MONEY ON MY MIND

Financial Literacy Discussion Final

Name: _______________________________ Class Period: _____

Socrates, a Classical Greek philosopher, was convinced that the surest way to attain reliable knowledge was through the practice of disciplined conversation. He called this method dialectic, meaning the art or practice of examining opinions or ideas logically, often by the method of question and answer, so as to determine their validity.

Dialogue is exploratory and involves the suspension of biases and prejudices. Discussion/debate is a transfer of information designed to win an argument and bring closure. Americans are great at discussion/debate. We do not, however, dialogue well. Once we can learn to dialogue, we will find that the ability to ask meaningful questions that stimulate thoughtful interchanges of ideas is more important than "the RIGHT answer”.

Directions:

1. You will be given the opportunity to examine a summary text reviewing many of the topics we have explored this semester (keep in mind it does NOT have everything! You may choose a topic you believe is not in the text)
2. Choose 5 topics you feel you have a strong opinion about
3. Read on the summary text through the entire selections of the topics you have chosen without stopping to think about any particular section. Pay attention to what you remember from our lessons as well as your first impressions as to what the reading is about. Look for main points.
4. Read the selections a second time this time “interacting” with the text:
    a) Underline major points that appeal to your opinion of the topic for forceful statements
    b) Put an (*) to emphasize any thoughts you want to revisit or explore your opinion more fully
    c) Put a (#) for any point that you are going to seek outside information on
    *** **FOR EACH QUESTION YOU WILL NEED ONE PIECE OF EVIDENCE THAT YOU SOUGHT AN OUTSIDE SOURCE OF INFORMATION (PARENTS, NEWSPAPER, TEXTBOOK, etc). This can be the newspaper article, a written diolouge of your discussion with parents, or citation to the textbook reference.**
    d) Circle key words and phrases
5. Use these notes as well as the open-end prompt page to come up with your 5 OPEN ENDED questions.
6. Write your personal opinion and response to each of your questions. Responses should be at least ½ page in length.

Dialogue and Debate

Dialogue	Debate and/or Discussion
Dialogue is collaborative; multiple sides work toward a shared understanding.	Debate is competitive and/or oppositional; two opposing sides try to prove each other wrong.
In dialogue, one listens to understand, to make meaning, and to find common ground.	In debate, one listens to find flaws, to spot differences, and to counter arguments.
Dialogue enlarges and possibly changes a participant's point of view.	Debate affirms a participant's point of view.
Dialogue creates an open-mined attitude; an openness to being wrong and an openness to change.	Debate defends assumptions as truths.
In dialogue, one submits one's best thinking, expecting that other people's reflections will help improve it rather than threaten it.	In debate, one submits one's best thinking and defends it against challenge to show that it is right.
Dialogue calls for temporarily suspending of one's beliefs.	Debate, calls for investing wholeheartedly in one's beliefs.
In dialogue, one searches for strengths in all positions.	In debate, one searches for weaknesses in the other positions.
Dialogue respects all the other participants and seeks not to alienate or offend.	Debate rebuts contrary positions and *may* belittle or deprecate other participants.
Dialogue assumes that many people have pieces of answers and that cooperation can lead to workable solutions.	Debate assumes a single right answer that somebody already has.
Dialogue remains open-ended.	Debate demands a conclusion.
Dialogue is mutual inquiry; collective knowledge.	Discussion is individual opinions; individual knowledge.

SUMMARY TEXT

Do you ever think about the type of life you want for yourself today and in the future? Do you consider the impact that your money management skills can have on your present and future lifestyles? If you created a list of everything you did today I'd be willing to bet most items on that list would involve money in some way or another. Money is an important part of daily life, and when managed responsibly, can contribute to your sense of well-being. Your financial well-being depends in large part on the choices you make. Wise decisions about earning, saving, borrowing and investing will enable you to attain your personal goals while enjoying a comfortable lifestyle. *A*lways remembering that ***"YOUR PRESENT SELF IMPACTS YOUR FUTURE SELF"*** is a key theme that will assist you in doing just that.

Consider how you interact with money. What information do you use to guide your financial decisions? This semester we have learned about some different areas of finance that teach and assist you in using money to accomplish your life goals. They are:

- Exploring your own personal Values, Needs, and Wants
- Knowing your own personal SMART goals (financial and otherwise)
- Choosing to save
- The time value of money
- Getting Paid
- Taxes
- Career exploration
- Investing in your Human Capital – Higher Education, Experience, Etc.
- Utilizing Depository Institutions
- Saving and Spending Plans (BUDGETING)
- Basics of Credit
- Advantages and Disadvantages of Credit
- Preparing for Major Purchases – Housing, Transportation, Higher Edu

VALUES, NEEDS, & WANTS

This section address the emotion, behavior, desires, and attitudes associated with money. Each of us comes from a wide spectrum of experience and opinions on finance. ***The past, however, does NOT equal the future.*** That means that our choices today can, and will, lead us to where *we* want to be financially.

A person's beliefs about money are major forces that guide his or her spending decisions. As consumers, we usually spend our money on the things that are important to us, reflecting our values. A value is something that is very important to a person. A value is a belief or practice of what is important, desirable, and worthwhile to an individual. Whatever a person values can influence greatly how they spend their money. Similarly, needs and wants of a person can also greatly influence how one may choose to spend their money. Needs are items necessary for life, whereas wants are something unnecessary to life but desired. How do values and a person's views of needs and wants affect financial decisions? Financial behavior is alos influenced by our society, our culture, emotions, financial resources, and peer pressure. Advertising, marketing, and the media can also greatly influence our financial behavior. Have you ever noticed that the milk is in the back of the store so shoppers have to browse other aisles to get to it? Have you notices that the bread and milk are miles away? Have you noticed that parents of small children have to stand waiting surrounded by candy in the checkout lane? What about when stores start playing Christmas music in August? These are all strategies used to influence financial behavior.

SMART GOALS

Has something beneficial ever happened to you with NO effort on your part? Maybe you won a prize in a drawing or received extra birthday money from a relative. There is a possibility that good things have come your way by coincidence. But, how likely is it to receive and "A" on a test without studying? Or, how likely is it to beat your opponent in sports without working hard in practice? ***Most good things are the result of effort and discipline on your part.***

Financial goals are essential in creating a financial plan. Goals assist people in visualizing where they want to be in the future and identify the steps that must be taken to get there. Like the Cheshire Cat believes in the movie Alice in Wonderland, if you don't know where you want to go any road will take you there. Goals also assist you in the effort and discipline you need to ensure you will end up where you'd like to be. By definition, a goal is a written statement of something a person wants or needs to accomplish. Goals should be Specific, Measureable, Attainable, Realist, and Time-bound. By addressing each of the areas of a SMART goal, students can carve out a path that will guide them to success.

There are consequences to most choices, and money is no different. That is why the decision making process and setting goals is so helpful. The consequences of good financial behavior are obvious; security, ability to achieve the goals you have set, and less worry are just a few. Excessive debt is an obvious negative consequence of irresponsible consumer behavior. Poor financial choices can have a wide range of many other negative consequences.

CHOOSING TO SAVE/TIME VALUE OF MONEY

Saving money is an essential part of your financial plan. When you save you accumulate fund by intentionally spending less than you ear. Savings is the portion of income not spent on goods and/or services. An important reason to have savings is for emergency expenses. Without savings, paying cash for an unexpected expense may be difficult. Emergency savings creates a sense of financial security. The lack of an emergency fund not only creates financial stress, but also can drive a person into debt. Most experts recommend having between 3-6 months of expenses put aside in an emergency fund.

Saving is an important part of setting and reaching your financial goals. Your goal may be to build your emergency savings fund or to buy a car, new furniture or the down payment on your first home. You begin by setting your financial goal and working backwards to determine a realistic amount you can save during a specific time period. ***Saving money for future***

consumption always requires not purchasing something today. You must ensure the trade-offs are realistic and the opportunity costs of what you are giving up won't negatively impact your well-being.

When you save money in an interest earning account you earn interest. Savings tools are products offered by depository institutions that, in most cases, allow your deposits to earn interest. If you don't withdraw the interest earned from an account, the interest has an opportunity to earn additional interest. Earning interest on interest is known as compound interest. Because time is necessary for money to increase in value, the longer you save the more time your money has to grow. Take Felix and Savannah for example:

> Felix's parents began saving $50/month for Felix's college education when he was born, and saved until he was 18. Savannah's parents waited until she was a freshman in high school and only had 4 years to save until she turned 18. Both accounts earned the same interest rate (6%) and had the same balance when the student turned 18 (about $19,500). However, Savannah's parents had to save significantly more ($350/month) to reach the same savings goal, because they started later.

EARNING MONEY, PAYING TAXES

Employment is an agreement between an employer and employee. An employer hires a person in exchange for compensation, usually in the form of wages or a salary. An employee is a person who agrees to provide certain services at a job for an employer. Some employers pay their employees and hourly rate of pay or hourly wage. Jobs such as restaurant servers, cashiers, host/hostesses and cooks typically pay an hourly wage. The federal government sets a minimum hour wage, and employers are required to pay their employees at least that amount per hour. Some states set a higher minimum wage than the federal minimum. Salary is a fixed amount of money or compensation paid to an employee. Salaries do not depend on the specific number of hours worked. If you accept a salaried position you may find yourself working more than the standard 40 hours a week to "do whatever it takes" to complete a job successfully. And when workweeks are shortened, your pay is typically not negatively affected. Teachers, doctors, attorneys and accountants are all salaried employees. Commission is a fee that a salesperson receives upon completion of a sale. It is a motivational system of payment designed to encourage sales staff to sell more. If you accept a job as a car sales person, a rea estate professional, or a financial planner you most likely will earn a commission when a sale has been made.

There are several systems employers use to deliver earned wages to their employees. We discussed three that are the most popular: Paper Paycheck, Direct Deposit, and a Payroll Card. Your employer may let you choose the one you prefer. Which method would you prefer? While you may think there is nothing wrong with getting paid in cash, you need to be aware of some serious pitfalls in this method of payment. Handling cash on payday significantly raises your risk of loss or theft. You are also still responsible for paying state and federal income taxes, and setting aside enough from your pay to cover that expense. Cash payrolls do not give you the opportunity to pay into the Social Security system and will limit your ability to collect benefits later in life. And, if you become injured on the job and can no longer work, you will not have the protections of Worker's Compensation.

Employers make several deductions from the wages you earn. Your gross income is the amount of money earned before payroll taxes. Your net income is the amount of money you are left with once all deductions have been taken from your gross income. Net income is commonly referred to as "take home pay". Some deductions are mandatory and taken from everyone's wages – i.e. Federal & State Taxes, Social Security, and Medicare. Other deductions are optional and depend on employee preferences.

Employee benefits are benefits your employer may offer you in the form of products or services that add extra value for you beyond earned wages. You may pay a portion of the cost of the benefit. This additional payment deduction, taken from your gross income, is common with health care insurance, and retirement plans. You typically pay much less by opting into these benefits and having their costs deducted from your paycheck than if you were to privately purchase the same product.

CAREER EXPLORATION, HUMAN CAPITAL

For many people, a steady income is a far off dream, while others have earned their own income for years. Why do people work? Individuals work to earn money to support their personal or family's style of living. The manner in which money is gained, a person's career choice, and how money is spent affects the overall well-being of a family.

There are many factors that influence a person's career choice. Those choices are different for everyone and are based upon personal values, goals, needs, and wants. The type of work a person performs affects his or her income level, work environment, leisure time, and personal satisfaction. Each choice an individual makes, based upon his or her needs and wants, has risks and opportunity costs. For example, some individuals choose personal satisfaction over high pay; some choose part time work to have more time for family, and some refuse a promotion because it would require moving. The risks and opportunity costs to all career decisions is why thorough research of career choices and assessment of personal values is important.

Perhaps one of the most important decisions a person can make when determining his/her career path is to invest, personally and financially, in their human capital. Human capital is defined as skills (education and on the job training) acquired through a process of self-investment. An investment in human capital lasts a lifetime. The more an individual invests into their human capital early in life, the greater range of opportunities they will have and the greater the opportunity for career success later in life.

Investment in human capital can occur in many ways. A person can increase his/her human capital by attending trade and vocational schools, participating in conferences, receiving on-the-job training, volunteering, and joining extra-curricular activities. However, the most common way to increase human capital is through formal education. Individuals with more educational training have higher estimated lifetime earnings. The more education one has, the higher the average income they will receive.

Entrepreneurs are regarded as people with drive and ambition to succeed. The advantages of entrepreneurship include: job security, being your own boss, opportunity for greater financial success, opportunity to have control over your life and job, and a great sense of personal satisfaction.

DEPOSITORY INSTITUTIONS

There are different institutions that lend money as well as assist consumers with managing their money. Among them are banks, credit unions, savings and loans and consumer finance companies. These are called depository institutions and are basically businesses that offer and sell financial services to people.

Commercial banks are for-profit depository businesses that offer financial services to both consumers and other businesses. Banks are usually the largest depository institutions and offer the widest variety of services to customers.

Credit unions are depository institutions that offer many banking services. But, unlike banks, they are owned by their customers, who are usually called members. A credit union has membership qualifications that require its members share a common bond such as the same employer, the geographic area in which they live or membership in an organization. Credit unions are non-profit organizations exempt from federal income tax. This feature often allows them to pay higher interest rates on deposits, charge lower interest rates on loans and charge lower fees compared to banks and other depository institutions.

SPENDING PLANS (BUDGETS)

Planning and maintaining a balanced personal budget could eliminate a lot of turmoil in one's life, if sound money management habits are formed and adhered to. Before making a personal budget, one should track their spending for 3-4 weeks to get an idea of their habits. A personal budget serves as a road map, a guide for spending and saving.

Budgets include two main categories fixed expenses (amounts owed that do not fluctuate from month to month such as a mortgage or rent payment) and variable expenses (amounts owed that vary from month to month such as a utilities bill). A key to a successful budget is "Pay Yourself First" or "PYF." This principle teaches that whenever a person receives any money from a job, a gift, a windfall, or any other source, they need to put a portion of that money into savings. This is a habit that should be developed early in life. Payroll deductions for savings are a simple way to grow a savings account. The decision to save only has to be made once. Many people also use a change jar where they place their loose change at the end of each day. It is amazing how quickly that change accumulates giving the savers some extra money to use as they desire.

PYF encourages saving at least 10% of each check. Typically other percentage of income guidelines are as follows: Housing and utilities 30%, food and household 20%, clothing and personal items 10%, transportation 10%, saving and investing 10%, miscellaneous expenses 20%.

Many tools are helpful in the world of budgeting. Computer programs, such as Excel shorten the time and paperwork. Keeping receipts and recording every transaction where money is spent, also proves effective. The envelope system is helpful for cash transactions. The consumer labels envelopes with different categories of expenses, such as gas, entertainment, etc. The allotted money for the month is then put into each envelope. When money is taken out of the envelope for a purchase, the transaction is recorded on the outside of the envelope. When the money is gone, either spending stops, or cash can be transferred from another envelope.

CREDIT & MAJOR PURCHASES

A single payment loan is a lump sum loan to be repaid at the end of a certain period of time. The installment loan, or closed credit, is repaid with interest in series of payment. A secured loan is backed by something of value pledged to insure payment of the loan or collateral. Credit cards give you a lot of freedom but can also give you a lot of problems if you do not take it seriously and manage it properly. Allowing credit accounts to become delinquent or even worse, turning to bankruptcy as a way out of a dilemma dangerously damages your financial future. Credit cards are an example of open, or revolving, credit.

The key to understand credit is learning about the various costs of using it-interest rates, fees, penalties, and even opportunity costs. These costs are critical factors in making good decisions about whether using credit is an appropriate option or not. Paying off the full balance on a credit card each month reduces the cost of using credit. Even paying a little more than the minimum amount can speed the repayment process and decrease overall interest charges.

Before credit is granted, consumers must prove to be credit worthy. Credit worthiness is determined before people are given the option to buy on credit. The guidelines used to determine your credit worthiness are contained within the 3 C's of Credit: Character- refers to a person's conduct and living habits, including where they have lived and how long they have worked for an employer, Capacity- the ability the person has to earn enough income to repay a loan, and Capital -what is owned by the person who wants credit, such as savings, investment, and property.

Spenders cannot simply buy on credit whenever they want. They have to establish a good credit standing or credit rating. A good credit rating is established over a period of time. Every time money owed is paid back on time, a credit standing is strengthened. Each time money is not paid on time, a credit rating is weakened. Businesses check a credit history every time a person applies for credit, insurance, employment, and sometimes apartment leases. Based on a credit history, credit bureaus develop a credit report on an individual. Upon checking a credit report, banks or businesses can either grant or deny credit. Everyone who has ever applied for credit, a charge account, a loan, or insurance, or even a job, will have a credit record on file at a credit bureau. A credit report contains information about the individual's income, debts, and credit payment history. If a consumer is having a hard time getting their bills paid, he can call the lender to try to work out a modified payment plan. This may reduce the payments to a more manageable level.

QUESTIONS

1. **Question:** ____

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   Response:

2. **Question:** ____

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   Response:

3. **Question:** ____

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Response:

4. **Question:** ____

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Response:

5. **Question:** ____

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Response: