

# **STASH THAT CASH:**

Budgeting, Saving and  
Investing for Teens

# STASH THAT CASH: BUDGETING, SAVING AND INVESTING FOR TEENS

## CREDITS

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# STASH THAT CASH: BUDGETING, SAVING AND INVESTING FOR TEENS

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Whether it's an allowance, gift money or paychecks from an after school job, most teens have money to spend. But do they have the money management skills to go along with that income? Often, teenagers think that money management is too complicated, or that they won't have to worry about it until they're much older—but the truth is, the sooner that young people grasp the basics of their own finances, the better off they will be. Not only will money management teach teens how to responsibly take care of their money today, it will build the solid saving, budgeting and investing habits that can pay off, big time, as they grow up.

The first skill in any budding millionaire's toolbox is designing a budget. By mastering a budget, teens will be able to set financial goals and reliably meet them—a trait that will come in handy when it comes time to pay for a car, house or college education. Teens first track their monthly income, then keep a close eye on all their expenses; once they know exactly how much money they deal with, they can make sure their income always exceeds their spending. Teens with a budget can then set realistic, specific and measurable goals for future purchases and investments.

No cash-savvy teen would underestimate the importance of saving. Young people should get in the habit of “paying themselves first,” or setting aside part of every paycheck in a separate bank account. Teens should also learn how to distinguish “needs” from “wants” in order to keep frivolous spending to a minimum and savings high. It's not enough to simply maintain a savings and a checking account. However; money-smart teens will remember to keep their checkbooks balanced.

It is essential that teens also learn how to handle credit responsibly. When used correctly, a credit card helps build a young person's credit history and teaches him how to pay bills promptly. If a teen gives in to the temptation of “free money,” however, the results can be disastrous. Too many young people lose control of their spending and rack up enormous debts, trapping themselves into paying huge interest rates and crippling their ability to save money for the future. A smart spender will limit herself to one credit card and will pay the balance promptly each month.

After mastering the basics of money management, teens are ready to put their cash to work in investments. Young people don't have to be financial wizards to benefit from the magic of compound interest; whether they choose to store their cash in money market accounts, bonds or CDs or to invest long-term in stocks or mutual funds, they put themselves in a position to reap great rewards. And the teen years are not too early to start thinking about retirement—an 18-year-old who begins saving a bit each month could find herself with a very comfortable nest egg when she retires.

***Stash That Cash: Budgeting, Saving, and Investing for Teens*** walks viewers through the essential money management skills: designing a budget, saving, using credit responsibly and investing intelligently. Students who take these lessons to heart will develop the strong financial foundation they need to build a secure, money-savvy future.

## LEARNING OBJECTIVES

After viewing *Stash That Cash: Budgeting, Saving, and Investing for Teens* and participating in the activities included in this Teacher’s Resource Book, your students will be able to:

- track their income and expenses using a personal budget
- set realistic, specific and measurable financial goals
- understand the importance of “paying yourself first,” or saving regularly
- identify ways to cut down on spending in their lives
- distinguish between a savings and a checking account
- understand the significance of credit history
- explain how to use a credit card responsibly
- appreciate the power of compound interest
- list the differences between investment options like certificates of deposit, bonds, stocks, money market accounts and mutual funds
- describe ways to save for retirement
- explain the effects of bankruptcy

“Money is a big deal,” notes a teen host as the program opens. He tells viewers that American teens make and spend over 200 billion dollars every year and influence another 800 billion dollars in family spending on things like school supplies, clothes and food. Although teens are great at spending money, the host notes that “Most do not have the skills or the tools to manage it.” The host explains that the program will outline money management skills and introduce viewers to some real teens’ money habits.

First, the program turns to budgeting. Viewers meet Sheryl, who admits she owns about 20 purses. “I’m always buying stuff I don’t need. I know I shouldn’t, but sometimes I don’t even think,” she says. Sheryl says she had to give up her cell phone because she couldn’t pay the bill. The host returns to note that Sheryl’s friends can’t reach her without a cell phone, but that she probably wouldn’t have enough money to go out anyway. Next, viewers meet T.J. “Some people call me stingy, but really I just know what to do with my money,” he says. “If I really want something, I’ll just figure out what I have to do to get it.” T.J. says he waits for items to go on sale and puts money aside for going out with friends.

“There is something to this budget thing,” the host says. The program introduces Heather Anderson, Vice President of People’s Bank, who points out that “The important thing is to understand what is a want and what is a need.” The host adds that smart budgeters set goals based on what’s important to them—whether it’s enough money to go out on the weekends or saving for a car. Goals should be realistic, specific, and measurable (attainable within a set period of time).

The first step to creating a budget is to track monthly income. The host explains that viewers should note allowance money, gifts, and take home pay from paychecks. Next, viewers can track monthly spending by writing down everything they spend money on, from books to video games to packs of gum. Then it’s time to create a budget, or “a tool to help you anticipate and control your expenses.” “It’s preparing so that you have enough money to live on in your future,” adds Ms. Anderson. The host shows viewers paper and computer spreadsheet budget examples, then reminds them to review the budget regularly and revise it to reflect any changes.

The program then turns to saving money. Viewers meet JoJo, who never has enough money because “I have a hard time telling the difference between my needs and wants.” Then there’s Hailey: “I carry little money with me now. I put it in the bank instead of in my wallet. I’ve saved almost enough to buy a car.” The host comes back to share the most important rule of saving: pay yourself first. Ms. Anderson explains, “Pay yourself first means that you’re putting money aside for emergencies and long-term planning first, before you start to spend your money on your bills or expenses that are ongoing.” The host advises teens to put some money from every paycheck or allowance in a savings account. “Chances are, you won’t even miss it,” he says.

He also recommends asking yourself if you really need an item before buying it. If not, teens can save the money they would have spent. Young people are also advised to cut costs by

bringing a lunch from home, going to matinees or renting a DVD instead of going to the movies, carpooling with friends, using the library, and shopping for sales.

Next, viewers learn about two types of bank accounts: checking and savings. The host explains, “A checking account lets you keep your money in a bank and spend it anytime you want by writing a check.” He stresses the importance of balancing a checking account by subtracting purchase amounts from the account’s balance to avoid bouncing a check. JoJo returns to recall a time he bounced a check when buying a CD; “The store charged me a fee, and so did the bank,” he says. Jean Solari, a teller at Farmington Savings Bank, recommends recording the details of every transaction in a checkbook register and comparing it to the bank’s monthly statement. The host then discusses other ways to access account information, such as bank 800-numbers, ATMs, and online banking. He adds that debit cards also require careful monitoring to prevent overdrafts, and advises viewers to keep all debit receipts and to update their checkbooks often. Linking a checking account to a savings account is another way to prevent overdraft fees.

The program moves on to savings accounts. “In a savings account, a bank protects your money and pays you interest,” the host explains. Both savings and checking accounts can be managed with online banking. “You can use the Internet to look at your balances, and to transfer money within your accounts. You can also make payments online,” Ms. Solari says. ATMS are also useful for withdrawing and depositing money, but the host cautions viewers to be careful of bank fees for services and to keep track of all ATM transactions. “Believe it or not, the ATM is not dispensing free money,” he notes. Ms. Anderson and the host then explain that opening an account is easy, and that many banks offer fee-free student accounts.

The next money management lesson deals with credit. Viewers meet Bryan, who ran into trouble with a credit card: “I thought I could buy whatever I wanted, so I did.” The program then presents Chelsea, who is building a solid credit history by paying off her card’s full balance every month. The host points out that this will make a big difference in the future, when it’s time to get a loan for a car or a house. Ms. Anderson shares an important warning about borrowing for teens: “You do have to pay it back, so make sure that you’re not borrowing above your means.” The host lists some tips for responsible credit use—only have one card, shop around for the best rates, use a debit card instead, and “never charge anything that you won’t be able to pay for entirely when the monthly bill comes.” When considering using a credit card, teens should also ask themselves if they would buy the item if they had to pay cash for it. The host advises young people who have let their credit card spending get out of control to cut up the card and ask for help making a repayment plan; otherwise, a poor credit history could result. Finally, he tells teens to check their credit report each year.

Finally, the program addresses investing. Viewers are introduced to Drew, who explains that “I have an automatic withdrawal from my savings account into my investment account.” The host follows up by showing how investing just 100 dollars a month, starting at age 18 and

assuming an average interest rate of 10 percent, will grow to 1.3 million dollars by age 65. He explains that this increase is due to compound interest: “The longer your money is invested, the more rapid its growth.” Viewers next meet Kara, who says that her father got her started in investing when she was 14 because she had something even more valuable than money—time.

The host advises young people to start simple, perhaps by investing in a certificate of deposit or savings bond to build their confidence. Another option is a money market fund that earns interest and allows account holders to write a few checks. After teens have saved up some money, they may want to take the next step up to a mutual fund. The host explains that in a mutual fund, investors pool their money with others and a professional money manager invests it in a variety of stocks and bonds. He points out that stocks are shares of ownership in a company; when a company does well, stockholders share in the profits. The host notes that people usually make more money from stocks than other types of investments over time. He adds that bonds are loans that are made to a government, corporation, or other organization. The bond issuer promises to repay the face value of the bond along with interest. Viewers are encouraged to learn more by researching online, talking to a financial planner, joining a stock club at school, or playing online investment games. The host also points out that teens are not too young to begin saving for retirement—“You can start small and you may have a fortune when you retire,” he says.

To wrap things up, Ms. Anderson tells viewers that people who manage their money wisely have the most financial freedom—and the most fun. The host then reviews the basics of achieving financial freedom: creating a budget, making a savings plan, using credit wisely, and understanding the different investment options.

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# STUDENT ACTIVITIES

Name: \_\_\_\_\_

## Pre/Post Test

Decide whether the following statements are true or false.

1. TRUE or FALSE: An important part of budgeting is recognizing the difference between things you want and things you need. \_\_\_\_\_
  
2. TRUE or FALSE: When you are planning your monthly budget, you should estimate how much money you usually spend and use that figure. \_\_\_\_\_
  
3. TRUE or FALSE: Financial goals should be realistic, specific and measurable. \_\_\_\_\_
  
4. TRUE or FALSE: The best strategy for saving money is to take care of your bills and expenses first, then put whatever is left over in a bank account. \_\_\_\_\_
  
5. TRUE or FALSE: Carefully balancing your checking account prevents you from bouncing checks, or writing checks for more money than you have in your account. \_\_\_\_\_
  
6. TRUE or FALSE: You can use toll-free phone numbers, ATMs, and online banking to monitor your bank accounts. \_\_\_\_\_
  
7. TRUE or FALSE: What you do with your credit card today has no effect on your financial future. \_\_\_\_\_
  
8. TRUE or FALSE: It's a good idea to have several different credit cards so that if you reach the limit on one card, you can still charge your purchases on another card. \_\_\_\_\_
  
9. TRUE or FALSE: Compound interest makes your money grow faster the longer it is invested. \_\_\_\_\_
  
10. TRUE or FALSE: Teens are too young to worry about stocks, bonds and mutual funds. \_\_\_\_\_

*Answers to this test appear on the next page.*

Name: \_\_\_\_\_

## Answer Key

1. TRUE or FALSE: An important part of budgeting is recognizing the difference between things you want and things you need. TRUE
2. TRUE or FALSE: When you are planning your monthly budget, you should estimate how much money you usually spend and use that figure. FALSE
3. TRUE or FALSE: Financial goals should be realistic, specific and measurable. TRUE
4. TRUE or FALSE: The best strategy for saving money is to take care of your bills and expenses first, then put whatever is left over in a bank account. FALSE
5. TRUE or FALSE: Carefully balancing your checking account prevents you from bouncing checks, or writing checks for more money than you have in your account. TRUE
6. TRUE or FALSE: You can use toll-free phone numbers, ATMs, and online banking to monitor your bank accounts. TRUE
7. TRUE or FALSE: What you do with your credit card today has no effect on your financial future. FALSE
8. TRUE or FALSE: It's a good idea to have several different credit cards so that if you reach the limit on one card, you can still charge your purchases on another card. FALSE
9. TRUE or FALSE: Compound interest makes your money grow faster the longer it is invested. TRUE
10. TRUE or FALSE: Teens are too young to worry about stocks, bonds and mutual funds. FALSE

Name: \_\_\_\_\_

**MONEY MATTERS  
SELF-ASSESSMENT**

Where do you stand when it comes to managing your money? Are you a future millionaire, or do you need to improve your cash-stashing skills? Find out by answering “YES” or “NO” to the following questions.

	YES	NO
1. Do you have a savings account?		
2. Do you have a checking account?		
3. Do you regularly review or balance your bank accounts?		
4. Do you have a credit card in your name?		
5. Do you have more than one credit card in your name?		
6. Have you ever bounced a check (had a check returned because you didn't have enough money in your account)?		
7. Do you frequently need to borrow money from family or friends?		
8. Do you regularly take some money out of your income and put it aside for saving?		
9. Have you ever taken out a cash advance on your credit card?		
10. Have you ever lied about how much money you spend?		

*This activity is continued on the next page.*

Name: \_\_\_\_\_

**MONEY MATTERS  
SELF-ASSESSMENT**

**SCORE:** Give yourself one point for every one of your answers that matches the following answers:

1. Yes
2. Yes
3. Yes
4. Yes
5. No
6. No
7. No
8. Yes
9. No
10. No

**MONEY MASTER: 8-10 points**

Congratulations! You understand the basics of money management. The next step for you is learning how to increase your savings and invest your money wisely.

**SO-SO SPENDER: 5-7 points**

You know a bit about managing your money, but you could be making better choices. It's time to erase your bad financial habits and strengthen your good ones.

**TROUBLE AHEAD: Below 5 points**

Uh oh! You could be in serious money trouble in the future if you don't shape up now. Give yourself a financial makeover by learning basic money management skills.

Name: \_\_\_\_\_

ACTIVITY 3
<b>DESIGN A BUDGET</b>

Your budget is simply a list of all your income and all your expenses for a set time period, usually for one month. Writing out a budget is useful because it lets you know exactly how much money you earn and spend and allows you to pinpoint ways to save more. A budget is an essential tool for financial planning; you can use it to help you open a bank account, save for a big purchase or start investing.

Write your own budget by filling out the table below. You will need to estimate how much money you earn or spend in one week, then multiply that number by 4 to get your monthly budget. If one of the categories doesn't apply to you, just leave it blank.

INCOME	Weekly	Monthly (multiply weekly # by 4)
Salary or wages		
Allowance		
Any other income		
<b>TOTAL MONTHLY INCOME:</b>		\$

EXPENSES	Weekly	Monthly (multiply weekly # by 4)
Food		
Car		
Entertainment (movies, music, etc)		
Phone bill		
Clothing		
Other (specify)		
Other (specify)		
Other (specify)		
<b>TOTAL MONTHLY EXPENSES:</b>		\$

Now subtract your total expenses from your total income:                   \$ \_\_\_\_\_

If this is a **POSITIVE** number: This is your surplus or "extra" money. You can use this money to save for a big purchase or for investment.

If this is **ZERO** or a **NEGATIVE** number: This is your deficit. You will have to increase your income, reduce your expenses or both before you can save any money.

*Extra Credit: Track your income and expenses closely for one month. Write down every amount of money you earn and everything you spend. How close did your estimated budget above come to your actual budget?*

Name: \_\_\_\_\_

ACTIVITY 4
CUTTING COSTS

It’s always a smart idea to keep your expenses to a minimum. That way, you can save your money for something really important—and you won’t get stuck begging your parents for extra cash. How can you cut down on your expenses?

Look over the list of things a high school student might spend money on—do you spend money on them too? Decide whether each item is something you **MUST** spend money on, something you **REALLY LIKE** spending money on or something you can **LIVE WITHOUT**, and put a check mark in that column. At the bottom of the list, add any other things that you typically buy. If you need more room, attach another sheet of paper.

EXPENSE	MUST HAVE	REALLY LIKE	LIVE WITHOUT
Snacks (e.g., chips, soda, coffee, candy)			
Cell phone			
Car expenses (e.g., gas, insurance, car payment)			
New clothes/accessories			
Movies			
Music			
Other entertainment (e.g., concerts, video games)			
Beauty/grooming (e.g., haircuts, perfume/cologne)			

Now it’s time to figure out some ways to cut down on those expenses you rated **MUST HAVE** and **REALLY LIKE**. On a separate sheet of paper, write down each expense that you decided were “musts” or “really likes.” For each of these expenses, think of two realistic ways you could reduce the costs.

Sample: Movie Tickets

1. Instead of going to the movies four times per month, only go to the movies twice and rent DVDs twice.
2. Go to matinee shows instead of evening shows.

Sample: Gym Membership

1. Cancel gym membership and run outside instead for a workout.
2. Cancel membership and use the school weight room during open hours.

Name: \_\_\_\_\_

You just found five dollars in your coat pocket. Do you run out and spend it on an extra-foam hazelnut cappuccino, or do you put it in your bank account and save for something special? That cappuccino may taste good in the moment, but it's a lot more satisfying to be able to buy a big item that you really want. Saving up for your dream purchases isn't hard—you just need to pay yourself first. That means taking some money out of every paycheck or allowance and putting it in a savings account. Make this a habit, and soon you won't even notice that it's not available for you to spend.

Think of two things you would like to buy in the future; make one a short-term goal, that you can accomplish in one to three months, and make the other a long-term goal that will take you at least six months to reach. Then, follow the instructions to design a savings plan for each one.

*Samples:*

Short-term goals

- Prom dress
- iPod®
- Concert tickets

Long-term goals

- College tuition
- Laptop computer
- Car

Remember, your financial goals should be realistic, specific and measurable!

1. SHORT-TERM GOAL: **Item:** \_\_\_\_\_  
**Cost:** \$ \_\_\_\_\_

- 1a. How much money can you afford to put aside each week? \$ \_\_\_\_\_
- 1b. How long will it take you to save up enough to buy the item if you save that amount each week? \_\_\_\_\_
- 1c. Add an extra five dollars to your weekly savings. How long will it take you to buy the item now? \_\_\_\_\_

2. LONG-TERM GOAL: **Item:** \_\_\_\_\_  
**Cost:** \$ \_\_\_\_\_

- 2a. How much money can you afford to put aside each week? \$ \_\_\_\_\_
- 2b. How long will it take you to save up enough to buy the item if you save that amount each week? \_\_\_\_\_
- 2c. Add an extra five dollars to your weekly savings. How long will it take you to buy the item now? \_\_\_\_\_

Name: \_\_\_\_\_

Checking, bonds, money market—all these financial terms may sound complicated at first, but just think of them as tools that help you manage your money. Each type of account or investment will help you budget, plan and save in a different way. It pays to know your tools!

## PART ONE

Using books, magazines and the Internet, research the answers to the questions below. If you need help, refer to the *Money Management Snapshots* fact sheet.

### Tool 1: Savings account

- a) Where could you open a savings account? \_\_\_\_\_
- b) Do all savings accounts earn interest? \_\_\_\_\_
- c) Do you have to pay taxes on earned interest? \_\_\_\_\_
- d) How would you withdraw money from a savings account? \_\_\_\_\_
- e) What does it mean if your account is FDIC insured? \_\_\_\_\_

### Tool 2: Checking account

- a) Where could you open a checking account? \_\_\_\_\_
- b) Do all checking accounts earn interest? \_\_\_\_\_
- c) What are checks? \_\_\_\_\_
- d) What is a debit card? \_\_\_\_\_

### Tool 3: Money market account

- a) Where could you open a money market account? \_\_\_\_\_
- b) Is the interest on a money market account usually higher or lower than interest on a savings account? \_\_\_\_\_
- c) Is the minimum balance on this account usually higher or lower than a savings account? \_\_\_\_\_
- d) Can you write checks from a money market account? \_\_\_\_\_

*This activity is continued on the next page.*

Name: \_\_\_\_\_

Tool 4: Certificate of Deposit (CD) – keep editing from here forward.

- a) Where could you get a CD? \_\_\_\_\_
- b) What is the “term” of a CD? \_\_\_\_\_
- c) What happens when a CD matures? \_\_\_\_\_
- d) What happens if you withdraw money from a CD before it matures? \_\_\_\_\_

Tool 5: U.S. Treasury bond

- a) What is a bond? \_\_\_\_\_
- b) Where would you get a U.S. Treasury bond? \_\_\_\_\_
- c) What happens when a bond matures? \_\_\_\_\_
- d) Is a Treasury bond guaranteed? Explain. \_\_\_\_\_

## PART TWO

Pick one of the five money management tools in Part One to investigate further. If possible, choose one that you can afford to open now—for example, if you don’t have any accounts, you might want to start with a savings or checking account. If you already have those accounts, look into a money market account or CD.

When you have chosen your “tool,” go to three different banks or credit unions and ask for information about your account of choice. Use the chart on the following page to record your information.

*This activity is continued on the next page.*



Name: \_\_\_\_\_

**ACTIVITY 7**  
**THE BALANCING ACT**

Mary Jane has a checking account with a debit card. She loves the convenience of her account, but she sometimes falls behind on balancing her checkbook. (Balancing a checkbook means keeping a running total of your money by entering all your transactions into your register—both your deposits and your withdrawals.) Now Mary Jane is at her favorite pizza place with her friends—and she realizes she’s not sure if she can afford her \$15 meal of garlic bread, soda and pepperoni pizza. Can Mary Jane buy her pizza, or will she have to stay late and wash dishes to pay for her meal?

The last time Mary Jane balanced her checkbook, she had a bit more than \$45. Luckily, she kept all the withdrawal and deposit receipts from then on in her purse. Read over the transactions and then balance Mary Jane’s checkbook.

CHECK NO.	DATE	DESCRIPTION OF TRANSACTION	PAYMENT	DEPOSIT	BALANCE \$
		Starting Balance			\$92.31
#247	9/3/06	Nail Salon	\$15.00		\$77.31
#248	9/5/06	Kroger’s grocery store	\$32.06		\$45.25

Mary Jane’s transactions:

September 12	ATM deposit	\$ 20.00
September 12	Burger Garden purchase	7.86
September 14	Gas & Go purchase	22.06
September 17	Star Cinema purchase	9.42

What is Mary Jane’s final balance? \_\_\_\_\_

Does she have enough money to pay for her meal? \_\_\_\_\_

Name: \_\_\_\_\_

**COMPOUND INTEREST:  
FRIEND AND FOE**

Compound interest can be your biggest ally when it comes to saving and investing your money. Basically, *interest* is what your bank pays you for the privilege of holding your money. Interest is expressed as some percent of your account total.

For example, if you have \$100 in your account and your interest rate is 5%, the bank will pay you \$5.

*Compound interest* means that your interest also earns interest.

For example, let's say that the interest in your savings account is compounded monthly. That means the interest is re-calculated every month.

The first month, your \$100 earns 5%, or \$5. But the next month, your new total is \$105 and your interest would be 5% of that, or \$5.25. Your interest deposits will continue to increase, and that can really add up!

But be careful—compound interest also has a dark side—when you are paying interest to a credit card company, instead of gaining interest from an investment.

For example, let's say you charged \$100 on your credit card, which has an interest rate of 10%. When you get your bill, you have two choices: you can pay the entire \$100 immediately and have no fees, or you can pay part of the \$100 and pay the credit card company interest on the rest.

If you pay the company \$20 the first month; you still owe \$80. Next month, your bill will be that \$80 plus 10% for a total of \$88. You pay \$20 again, so you still owe \$68. Next month's bill will be \$68 plus 10% for a total of \$74.80. In two months, you've already paid the credit card company an extra \$14.80!

Take a closer look at compound interest by solving the problems on the next page. You can plug the numbers into an online compound interest calculator to find your answers. Try one of these sites:

<<http://www.webmath.com/compinterest.html>>

*or*

<<http://id.mind.net/~zona/mmts/functionInstitute/exponentialFunctions/compoundInterest.html>>

*This activity is continued on the next page.*

Name: \_\_\_\_\_

**COMPOUND INTEREST:  
FRIEND AND FOE**

1. SAVINGS ACCOUNT

Mark receives \$1,000 from his grandparents for his birthday. He decides to put it in a savings account that earns 4% (0.04) interest, compounded monthly. Mark has a lot of self-control, so he leaves the money alone for 10 years.

How much money will Mark have after 10 years? \_\_\_\_\_

How much money did Mark earn in interest alone? \_\_\_\_\_

2. CREDIT CARD

Dakota gets her first credit card—with an interest rate of 19%, compounded monthly. She buys a digital camera for \$300. Dakota decides not to pay off her card for one year. (For simplicity’s sake, imagine she does not have a minimum monthly payment.)

At the end of a year, how much will Dakota have paid for her camera? \_\_\_\_\_

3. SMART SAVINGS

Kyra gets a \$250 paycheck for two weeks of work at her after school job, and she decides to put it in a savings account that earns 5% interest, compounded monthly. She also decides to deposit \$100 in the account each month, for the next 11 months. (The first month, Kyra deposits \$250. For each of the next 11 months, she deposits \$100.) *Hint: First, divide 0.05 by 12; this is the compound interest rate per month. You’ll use this number as your interest rate as you calculate what Kyra earns each month.*

How much will be in Kyra’s account after 12 months? \_\_\_\_\_

4. SCARY SPENDING

Josh buys some kayaking equipment on his credit card, which has an interest rate of 20%, compounded monthly. His kayaking spending-spree costs him \$250 total. When he gets his bill each month, he decides to pay only the minimum amount of \$10. *Hint: First, divide 0.2 by 12; this is the compound interest rate per month. You’ll use this number as your interest rate as you calculate what Josh owes each month.*

How long will it take Josh to pay off his credit card bill? \_\_\_\_\_

How much will he end up paying for the equipment? \_\_\_\_\_

Name: \_\_\_\_\_

## Answer Key

1. Mark will have \$1,490.83 after 10 years. He will have earned \$490.83 in interest.
2. Dakota will have paid \$362.24 at the end of the year.
3. Kyra will have \$1,390.24 after one year.
4. It will take Josh 2 years and 9 months to pay for the equipment. He will end up paying a total of \$326.

Name: \_\_\_\_\_

You work hard for your money—and investing is a smart way to make your money work for you. When you invest, you put your money in different types of accounts, stocks or bonds, hoping that your choice will gain value and earn you some free money. It's true that you can enjoy huge gains on investments, but there is also some risk involved: If you pick certain stocks or bonds, your money may actually lose value.

### PART ONE

Explore some different saving and investing options by reading through the four problems below. BEFORE you solve the problems, answer these questions:

Who do you think will end up with the most money? \_\_\_\_\_

Who do you think will end up with the least money? \_\_\_\_\_

Now, solve the problems to check your prediction.

1. **Savings Account:** Rico puts \$2000 in a savings account that earns 4% interest, compounded monthly. He leaves the money in the bank for 20 years.
2. **Checking Account:** Casey puts \$3000 in an interest-bearing checking account that earns 0.75% interest, compounded monthly. She leaves the money in the bank for 20 years.
3. **Certificate of Deposit (CD):** Tina puts \$1750 into a 15-year CD with a 7% interest rate, compounded monthly.
4. **Bond:** Julian buys a \$2000 bond that matures in 15 years. His interest rate is 3.5%, compounded monthly.

### PART TWO

Investigate mutual funds by reading the two problems below. BEFORE you solve the problems, answer this question:

Who do you think will end up with the most money? \_\_\_\_\_

Now, solve the problems to check your prediction.

1. **Mutual Fund I:** Alex invests \$1000 in a mutual fund. The first year, her fund rises 70%. The second year, it falls 50%. The third year, it rises 5%.
2. **Mutual Fund II:** Shawn invests \$1000 in a mutual fund. The first year, his fund rises 5%. The second year, it rises 6%. The third year, it rises 4%.

Name: \_\_\_\_\_

## Answer Key

### PART ONE

1. Savings Account: Rico will have \$4,445.16
2. Checking Account: Casey will have \$3,485.34
3. CD: Tina will have \$4,985.66
4. Bond: Julian will have \$3,378.34

Answers:

1. **Tina** ends up with the most money;
2. **Julian** ends up with the least money.

### PART TWO

1. Mutual Fund I: The first year, Alex's fund value will be \$1700. The second, it will be \$850. At the end of the third year, she will have **\$892.50**.
2. Mutual Fund II: The first year, Shawn's fund value will be \$1,050. The second, it will be \$1,113. At the end of the third year, he will have **\$1,157.52**.

Answer:

1. **Shawn** will end up with the most money.

Name: \_\_\_\_\_

Quick quiz: True or False? High school students are way too young to start worrying about retirement. Answer: False! While you certainly don't have to start investing in a retirement account, such as an IRA (individual retirement account) right now, you're missing out on some powerful "IRA magic" if you wait too long to begin. After all, you've got something that even the richest older investors don't—time. Check out how time boosts your savings by solving the following problems. You can use an online calculator to find your answers; try entering "periodic investment calculator" in a search engine. For instance:

<[http://googolplex.cuna.org/1/5spot/story.html?doc\\_id=728](http://googolplex.cuna.org/1/5spot/story.html?doc_id=728)>

- 1. You start an IRA when you get your first real job at age 20. You invest \$200 per month. Your investment earns an average of 10% each year, compounded monthly.**
  - a) How much will you have when you turn 60? \_\_\_\_\_
  - b) How much money did you deposit? \_\_\_\_\_
  - c) How much did you earn in interest (total amount minus deposits)? \_\_\_\_\_
  
- 2. You decide you need to pay off your credit cards, student loans and car loan before you worry about saving for retirement. You start an IRA at age 30, investing \$200 per month. Your investment earns an average of 10% each year, compounded monthly.**
  - a) How much will you have when you turn 60? \_\_\_\_\_
  - b) How much money did you deposit? \_\_\_\_\_
  - c) How much did you earn in interest (total amount minus deposits)? \_\_\_\_\_
  
- 3. You get caught up in paying off your debts and buying new things, forgetting about retirement. You finally start an IRA at age 40. You invest \$200 per month, and your investment earns an average of 10% per year, compounded monthly.**
  - a) How much will you have when you turn 60? \_\_\_\_\_
  - b) How much money did you deposit? \_\_\_\_\_
  - c) How much did you earn in interest (total amount minus deposits)? \_\_\_\_\_
  
- 4. Compare the total value of the IRA you started at age 20 to the value of the one you started at age 30. How much more money did those extra 10 years earn you?**  
\_\_\_\_\_
  
- 5. Compare the total value of the IRA you started at age 20 to the value of the one you started at age 40. How much more money did those extra 20 years earn you?**  
\_\_\_\_\_

Name: \_\_\_\_\_

## Answer Key

1. IRA started at age 20
  - a) Total balance: \$1,275,356
  - b) Total deposits: \$96,000
  - c) Total interest: \$1,179,356
  
2. IRA started at age 30
  - a) Total balance: \$455,865
  - b) Total deposits: \$72,000
  - c) Total interest: \$383,865
  
3. IRA started at age 40
  - a) Total balance: \$153,139
  - b) Total deposits: \$48,000
  - c) Total interest: \$105,139
  
4. Extra 10 years: \$819,491
  
5. Extra 20 years: \$1,122,217

Name: \_\_\_\_\_

**ACTIVITY 1 1A**  
**STOCK SCAVENGER HUNT**

Have you ever glanced at the newspaper’s business section and wondered what those tiny symbols meant? It may look confusing at first, but stock listings are simply a record of how different types of investments have changed in value that day. If you invest your money in *stocks, bonds, mutual funds* or *foreign currency*, you’re taking a risk—you hope that your investments will become more valuable than they were when you bought them, and therefore, earn you money.

You can keep track of the way investments gain or lose value each day by looking up their symbols in the newspaper or on an investment website. (Stocks are traded in three different *indexes*, or groups: the Dow Jones Industrial Average, NASDAQ, and the S&P 500.) Some good sources of current investment value, or *quotes*, (for stocks, the quote tells you how much one share of the company’s stock is worth) are:

- Yahoo! Finance: <<http://finance.yahoo.com>>
- Morningstar.Com: <[www.morningstar.com](http://www.morningstar.com)>
- The New York Stock Exchange (NYSE) website: <[www.nyse.com](http://www.nyse.com)>
- The NASDAQ Stock Market website: <[www.nasdaq.com](http://www.nasdaq.com)>

Practice looking up investment information by filling in the tables below. Start by looking up the investment’s value today; then check again tomorrow and compare the two values. When you’re done looking up quotes for the given investments, fill in the blank spaces with your own choices of stocks, mutual funds, bonds and foreign currency. Check those values for today and tomorrow, too. A sample has been filled in for you.

**STOCKS**

<b>Company</b>	<b>Symbol</b>	<b>Index</b>	<b>Today’s Value</b>	<b>Next Day’s Value</b>
<i>Disney</i>	<i>DIS</i>	<i>Dow Jones</i>	<i>\$30.23</i>	<i>\$30.45</i>
McDonald’s	MCD	Dow Jones		
Apple Comp.	AAPL	NASDAQ		
Wal-Mart	WMT	Dow Jones		

*This activity is continued on the next page.*

Name: \_\_\_\_\_

BONDS

<b>Bond Type</b>	<b>Today's Interest Rate (Yield)</b>	<b>Next Day's Rate (Yield)</b>
US Treasury 2 year		

MUTUAL FUNDS

<b>Fund Name</b>	<b>Symbol</b>	<b>Today's Value</b>	<b>Next Day's Value</b>
Fidelity Discovery	FDSVX		

FOREIGN CURRENCY

<b>Currency Type</b>	<b>Today, \$1 is worth ____ in this currency</b>	<b>Next day, \$1 is worth ____ in this currency</b>
Euro		

Name: \_\_\_\_\_

1. Bankruptcy is:
  - a) a crime that will land you in jail for three to six months
  - b) what happens when you don't have any money left in your savings account
  - c) a process in federal court that helps you pay off your debts
  
2. True or False? When you declare bankruptcy, it means that you don't have to pay back any of your debts. \_\_\_\_\_
  
3. There are two main types of personal bankruptcy, known as Chapter 7 and Chapter 13. Which is which?
  - a) You and a bankruptcy court agree to a repayment plan for some of your debts. You must have some kind of income to qualify for this type of bankruptcy.  
\_\_\_\_\_
  - b) A trustee takes over your property and sells it to repay your debts.  
\_\_\_\_\_
  
4. How long does bankruptcy stay on your credit history?
  - a) up to six months
  - b) up to six years
  - c) up to ten years
  
5. Some kinds of debt can be forgiven, meaning you won't have to pay them back, but other kinds must always be repaid. Which kind of debt CAN be forgiven?
  - a) most taxes
  - b) student loans
  - c) child support
  - d) personal injury caused by you drinking and driving
  - e) none of the above
  
6. A court order stating that you don't have to repay some of your debts is called a:
  - a) legal forgiveness notice
  - b) discharge
  - c) get-out-of-jail-free card
  
7. True or False? Bankruptcy laws have stayed the same since the 1930s. \_\_\_\_\_
  
8. True or False? Declaring bankruptcy can make it very difficult or impossible for you to get a loan for a car, business or house in the future. \_\_\_\_\_

Name: \_\_\_\_\_

## Answer Key

1. C. When you file for bankruptcy, you work with a federal bankruptcy court to repay your debts, and in some cases, have some of your debts wiped out.
2. False. Even if you declare bankruptcy, you will still have to repay all or a portion of the money you owe.
3. A: Chapter 13. This is also called “reorganization.”  
B: Chapter 7. This is also called “liquidation.”
4. C. Bankruptcy can stay on your credit history and cause big trouble for you for up to ten years.
5. E. You will have to pay back ALL of these types of debt, even if you file for bankruptcy. There’s no easy way out!
6. B.
7. False. The Bankruptcy Abuse Prevention and Consumer Protection Act was passed in 2005, making the standards for declaring bankruptcy stricter.
8. True. Bankruptcy will wreak havoc on your credit history, making lenders very unlikely to trust you to repay your debts. That means you may not be able to get a loan for a car, a business, a house, or any other big purchase you may need or want. That might not mean very much to you today, but think about it—bankruptcy stays on your history for up to ten years. Do you hope to have your own car and house by then?

Name: \_\_\_\_\_

It's often said that experience is the best teacher, but when it comes to money management, you can learn a lot from someone else's experience, too. "Money mentors" who have mastered the ups and downs of financial freedom are great sources of information, knowledge and tips. Get the inside story by interviewing an adult you know.

Choose one adult that you admire for his or her solid money management skills. Maybe your chosen interviewee has made wise investments, or achieves financial goals regularly or is simply someone who seems to always be on top of money matters. Set aside at least 30 minutes for your interview.

Prepare for your interview by reading the questions below, then writing at least five of your own. During your interview, ask your list of questions and write down the person's answers on a separate sheet of paper. You may want to record the interview. When you're done, write a brief summary of what you've learned on a separate sheet of paper.

### Money Mentor Interview Questions

1. What do you think are the keys to successful money management?
2. If you could go back to your teen years and do something differently when it came to money management, what would you do?
3. What financial advice would you give to high school students today?
4. What are some of the mistakes you have made, and what did you learn from them?
5. Where do you go for financial advice? Why?
6. \_\_\_\_\_
7. \_\_\_\_\_
8. \_\_\_\_\_
9. \_\_\_\_\_
10. \_\_\_\_\_

# FACT SHEETS

Name: \_\_\_\_\_

**MONEY MANAGEMENT STYLES**

<p><b>THE SHOP 'TIL YOU DROPPER</b></p> <ul style="list-style-type: none"><li>• Spends all the money he or she earns immediately</li><li>• Can't afford important items like a cell phone, car or insurance</li></ul>	<p>VS.</p>	<p><b>THE BRAINY BUDGETER</b></p> <ul style="list-style-type: none"><li>• Tracks all income</li><li>• Plans ahead for regular expenses</li><li>• Saves up for big purchases</li><li>• Sets specific, realistic and measurable financial goals</li></ul>
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<p><b>THE BIG SPENDER</b></p> <ul style="list-style-type: none"><li>• Never has enough money</li><li>• When he or she finds some cash, it is quickly spent on impulse buys</li></ul>	<p>VS.</p>	<p><b>THE SMART SAVER</b></p> <ul style="list-style-type: none"><li>• Puts money aside regularly in an interest-bearing savings account</li><li>• Pays himself/herself first</li></ul>
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<p><b>THE CREDIT FIEND</b></p> <ul style="list-style-type: none"><li>• Buys anything he or she wants with a credit card without worrying about paying for it</li><li>• Racks up huge debts</li></ul>	<p>VS.</p>	<p><b>THE CAREFUL CARD USER</b></p> <ul style="list-style-type: none"><li>• Uses a credit card carefully</li><li>• Pays off the balance on the card in full every month</li><li>• Is building a solid credit history</li></ul>
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<p><b>THE OPPORTUNITY MISSE</b></p> <ul style="list-style-type: none"><li>• Keeps all money in a savings account with a low interest rate</li></ul>	<p>VS.</p>	<p><b>THE INTELLIGENT INVESTOR</b></p> <ul style="list-style-type: none"><li>• Invests in money market accounts and mutual funds with higher interest rates</li></ul>
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Name: \_\_\_\_\_

A budget is simply a record of all your income versus all your expenses. Hopefully, your income is greater than what you're spending! Here are two examples of teen budgets—one good, one bad. Which budget is closest to yours?

**LEAH'S SEPTEMBER BUDGET**

<b>Income</b>	
Salary at Pizza Inn	\$280
Allowance	\$40
<b>TOTAL</b>	<b>\$320</b>
<b>Expenses</b>	
Gas for mom's car	\$80
Food (lunch & snacks)	\$50
Movie tickets	\$20
Music	\$30
Jake's birthday present	\$40
<b>TOTAL</b>	<b>\$220</b>
<b>Savings</b>	<b>\$100</b>

**JESSE'S SEPTEMBER BUDGET**

<b>Income</b>	
Salary at Hammer Hardware	\$280
Allowance	\$40
<b>TOTAL</b>	<b>\$320</b>
<b>Expenses</b>	
Car payment	\$150
Car insurance	\$100
Gas	\$50
New shoes	\$80
Dinners out	\$50
<b>TOTAL</b>	<b>\$430</b>
<b>Savings</b>	<b>\$0</b>
<b>Credit Card debt</b>	<b>\$110</b>

Name: \_\_\_\_\_

## SAVINGS ACCOUNT

- **What it is:** An account in which you can usually deposit and withdraw money anytime.
- **Interest:** Yes, a savings account earns interest.
- **Things to know:** Your money is safe in a savings account if it is “FDIC insured,” which means that the Federal Deposit Insurance Corporation guarantees your balance up to \$100,000. Make sure your bank is FDIC insured.
- **Beware:** A basic savings account will not earn as much interest as some other types of accounts.

## CHECKING ACCOUNT

- **What it is:** An account that comes with a set of checks you can write to purchase items and/or a debit card.
- **Interest:** Some kinds of checking accounts do earn interest; these usually require you to keep a minimum balance.
- **Things to know:** A debit card is like a credit card, but it deducts money immediately out of your account. Your account will come with a checkbook or register, where you should record all your transactions and keep a running total of your balance; this is called balancing or reconciling your checkbook.
- **Beware:** Money that you deposit in your account usually takes two to five days to actually show up in your account; this is called the float. Be careful—the fact that you just deposited money in your account doesn’t mean it’s available to be spent yet! Also be careful not to bounce a check or write a check for more money than you have in your account. You will have to pay a hefty fee for a bounced check.

## MONEY MARKET ACCOUNT

- **What it is:** This account is similar to a savings account but allows you to write a limited number of checks each month.
- **Interest:** Yes. This account usually earns more interest than a savings account.
- **Things to know:** Don’t get this account confused with a money market fund, which is a type of mutual fund investment.
- **Beware:** This account requires a higher initial deposit and a higher minimum balance than other types of accounts.

*This fact sheet is continued on the next page.*

Name: \_\_\_\_\_

### CERTIFICATE OF DEPOSIT (CD)

- **What it is:** A special deposit account that lasts for a specified period, called a term, from several months to several years.
- **Interest:** Yes. The longer the CD's term, the higher the interest rate.
- **Things to know:** When your CD's term is up, it has "matured."
- **Beware:** You can't withdraw money from your CD before it matures without having to pay a fee.

### BOND

- **What it is:** A loan you give to a company or government. When you buy a bond, the bond issuer promises to pay you back with interest when it matures.
- **Interest:** Yes, bonds earn interest.
- **Things to know:** U.S. Treasury bonds are considered the safest investment because your money is guaranteed.
- **Beware:** Though very safe, it is possible to lose the money you lend to a company with a bond.

Name: \_\_\_\_\_

**SAVINGS AND CHECKING  
SMARTS**

**WHAT TO CONSIDER WHEN CHOOSING AN ACCOUNT:**

**Bank or Credit Union:** If there are both banks and credit unions near you, check out both. One may have higher interest rates or better deals.

**Fees:** Banks and credit unions charge all kinds of different fees—choose an account with no (or limited) fees for the best deal. Watch out for these common charges:

- an automatic monthly service fee
- a charge to use an ATM or see a teller
- a penalty if your balance dips below the required minimum
- a charge to check your balance
- a fee for every check you write

**Easy Access:** Go for an account that lets you manage your money easily. Look for an account that:

- lets you arrange direct deposit for your paycheck
- allows you to link your savings and checking accounts
- offers online and/or telephone banking

**The Best Checking:** There are all kinds of different checking accounts. Think about your needs as you consider the options:

- **basic checking:** best for paying bills and covering daily expenses
- **interest-bearing checking:** earns interest, but typically has a minimum balance and initial deposit
- **joint checking:** an account for two or more people (like you and one of your parents)
- **express checking:** an account that usually allows you to write an unlimited number of checks, has a low minimum balance, and few or no fees—but may charge you to talk to a teller; best for those who bank by ATM, phone or online.
- **student checking:** an account that usually has few or no fees, and may have special perks
- **money market checking:** typically has a higher minimum balance and initial deposit and limits monthly transactions—but earns more interest

**ATMs:** Avoid fees by:

- choosing a bank that has no-fee ATMs in convenient locations
- only using your bank's ATMs
- asking for cash back on debit card purchases (there's no fee)

Name: \_\_\_\_\_

### Just what is a credit history, anyway?

Your credit history is a record of all the loans you take out and your habits in paying them back. Everything from credit card purchases to student loans to home mortgages will show up on your credit history. Lenders will be able to tell exactly how much money you've borrowed and whether you pay it back on time or not.

### Why does it matter?

Lenders will check your credit history when they are deciding whether or not to give you a loan—they're using your past behavior to see if you can be trusted to pay them back. If you have a great credit history, lenders will love to give you loans, and you'll get the lowest interest rates—and, therefore, save lots of money. If you have a poor credit history, you'll get stuck paying high interest rates or you won't get any loans at all. High interest rates are a big deal—you could end up paying thousands of dollars more than the original purchase price of your big items if you have poor credit!

But I'm only a high school student, and I don't need to borrow any money.

You may not need any loans now, but chances are good that you will one day soon. What if you need student loans for college? What if you want to buy your own car? Do you want to own your own house someday? When it comes time to apply for those loans, your habits from today will still be on your credit history!

### What makes a great credit history?

Lenders use a formula when they consider your credit history, but the most important factors are:

- Whether or not you pay at least the minimum balance on your bills each month; late payments count against you
- The total balance on your credit cards and other loans compared to your total credit limit; the lower your balance and/or the higher your limit, the better
- How long your credit history is: the longer, the better

*This fact sheet is continued on the next page.*

Name: \_\_\_\_\_

### How can I build a good credit history?

- Apply for a credit card if you don't already have one. Remember, the longer your credit history is, the better, so start now.
- Own no more than a single credit card. It will cut down on the temptation to go on a spending spree. Plus, it looks bad on your credit history if you apply for a ton of different cards.
- Shop around for the best card. You want one with no annual fee and with the lowest interest rate you can find. If you find a card with a low "introductory rate," find out when it will change to a regular rate and how high that rate is.
- Only buy what you can pay for right away.
- Pay your balance in full every month. If you only pay the minimum amount due, you'll end up paying the credit card company interest on your purchases.

Name: \_\_\_\_\_

Looking to save money? Try these tips:

- Rent a movie instead of going to the theater, or go to a cheaper matinee rather than a night showing.
- Bring your lunch from home instead of buying it.
- Save money at restaurants by ordering water, choosing an appetizer instead of an entrée or sharing a dish with a friend.
- Don't own a car if you can help it—monthly car payments, gas and insurance really add up. Instead, take public transportation, ask if you can borrow your parents' car when you really need it, or carpool with friends.
- Instead of buying new clothes for every special occasion (like a school dance), borrow from your friends or hunt for new looks at vintage shops.
- Don't carry a lot of cash around with you. If you don't have the money, you can't be tempted to spend it.
- If you really want to buy something expensive, wait a week and think about it. Chances are you'll realize you can live without it.
- Go to a reasonably priced salon for your haircuts instead of a very expensive one. If you just can't give up the high-end haircut, only go every second or third time.
- Look for fun, low-cost things to do with friends: museums, sports, parks, hiking trails, dances and bowling, to name a few.
- Get a cheaper cell phone plan and take advantage of free night and weekend minutes.
- Ask about student rates. Many movie theaters, trains, buses and other groups offer reduced rates if you show your student ID card.

Name: \_\_\_\_\_

## BUDGETING

- Set realistic, specific and measurable spending goals
- Track income
- Track spending: record all your purchases
- Create a budget
- Periodically review your budget

## SAVING

- Pay yourself first
- Think about every purchase
- Cut costs
- Balance your checking account

## CREDIT

- Just have one credit card
- Shop for the best rates
- Use a debit card instead
- Only buy what you can pay for
- Check your credit report each year for accuracy

## INVESTING

- Use compound interest to your advantage
- Consider CDs, bonds and money market funds
- Try a diversified mutual fund

Name: \_\_\_\_\_

**Balance a checkbook:** Keep track of all the deposits, withdrawals and the running total in your checking account so you always know exactly how much money you have.

**Bankruptcy:** A process in the federal courts that helps people or businesses pay off their debts or forgives the debts in part or entirely. Declaring bankruptcy will have a negative effect on your credit for up to ten years.

**Bounce a check:** Write a check for more money than is in your account; also called an overdraft.

**Budget:** A personal financial plan that lists all income and expenses (usually done monthly).

**Cash advance:** Money issued to you by a credit card company. You must pay it back with interest; interest begins accruing immediately.

**Compound interest:** Interest that is calculated using the sum of the original amount (or principal) plus the interest that has already accrued. For example, if you earn \$5 in interest on \$100 in your bank account, the next time interest is calculated, it will be calculated on \$105.

**Credit card:** A plastic card that can be used to purchase items. When you use a credit card, you promise to pay the credit card company back. If you don't pay the entire amount back right away, you will also have to pay the company interest.

**Credit history:** A record of your debts, some accounts and available credit. Several factors in your history are combined to give you a credit score. Lenders use this score when they decide whether or not to lend you money. The better your score, the better your chances of getting a loan with a low interest rate; the higher your score, the higher your interest rate will be. If your score is too low, you may be denied a loan altogether.

**Credit limit:** The amount of money a credit card company is willing to lend you. Your limit usually starts out low and increases as you make regular payments.

**Credit report:** A document containing information about your current debts, credit cards and history of repaying past debts.

*This fact sheet is continued on the next page.*

Name: \_\_\_\_\_

**Credit union:** A nonprofit financial institution owned by its members. A credit union is like a bank, but it usually offers better interest rates and fees.

**Debit card:** A plastic card you can use to make purchases. When you use a debit card, money is immediately deducted from your checking account.

**FDIC insured:** If a bank or account is FDIC insured, it means that the Federal Deposit Insurance Corporation will guarantee your money up to \$100,000.

**Grace period:** The amount of time you have to pay back the balance on your credit card before the company starts charging interest.

**Interest:** Amount that a borrower pays a lender for the use of the lender's money. It is expressed as a percentage of the borrowed amount.

**IRA:** Individual retirement account. When you contribute to an IRA, you are saving money for retirement. The earlier you open an IRA, the more money you will earn in interest.

Name: \_\_\_\_\_

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*This fact sheet is continued on the next page.*

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