corporation (FDIC): Preserves and promotes public confidence in the U.S. financial system by insuring deposits in banks and thrift institutions for at least $250,000. An independent agency of the federal government, the FDIC was created in 1933 in response to the thousands of bank failures that occurred in the 1920s and early 1930s. Since the start of FDIC insurance on January 1, 1934, no depositor has lost a single cent of insured funds as a result of a failure.

Finance Charge: The total dollar amount paid for credit. For example: a $100 loan repaid with $9 interest plus a $1 service fee has a finance charge of $10.

Financial Advisor: A person who provides financial information and advice.

Financial Aid: Award(s) to individuals to help pay for education expenses.

Financial Planning: Identifying a person's financial goals, needs, and expected earning, saving, investing, insurance, and debt management activities.

Financial Ratios: Useful indicators of financial performance.

Financial Recordkeeping: The documentation of a person's financial affairs, including income earned, taxes paid, and expenses.

Fiscal Policy: A broad term used to refer to the tax and spending policies of the federal government. Fiscal policy decisions are determined by Congress and the governing Administration.

Fixed Expense: An expense that does not change from month to month.

Fixed-Rate Loan: A loan that has an interest rate that does not change.

Free Application for Federal Student Aid (FAFSA): The free application used to apply for federal student aid, such as federal grants, loans, and work-study.

Goal: Something you wish to achieve or accomplish in a specific amount of time.

GLOSSARY (continued)

Grant: A form of financial aid, often based on financial need that does not need to be repaid (unless, for example, you withdraw from school and owe a refund).

Gross Income (Gross Pay): Earnings before deductions (as for taxes or expenses) are subtracted.

Health Insurance: A contract that requires your health insurer to pay some or all of your health care costs in exchange for a premium (money paid).

Home-Based Business Insurance: Protection against certain losses and other risks for those who engage in business activity at their home. (See also **Insurance**.)

Homeowner's Insurance: An insurance policy that covers a homeowner's house, other structures on their property, and personal contents against losses caused by such things as windstorms, fire, and theft. It generally also provides liability coverage (for example: this coverage would be applicable if you are found responsible for the injury of a friend who injures themselves while visiting you). (See also **Insurance**.)

Identity Theft: When someone steals another person's identity to commit fraud, such as by using his or her name or Social Security number to get something. Identity theft is a crime.

Income: Money that you receive from jobs, allowances, gifts, interest, dividends, and other sources.

Income Tax: Taxes on income, both earned (salaries, wages, tips, commissions) and unearned (interest, dividends). Income taxes can be levied on both individuals (personal income taxes) and businesses (business and corporate income taxes).

Individual Retirement Account (IRA): A deposit or investment account that an individual opens and uses to save money for retirement and that has certain tax advantages

Inflation: A rise in the general level of prices of goods and services in an economy over a period of time; the opposite is deflation.

Insurance: A contractual relationship that exists when one party (the Insurer), for a fee (the premium) agrees to reimburse another party (the Insured or third party on behalf of the Insured) for a specific loss.

Insurance Agent: A person who sells insurance policies.

Interest: Money that a bank or other financial institution pays you for keeping money on deposit with them, or the amount of money you pay a bank as a fee when you borrow money. You can earn interest from a bank (such as when you keep money in a saving account) or pay interest (such as when you borrow money).

Inventory Turnover Ratio: A ratio showing how often a company's inventory is sold and replaced during a year or other period of time.

Invest: To put money at risk with the goal of making a profit (return) in the future.

Investment: Using money or time in a way that you expect will bring you a return or increase in value.

Investment Vehicle: The type or methods that a person (or business) can use to invest money.

Investors: People who expect a future financial return from using their money to finance investments.

Job: A specific duty, task, or activity someone completes using his or her time, skills, and energy to earn money.

GLOSSARY (continued)

Joint Tenancy: Equal ownership of property by two or more parties, each of whom has the right of survivorship (for example: when a person dies, their interest in the property is transferred to the other owners).

Lawyer: A person who practices law; also known as an attorney.

Lease: A contract transferring the use of property or occupancy of land, space, structures, or equipment in exchange for rent (generally money).

Lender: An organization or person that lends money with the expectation that it is repaid.

Liability: An amount owed to a person or organization for borrowed funds; responsibility to another for negligence that results in injury or damage.

Liability Insurance: Covers losses that an insured is legally liable, such as for another's personal injury or for property damage. (See also **Insurance**.)

Life Insurance: A form of insurance that will pay money to a beneficiary if the policyholder dies. (See also **Insurance**.)

Limited Liability Company (LLC): An entity formed under state law by filing articles of organization as an LLC. Unlike a partnership, none of the members of an LLC are personally liable for its debts.

Loan: Money borrowed that has to be repaid, generally with interest.

Loan Officer: A bank employee that (depending on the bank) evaluates, authorizes, or recommends approval of loan applications for people and businesses.

Long-Term Care: Services that include medical and non-medical care provided to people who are unable to perform basic activities of daily living, like dressing or bathing. Medicare and most health insurance plans don't pay for long-term care.

Medicare: A health insurance program for people who are 65 or older, certain younger people with disabilities, and people with permanent kidney failure requiring dialysis or a transplant. This program is financed by deductions from wages and managed by the federal Social Security Administration.

Monetary Policy: What the Federal Reserve, the nation's central bank, does to influence the amount of money and credit in the U.S. economy. What happens to money and credit affects interest rates (the cost of credit) and the performance of the U.S. economy.

Money Market Deposit Account: A savings account that offers a higher rate of interest in exchange for larger than normal deposits.

Mortgage (Home Loan): A contract, signed by a borrower when a home loan is made, that gives the lender the right to take possession of the property if the borrower fails to pay off, or defaults on, the loan.

Mutual Funds: An investment tool that pools the money of many investors and invests it in stocks, bonds, and money market assets, or other securities.

Need: Something you must have to survive, such as clothes, shelter, or food.

Net Income (Take-Home Pay): The gross pay minus deductions (such as for taxes, health care premiums, and retirement savings).

GLOSSARY (continued)

Net Worth: The difference between what you own (assets) and what you owe (debts).

Online Banking: A service that enables an accountholder to obtain account information and manage certain banking transactions through the financial institution's web site on the Internet.

Partnership: Two or more persons who join to carry on a trade or business. Each person contributes money, property, labor or skill, and expects to share in the profits and losses of the business. Partners are liable for the partnership's financial responsibilities.

Paycheck: A check that is used to pay an employee for his or her work.

Pell Grant: Awarded to undergraduate students who have demonstrated financial need.

Perkins Loan: Low-interest federal student loans for undergraduate and graduate students with exceptional financial need.

Personal Exemptions: Reduces the income subject to taxation by the exemption amount.

Pharming: Redirecting Internet requests to false Web sites to collect personal information, which is generally then used to commit fraud and identity theft.

Philanthropy: Giving money or time for the purpose of trying to make life better for others.

Phishing: When fraudsters impersonate a business or government agency to try to get you to give them personal information, such as through an email or text message. Can also be thought of as "fishing for confidential information".

Pi: A Greek letter that reflects the ratio of the circumference of a circle to its diameter.

Predatory Lending: Certain practices that result in a borrower obtaining a loan that is harmful. These include, among other things, charging excessive fees and interest rates, lending without regard to borrowers' ability to repay, refinancing borrowers' loans repeatedly over a short period of time without any economic gain for the borrower, and committing outright fraud or deception (such as falsifying documents).

Premium: The amount of money that has to be paid for an insurance policy.

Profit: The money gained or left over after money spent (expense) is subtracted from money earned (income).

Profit-and-Loss Statement: A financial statement that summarizes the financial performance of a business during a specific period of time, including by outlining the firm's income, expenses, and the resulting profit or loss.

Policy: Contract between the insured and the insurer.

Power of Attorney: A legal instrument authorizing someone to handle the financial or other business affairs of another person.

Principal: The amount of money originally invested or the money that is borrowed.

Property Insurance: Insurance to protect you against damage that may occur to your property. (See also **Insurance**.)

"Rainy Day" Fund (Emergency Fund): Money set aside to pay for unexpected expenses.

GLOSSARY (continued)

Rate of Return: Profit or loss over a one year period, expressed as a percentage.

Recession: A period of reduced economic activity.

Rent: The amount of money needed to live in or use someone else's property, such as a home, condo, or apartment.

Rent-to-Own: A lease contract that includes an option to buy the product.

Return on Assets: An amount calculated by dividing annual earnings by its total assets.

Return on Investment (ROI): The annual return on an investment, expressed as a percentage of the total amount invested.

Revenue: The total income produced by a given source.

Right of Survivorship: A successor's ability to acquire the property of a decreased individual upon his or her death.

Risk: The possibility that something unplanned or unintended may happen (such as losing money). Uncertainty about outcomes that are not equally desirable. In finance, it refers to the degree of uncertainty about the rate of return and the potential harm that could arise when financial returns are not what the investor expected.

Risk Management: The process of calculating risk and choosing approaches to minimize or manage loss.

Roth IRA: An Individual Retirement Account that you deposit after tax dollars into for accumulation of retirement savings.

Rule of 72: A rough calculation of the time or interest rate needed to double the value of an investment determined by taking the number 72 and dividing it by the interest rate. For example: To figure how many years it will take to double a lump sum invested at an annual rate of 8%, divide 72 by 8, for a result of 9 years.

Salary: Compensation for work paid on a regular basis (bi-weekly/monthly) typically expressed as an annual amount.

Save: To set something, like money, aside to use in the future.

Savings Account: A bank account that you can use to set aside money, and that pays you interest.

Scholarship: Money awarded to students based on academic or other achievements to help pay for education expenses. Scholarships generally do not have to be repaid.

Secured Installment Loan: A loan for which you provide collateral to secure your promise to repay the money you borrow.

Self-Employment Tax: Money that someone who is considered self-employed must pay to the federal government to fund Medicare and Social Security.

Social Security: A federal government program that provides retirement, survivors, and disability benefits, funded by a tax on income.

Sole Proprietorship: A simple structure where there is only one person owning and operating the business.

GLOSSARY (continued)

Spending Plan: Another name for a budget.

Start-Up Capital: Money that is invested to help start a new business.

Stock: An investment that represents a share of ownership in a company.

Student Loans: A sum of money borrowed by an individual to help pay for college with the intent that it will be repaid at a future date, along with any agreed-upon interest.

Tax: Money that has to be paid to a government to provide public goods and services.

Tenancy in Common: Shared ownership of a property in which more than two people hold the title.

Tenancy in Entirety: Shared ownership of a property between a husband and wife, when one dies, the other still owns the property.

Text Message Spam: Similar to e-mail spam, but on your cell phone. Criminals often text offers of free gifts or low-cost credit offers to try to get you to click on a link so they can install malware on your phone or get you to give them information they can use to commit fraud.

Time Value of Money: The concept that a dollar today is not worth the same as a dollar in the future.

Traditional IRA: A retirement savings program to which yearly tax-deductible contributions up to a specified limit can be made. The amount contributed is not taxed until withdrawn. Withdrawal is not permitted without penalty until the individual reaches age 59 and a half.

Trust: A legal arrangement in which one person holds or manages assets or other property for the benefit of another.

Unsecured Installment Loan: A loan that is not secured by an asset (collateral) that a lender could take if you do not repay the loan.

Variable Annuities: A contract between you and an insurance company, under which you make a lump-sum payment or series of payments. In return, the insurer agrees to make periodic payments to you beginning immediately or at some future date.

Variable Expense: Money that a person spends or gives away that varies from month to month.

Variable-Rate Loan: A loan where the interest rate might change.

Want: Something that you would like to have but that you could live without, such as a TV or tickets to a baseball game.

Will: A legal document in which a person conveys information such as how they want their money and assets to be distributed after their death and who should be the guardian of their children.

Money Smart

for Grades 9-12

Student Guide

A fun way to help teens get smart about money.

FDIC

FEDERAL DEPOSIT INSURANCE CORPORATION

TABLE OF CONTENTS

COLLEGE PLANNING PREP

Name: ____

College Planning

Size

How big of a school do I want to go to?

____

Location

How close to home do I want to stay?

____

Career

What types of jobs would I like to have?

____

____

____

What degrees would I need to get the jobs I want?

____

____

____

Study

What do I want to major in?

____

What extracurriculars am I interested in?

____

Finances

How will I pay for school?

____

FEDERAL STUDENT AID OPTIONS

Name: ______________________________

Working with your group, research the student aid option assigned by your teacher and record your findings in the chart below. Be prepared to present your research to the class and explain where we can find more information about your assigned aid.

PELL GRANT

How does it work?	
How much money is it for?	
Who is eligible to receive it?	
Where can we learn more about it?	

PERKINS LOAN

How does it work?	
How much may be borrowed?	
What are the terms of the loan?	
Who is eligible to receive it?	
Where can we learn more about it?	

FEDERAL STUDENT AID OPTIONS (continued)

DIRECT LOAN (SUBSIDIZED AND UNSUBSIDIZED)

How does it work?	
How much may be borrowed?	
What are the terms of the loan?	
Who is eligible to receive it?	
Where can we learn more about it?	

COLLEGE WORK-STUDY PROGRAMS

How do they work?	
How much do you earn?	
What kinds of jobs are available?	
Who is eligible for these programs?	
Where can we learn more about them?	

COMPARING CHOICES

Name: ____

MEET MARIEL

Mariel is 18 years old and from Indiana. She is heading to college soon and can't wait for dorm life! She loves meeting new people. She plans on majoring in biology, and hopes to earn her bachelor's degree.

THE PROBLEM?

While Mariel is so excited to start college, she is really torn on which college to attend. She has been accepted to University of Michigan, Indiana State University, and Butler University. To help her make a decision, research the costs associated with each category in the chart below and compare and contrast her three choices.

RESEARCH TIP

Use the Consumer Financial Protection Bureau's comparing college costs tool at **http://www.consumerfinance.gov/paying-for-college/compare-financial-aid-and-college-cost/.**

	University of Michigan	Indiana State University	Butler University
Tuition/Fees	$	$	$
Housing/Meals	$	$	$
Books/Supplies	$	$	$
Transportation	$	$	$
Misc. Education Costs	$	$	$
Total Expenses	$	$	$

Which university will be the most expensive for Mariel to attend? Why do you think this is?

If you were Mariel, which school would you pick, and why?

What other factors go into deciding which college to attend?

COMPARING CHOICES (continued)

YOUR TURN!

Now that you have helped Mariel research her college choices, pick three new colleges of your own to research, and complete the chart below. Remember to consider in-state versus out-of-state tuition costs and the cost of living in one geographical area versus another.

Use the Consumer Financial Protection Bureau's comparing college costs tool at **http://www.consumerfinance.gov/paying-for-college/compare-financial-aid-and-college-cost/**.

	School 1: ______________	School 2: ______________	School 3: ______________
Tuition/Fees	$	$	$
Housing/Meals	$	$	$
Books/Supplies	$	$	$
Transportation	$	$	$
Misc. Education Costs	$	$	$
Total Expenses	$	$	$

Which college was the most expense? Which was the least expensive?

Based on your research, which college do you think you would like to attend, and why?

COLLEGE ROI (RETURN ON INVESTMENT)

Name: ____

Deciding on a college involves a number of factors, including location, cost, and academic programs. Learn more about how to measure your potential return on investment by following the steps below.

STEP 1

Write down the names of three colleges or universities that you are interested in attending.

1) ____

2) ____

3) ____

STEP 2

Write down three different majors you are interested in pursuing.

1) ____

2) ____

3) ____

STEP 3

Using the college names and majors you wrote above, visit the College ROI Report at **http://www.payscale.com/college-roi/.** Review your 20-year net ROI for each academic area and school and then answer the following questions.

Which major and degree had the greatest ROI? Which had the lowest?

What was surprising to you about the different ROIs? What did you learn that you didn't know before?