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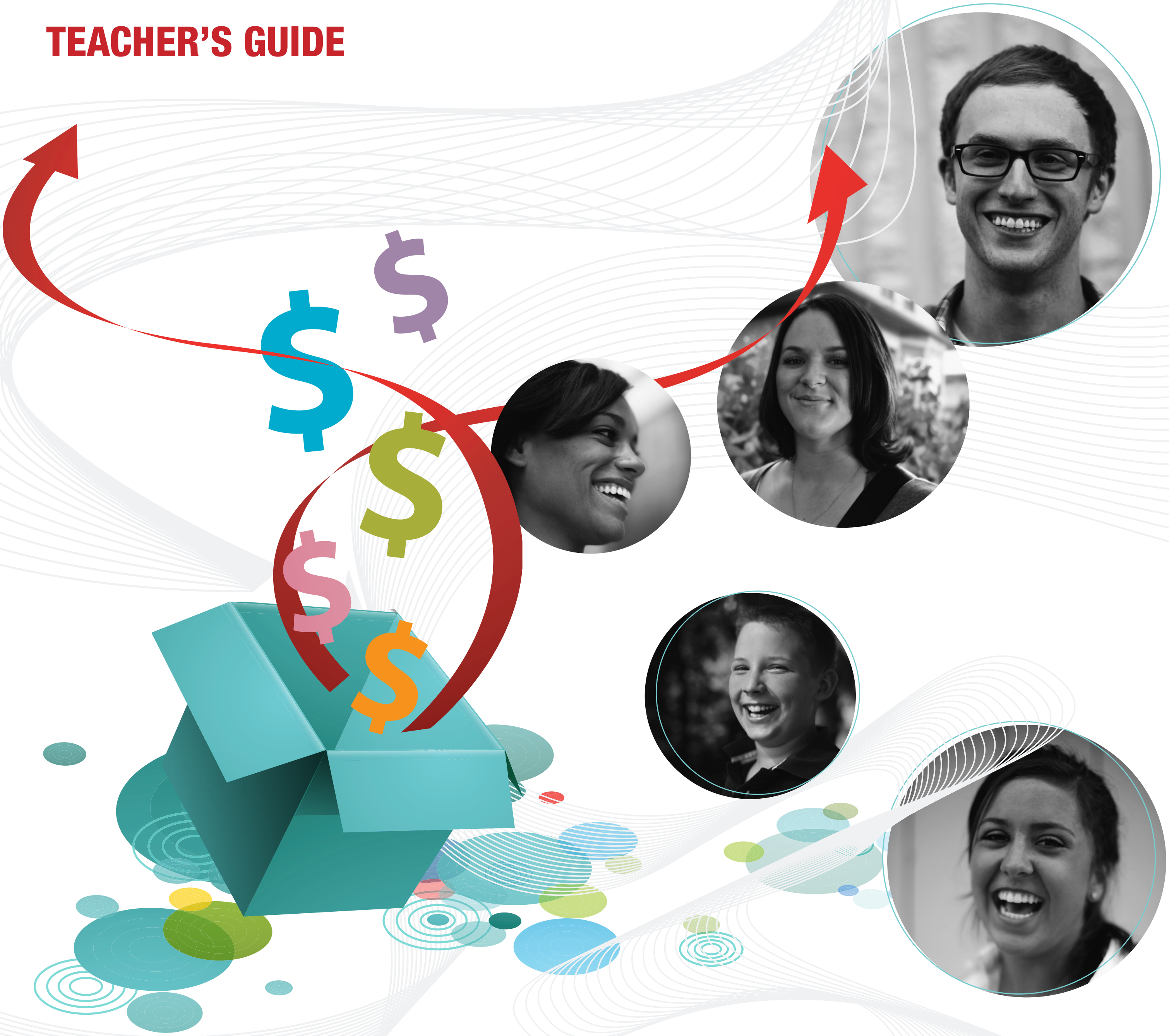
FINANCIAL LITERACY FOR TEENS

TEACHER'S GUIDE



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Introduction

This guide is to supplement the special section entitled "Financial Literacy for Teens" in partnership with BECU that will appear in The Seattle Times on October 14, 2012. The guide connects to Washington State Math-Algebra standards for grades 6–12. The guide will appear in October on The Seattle Times Newspapers In Education (NIE) website (seattletimes.com/nie). Teachers are encouraged to modify the guide to fit their individual classroom needs.

The Seattle Times Newspapers In Education (NIE)

To enroll in The Seattle Times NIE program and receive free access to the electronic version (e-Edition) of the newspaper, lesson plans and curriculum guides, as well as the in-paper content for this guide, please email **nie@seattletimes.com** or call **206/652-6290**, toll-free: **1-888/775-2655**.

Web: seattletimes.com/nie

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Vocabulary Review

Review the special section "Financial Literacy for Teens" and write a definition (and draw a picture if it will help you remember) for the following financial terms:

ATM card	CD	Savings account
Checking account	Credit card	Credit report
Credit score	Debit card	Interest

Banking 101: Savings Account or CD?

You learned in Banking 101 that there are several ways to save money in a financial institution. First, review with a classmate the difference between a savings account and a CD (Certificate of Deposit). Now consider the following financial scenarios, and complete the table with the amount of interest you would earn on $100, $500 and $1,000 for both a savings account and a CD. In the last row, calculate the total you would earn for $100, $500, and $1,000 if you were charged $20 for withdrawing the money early from a CD.

	Savings Account 1% interest amount in 12 months	12 months CD 5% interest	24 month CD 7% interest
Amount: $100			
Amount: $500			
Amount: $1,000			
$20 fee if withdrawal of $ after 6 months	N/A	$100: $500: $1,000	$100: $500: $1,000:

Discuss the following questions:

- Which type of account earns you more money in general?
- Which type of account is best if you want to withdraw money within 12 months?

Financial Goals

Study the same Financial Goals chart on page seven of the special section "Financial Literacy for Teens." Think about or discuss the following questions regarding your financial goals.

- What is your financial situation?
- Do you have a job?
- Do you owe your parents or anyone else money?
- What are your major expenses?
- Do you have any savings?

Complete the following questions about your financial goals independently:

Short-term goals (up to two years) **Target date**

(Example: save $25 by next month to buy my friend a birthday present)

Medium-term goals (three to five years) **Target date**

(Example: save $10 a week during the last years of high school for college books or tuition)

Long-term goals (six or more years) **Target Date**

(Example: develop a savings plan in college to save money for my own apartment after college)

Track Your Spending

One of the best ways to meet your financial goals is to track your spending. With a few quick calculations you will be able to determine if you are on track for meeting your goals.

1. Refer to the back page of the special section to the Monthly Expenses Chart for your calculated monthly expenses total. These expenses are those that you regularly incur each month.

2. Complete the Periodic Expenses chart below with the dollar amounts of your costs for each month. These are the expenses that do not regularly occur each month.

	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sept	Oct	Nov	Dec
Trans.: Vehicle License												
Trans.: Vehicle Maintenance (oil)												
Personal: Gifts												
Personal: Clothing												
MONTHLY TOTALS												

3. Complete the Spending Chart below.

		Current	Adjusted Amount
Net Monthly Income (your take-home pay or allowance)			
Subtract Basic Monthly Expenses (#1 above)	–		
Subtotal	=		
Subtract. Min. for Periodic Expenses (#2 above)	–		
Subtotal	=		
Subtract Outstanding Obligations	–		
Final Surplus (+) or Deficit (-)	=		

4. Is your current final amount a surplus or a deficit? If you answered “surplus,” congratulations! If you have a deficit, it’s time to think about where you can cut expenses.

   First, return to your Monthly Expenses Chart in the Monthly Adjusted Payment Column. You may be able to make some simple adjustments to save money.

   Second, refer to your Periodic Expenses Chart. Make changes in your monthly expenses by crossing out or using a different color. Third, refer to the Spending Chart. Note your new adjusted amounts in the far right “Adjusted Amount” column.

   As you make adjustments, discuss the following questions with your class or a partner:

   - What monthly adjustments were the easiest to make?
   - Why do you think that is?
   - Is it smarter to make adjustments for larger expenses like rent and food or more minor expenses like haircuts and your cell phone?
   - How did you alter your periodic expenses?
   - Did you adjust periodic expenses by frequency, amount, or both?
   - Is it easier to cut back (spend less on the item or service) or cut out (not spend any money on the item or service)? Why?

Give Me Some Credit

If you are running short on cash and your short-term goals (such as buying a new car) are calling, using credit to make a purchase may seem like a good idea. But, before you hand over your credit card or take out a loan, let’s take a look at the real cost of using credit.

Example: Imagine that you want to buy a $2,000 car. Let’s say that the interest rate on credit is 18% with a minimum payment of 2.5% per month.

Q: What will the monthly interest rate be?

A: 18% divided by 12 months in a year is .015%.

Q: How much will you be charged in interest per month?

A: $2,000 x .015% is $30.00.

Q: What is your minimum payment per month?

A: $2,000 x 2.5 % is $50.00.

Q: What amount is applied to the principal of the loan from your payment of $50.00?

A: $50.00 - $30.00 is $20.00.

Q: So, what amount will you still owe after your payment of $50.00?

A: $1,980.00 ($2,000.00 - $20.00 is $1,980.00).

Give Me Some Credit: Your Turn

Follow the above example scenario to answer the following questions:

Imagine that you want to buy a $1,000 car. Let’s say that the interest rate on credit is 10% with a minimum payment of 2% per month.

1. What will the monthly interest rate be?
2. How much will you be charged in interest per month?
3. What is your minimum payment per month?
4. What amount is applied to the principal of the loan from your payment?
5. What amount do you still owe after your payment?

Car Buying Rehearsal

Refer to page 6 of “Financial Literacy for Teens.” Review the questions and “Start Shopping!” suggested checklists for buying a car. Work with a partner to role-play a conversation between a car buyer and seller during a vehicle inspection and test drive. When you have practiced once, switch roles and try again. What were the challenges the buyer had when asking questions of the seller? What might you want to watch out for when buying a car?

ANSWERS

Banking 101

	Savings Account 1% interest amount in 12 months	12 months CD 5% interest	24 month CD 7% interest
Amount: $100	+ $1 = $101	+ $5 = $105	+ $7 = $107
Amount: $500	+ $5 = $505	+ $25 = $525	+ $35 = $535
Amount: $1,000	+ $10 = $1,010	+ $50 = $1050	+ $70 = $1070
$20 fee if withdrawal of $ after 6 months	N/A	$105-$20 = $85 $525-$20 = $505 $1,050- $20 = $1,030	$107-$20 = $87 $535-$20 = $515 $1,070- $20 = $1,050

Give Me Some Credit: Your Turn

1. What will the monthly interest rate be?

   .008%

2. What dollar amount will the interest due per month be?

   $8.00

3. What is your minimum payment per month?

   $20.00

4. What amount is applied to you principal loan after your payment of $20.00?

   $12.00

5. What amount do you still owe after your payment of $20.00?

   $988.00