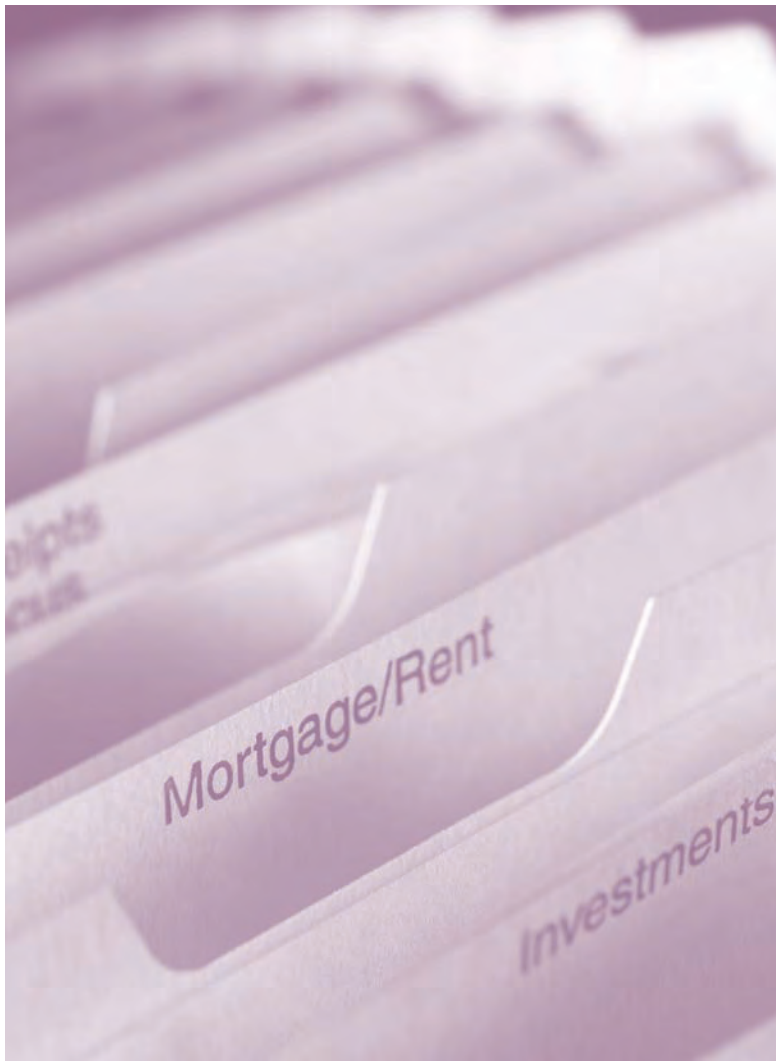


PERSONAL FINANCIAL LITERACY:

Activities and Teaching Strategies for Secondary Social Studies





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"The need to strengthen, expand and enhance education in economics and personal finance in our nation's schools has never been more apparent. We must prepare our students with the basics of economic and financial literacy so that they can succeed in life. This literacy, together with reading and mathematics, is key to home ownership, being a smart consumer, managing credit, financing higher education, saving and investing, and responsible citizenship."

- Dr. Robert F. Duvall, President and CEO
National Council on Economics Education (NCEE)

Introduction

Personal Financial Literacy legislation in North Carolina states that "Both the North Carolina *Standard Course of Study* and the Basic Education Program shall include the requirements that the public schools provide instruction in personal financial literacy for all students during the high school years."¹ *Personal Financial Literacy: Activities and Teaching Strategies for Secondary Social Studies* was created by the North Carolina Department of Public Instruction and high school teachers in an effort to support high school teachers in their instruction.

In the following pages, educators will find lessons and units of study which will enhance student understanding of key economic concepts. The teaching of personal finance enhances the curriculum and equips students with essential life skills. This document includes lessons on economic basics, taxing and spending, money management, savings and investment, credit, insurance, and banking.

Personal Financial Literacy: Activities and Teaching Strategies for Secondary Social Studies provides educators with a foundation for teaching personal financial literacy to high school students. Teachers are encouraged to utilize the educational resources which are provided at the end of this document, as they continue to prepare students with life skills for the 21st century.

¹Teach Financial Literacy In Public Schools
G.S. 115C-81 as amended by
Session Law 2005-276, Section 7.59



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North Carolina Standard Course of Study

The following objectives are included in the lesson plans and strategies for teaching Personal Financial Literacy. Each lesson is aligned with the *North Carolina Standard Course of Study* for Civics and Economics. These lessons can be taught in other social studies courses, elective courses and even across disciplines.

OBJECTIVES

- 3.08 Examine taxation and other revenue sources at the state and local level.
- 3.09 Describe the services provided by state and local government agencies and how funding is provided.
- 7.01 Describe the basic factors of production such as land, labor, capital, and entrepreneurial skills and their impact on economic activities.
- 7.02 Explain how scarcity influences producers and consumers to make choices.
- 7.03 Compare examples of tradeoffs and opportunity costs of economic choices.
- 7.04 Analyze the impact on economic activities of specialization, division of labor, consumption and production increases.
- 7.05 Explain the impact of investment on human, capital, productive, and natural resources.



- 8.02 Describe how the free enterprise system encourages private ownership of property and promote individual initiative.
- 8.08 Evaluate the investment decisions made by individuals, businesses, and the government.
- 8.09 Describe the role of money in trading, borrowing, and investing.
- 9.03 Explain the impact of the movement of human and capital resources on the United States economy.
- 9.04 Assess how current events impact decisions made by consumers, producers, and government policy makers.
- 9.07 Analyze the short- and long-term effects of fiscal and monetary policy on the United States economy.
- 9.08 Analyze the influence of environmental factors, economic conditions, and policy decisions on individual economic activities.
- 10.03 Evaluate the importance of supporting, nurturing, and educating oneself in the United States society.
- 10.04 Demonstrate characteristics of effective citizenship.
- 10.05 Describe examples of recurring public problems and issues.

"Economic literacy is crucial because it is a measure of whether people understand the forces that significantly affect the quality of their lives."

*- Gary H. Stern, President
Federal Reserve Bank of Minneapolis*



Section I

Economic Basics

The Four Factors of Production and Their Rewards

Students often understand the concept of scarcity as it relates to 'not enough' of something. The jump to understanding the essential economic factors of production as the true 'scarce' resources is often more difficult. The concept of resources that cannot be replaced is more challenging, but basic to a broad understanding of economics. This lesson attempts to define those factors as well as apply and demonstrate the use of the factors in a hands-on, possible real life situation.

The lesson can be used to introduce the subject of economics, or to develop an understanding of the four factors of production. It can also be used as a spring board for introducing allocation of scarce resources, types of businesses, job investigation, entrepreneurship, income and profit, supply and demand, management and even macro economic concepts such as supply of money, investing, fiscal policy or monetary policy. It provides a real world example of the decisions necessary to start a business, gather the resources, keep records and determine profit and taxes.



The Four Factors of Production and Their Rewards

NCSCOS Civics and Economics Goal and Objective(s):

- 7.01 Describe the basic factors of production such as land, labor, capital, and entrepreneurial skills and their impact on economic activities.
- 7.02 Explain how scarcity influences producers and consumers to make choices.
- 7.03 Compare examples of tradeoffs and opportunity costs of economic choices.

Warm-Up/Bell Ringer Activity:

Ask the students to think about assets or things of value. Have each student make a list of items which meets this criteria. Go around the room, taking one idea from each child, and writing them on the board.

Group the assets/things of value into categories of wants and needs. Point out that because we have more wants than resources, we must make choices about how to spend or use our resources.

Key Questions:

1. What really provides income in our economy?
2. What are the basic costs in our economy?

Materials Needed:

"Four Factors of Production and Their Rewards" Overhead Transparency
"Four Factors of Production" Student Activity
"Tuck's Bicycle Business" Story
"Tuck's Bicycle Business" Graphic Organizer
"Income and Expenses" Overhead Transparency and Answer Key
"Income and Expenses" Student Activity
Overhead Projector

Time/Pacing:

One class period

Link(s) to Prior Learning:

Assess students' knowledge of prior learning by asking the following questions:

- What is economics?
- What is scarcity?
- What are opportunity costs and tradeoffs?

Purpose/Objective of this Lesson:

Students will be able to:

- Understand the rewards for the scarce resources of economics
- Identify ways that those resources provide for costs and rewards
- Understand the use of resources in modern society

Teacher Input:

The teacher will use the students' previous knowledge of economics, assets, and scarcity. The teacher will review using the handout titled, "Four Factors of Production and Their Rewards."

Continuous Assessment:

Ask students for examples as the overhead transparency titled, "Four Factors of Production" is reviewed.

Strategies for Differentiation:

- Ask students to develop their own story, illustrating it on a poster.
- For advanced-level students, link this lesson to Gross Domestic Product spending and income approach ($GDP = \text{Consumer Spending} + \text{Investment Spending} + \text{Government Spending} + \text{Net Exports} = \text{Wages Earned} + \text{Rent Earned} + \text{Interest Earned} + \text{Profit Earned}$)
- Discuss the underground economy (not recorded by government) and black market (illegal trading).

Class Activity

Guided Practice:

Hand out and ask the students to read "*The Four Factors of Production*" student activity sheet. Discuss each factor and review the reward. Ask for examples and discuss each one. The teacher will ask individual students for their answers to the Income and Expenses activity sheet. The teacher will write the student answers on the overhead transparency template which is provided.

Independent Practice:

Ask students to read the story about Tuck and complete the graphic organizer which provides students an opportunity to apply the newly learned economic concepts.

Summary/Closure:

Review the "Income and Expenses" activity sheet.

Homework:

Have students read affiliated materials in their textbook.



Four Factors of Production and their Rewards

(Overhead Transparency)

Economics is the study of how societies (groups of people or nations) allocate or distribute their scarce resources. While an individual's scarce resources may include time, money, transportation or food, in economic terms, there are four scarce resources. These are also called THE FOUR FACTORS OF PRODUCTION.

Each factor of production has a cost if used by someone else, or a reward, if someone uses something that belongs to someone else.

For example, if Grey uses land that belongs to Blue, Grey will pay Blue RENT as a cost, and Blue receives RENT as income.

If Yellow takes care of Red's three children, Yellow receives WAGES as INCOME, and Red pays Wages as cost.

If Green borrows \$100,000 from First Savings and Loan to buy a delivery van for a florist business, Green pays INTEREST on the \$100,000 as a cost of borrowing money, and First Savings and Loan receives the INTEREST as a reward for loaning money.

Student Activity

"Four Factors of Production"

Factor	Description	Example	Reward
Land	Land, timber, water, oil, minerals, ores	Raw diamonds found in South Africa; oil found in Louisiana; trees cut down in North Carolina to build houses	Rent
Labor	Human work, physical, mental, emotional	Work of a day laborer to build a road; work of a doctor to diagnose and treat a patient; work of a minister to tend to his congregation	Wages
Capital	Money that is used for investment to buy equipment or tools used in the production of other goods/services	Money borrowed from a bank to purchase a delivery van; money from savings used to buy a computer to process claims; money raised by a public offering to build new plants	Interest
Entrepreneurship	Idea for a product or service and taking the risk to put it into action	Planning and starting a house cleaning business; creating a new and important software and selling it to consumers; starting a lawn mowing business	Profit

Tuck's Bicycle Business

Once upon a time in a land not so far away, gas for cars and trucks was VERY expensive, and more and more people were riding bicycles. Tuck, a smart and creative young woman wanted to set up a bicycle and skateboard repair shop. She needed some equipment and a place to work. Her mom wouldn't let her have the garage, as they needed a place for the car. She went to 10th Bank of the Forest and asked for a loan. Because she was under the age of 18, the bank was unwilling to lend her money (she had no credit history), but her mom agreed to co-sign for a \$1000 loan at 5% interest.

Tuck searched around and found a garage down the street that was not being used. She asked the owner, Mr. Bird, if she could rent it and he said yes, but it would cost \$20 a month.

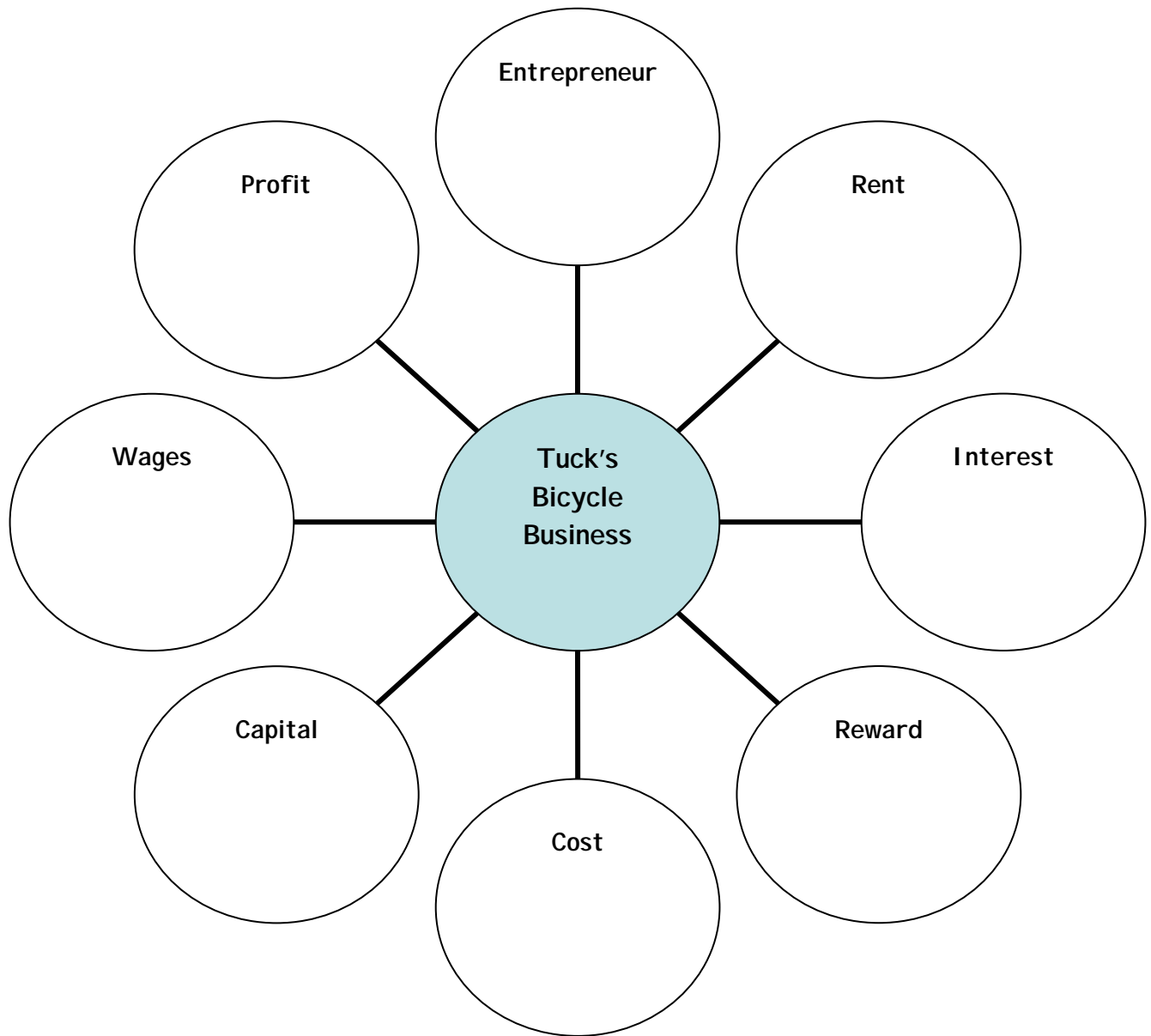
Tuck also knew that she needed several bike stands, an automatic air pump, and some additional tools. She also bought some spray painting equipment, and decals.

The business grew pretty quickly, fixing flats, replacing handlebars, adjusting brakes, rebalancing wheels, and painting the skateboards. She decided to hire some friends who were pretty handy with bikes and boards, Marty and Robin. They agreed to work for about \$12 an hour, about ten hours a month.



Tuck's Bicycle Business

Directions: Students will get into groups of three to discuss how the terms in the graphic organizer below apply to Tuck's Bicycle Business. The group will select a coordinator, recorder and reporter. As students discuss their findings, the recorder will record them in the graphic organizer, the coordinator will make sure everyone participates and stays on task, and the reporter will report out to the class.





Income and Expenses Activity

Overhead Transparency

Income		\$
Rent for 12 months (\$20 x 12)	\$	
Wages for Marty and Robin (each worked 10 hours a month for 12 months at \$12 per hour)	\$	
Interest + Loan (\$1,000 x 1.05)	\$	
Total Expenses	\$	
Income After Expenses		\$



Student Activity

Name _____

Period _____ Date _____

Income and Expenses Activity Sheet

Income		\$ 6,000
Rent for 12 months (\$20 x 12)	\$240	
Wages for Marty and Robin (each worked 10 hours a month for 12 months at \$12 per hour)	\$2,880	
Interest + Loan (\$1,000 x 1.05)	\$1,005	
Total Expenses	\$4,125	
Income After Expenses		\$ 1,875

Candy Bar Economics

If you are nervous about how to begin an economics unit with your students, the following lesson is a quick and easy way to introduce many fundamental economic concepts, all by using a candy bar. This lesson plan is a fun and interactive way to introduce the often mysterious and fear-provoking study of economics to students by using a familiar item.

Students often respond that economics is about “money,” and while true, using a candy bar you can introduce several major economic concepts including the four factors of production, scarcity, trade-off, opportunity cost, and entrepreneurship.



Candy Bar Economics

NCSCOS Civics and Economics Objective(s):

- 7.01 Describe the basic factors of production such as land, labor, capital, and entrepreneurial skills and their impact on economic activities.
- 7.02 Explain how scarcity influences producers and consumers to make choices.
- 7.03 Compare examples of tradeoffs and opportunity costs of economic choices.

Warm-Up/Bell Ringer Activities:

Ask the students how a single candy bar can explain the study of "economics"?

Revisit this question at the end to wrap-up the activity.

Continuous Assessment -Tools/Strategies:

Oral Questions

The teacher will have students share their answers to the questions.

After each question, the teacher should pause and lead the class in reviewing the answers.

Key Questions:

1. What type of choices do consumers have to make in the marketplace?
2. What is involved in the production of goods?

Materials Needed:

Students provide their own candy bars.

"How Does a Candy Bar = Economics?" activity Sheet

Strategies for Differentiation:

Have students swap items, or ask students to bring any manufactured item to give a different view on the activity.

Time Allowed for this Activity:

20-30 minutes of a single class period.

Purpose/Objective of this Lesson:

Following this lesson, students will understand that economics is the study of choices, resources, and scarcity.

Teacher Input:

Have students share their answers as to what they think “economics” is, what they will learn during the unit of study, and how candy bars are related to economics. Using the students’ answers the teacher will begin the activity sheet, pausing after each question for student input. As the teacher reaches an economic concept that the class will spend more time on later (i.e., scarcity, trade-off, four factors of production), the teacher will use the question and student answers to give a simple definition.

Example:

After question #8 that asks what is needed to manufacture your candy bar, the teacher will define the four factors of production, and explain how for every manufactured product, all four items are necessary.

Class Activity**Guided Practice:**

The teacher reads each question aloud, and then allows students time to think, write, and respond.

Independent Practice:

The teacher could extend this activity to a comparison between two different items.

Summary/Closure:

Refer back to the warm-up question and ask students to redefine their original definition of “economics” and to explain how a candy bar = the study of economics.

Homework:

This activity can be assigned as homework and then reviewed by the class the following day to introduce the same economic concepts.

Resource: Kim Reece, Lee County Senior High School, for the original idea for this lesson

Student Activity

Name _____

Period ____ Date _____

How Can a Candy Bar = Economics?

Directions: For each statement or question, write your answer in the space provided.

1. In your own words, define what you think "Economics" means.
2. Why do we eat candy bars and other foods?
3. What type of candy (candy bar or other food) did you bring to class today?
4. What type of choice did you have to make when purchasing this candy?





Student Activity

5. What was your second choice if the item you purchased was not available?

6. Are there more people wanting food in the world than there is a supply? What is this economic concept called?

7. Why do stores sell candy bars?

8. What was needed to manufacture your candy bar? Be sure to list all of the things you think had to happen before the candy you bought could be sitting on your desk today. Candy does not just "grow on trees."

9. How many people do you think were involved in the production of your candy bar?

10. Did your definition of economics change from question # 1? Describe how economics affects you!

Taxes, after all, are dues that we pay for the privileges of membership in an organized society.

- Franklin D. Roosevelt,
Thirty-second President of the United States



Section II

Taxing and Spending

Local Taxes: Where Does All The Money Go?

Local governments are on the “front lines” on a daily basis with their taxpayers. They are constantly trying to increase their tax base and pay for the services they are expected to provide. Local governments must be available to their constituents to comment about the use of their taxes. Unlike State legislatures and Congress which are insulated from these comments on a day-to-day basis, local governments must be accessible. This lesson is a simulation in which students try to balance these two issues; increase the tax base by trying to bring in jobs and maintain a quality of life for the community.





Local Taxes: Where Does All The Money Go?

NCSCOS Civics and Economics Objective(s):

7.03 Compare examples of tradeoffs and opportunity costs of economic choices.

Warm-Up/Bell Ringer Activity:

Write on the board:

“What factors do you think influence the kind of and amount of services a local government provides?”

Materials Needed:

Local Taxes activity sheet

Time/Pacing:

One class period

Purpose/Objective of this Lesson:

Students will discuss the problems of a community's desire for services and the availability of tax revenues.

Teacher Input:

Help students understand fair market value.

Explain the concept of a tax base.

Highlight the desires of the community.

Discuss what local services are provided in the community.

Local Taxes Activity sheet

Key Questions:

1. Where do local governments get their revenue?
2. What is the role of local government in the economic and social atmosphere of the community?

Strategies for Differentiation:

Students may also investigate local issues and their relationship to tax revenues.

Class Activity

Guided Practice:

Discuss the warm-up activity and the students' thoughts on the role of local government in their lives (i.e., the role of the police, the roads in front of their homes, etc.).

Independent Practice:

Pass out the activity sheets and allow students to work in groups of three to make decisions on the various scenarios.

Summary/Closure:

The students will present their views on the various scenarios. Through discussion, the class will come to consensus on what they think would be the "right" solution and why.





Student Activity

Name _____

Period _____ Date _____

Local Taxes

Local governments depend upon property taxes for a major portion of their revenues. Real estate taxes are assessed on the value of the property (Assessment). Officials determine the "fair market value" of the real estate. Once this value has been set for tax purposes, a percentage is computed as the tax, which is to be paid annually. The revenues are used for local services. Among these services are streetlights, water and sewage facilities, police and fire protection, city parks and libraries, schools and other community facilities.

Local governments strive to increase the value of property in their area by trying to bring different types of businesses to their area. More businesses mean more population and more public services.

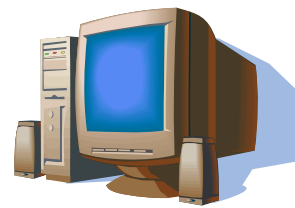
You are the chairman of the city council. You must decide what you are going to recommend to improve your city. Will you increase the tax base or raise taxes? After each proposal, make your decision and explain your reasoning.

1. A local builder wants to build a small subdivision of about 20 houses on land now used as a bird sanctuary. He is asking the council to change the zoning and extend the city sewer system into this area. It will cost the city \$2.3 million to extend water and sewer service to this area. It is estimated that the town would receive an additional \$75,000 in taxes annually if the land were to be replaced by 20 homes. Additional growth in the area would generate even more income for the city.

Student Activity

Local Taxes

2. It is proposed that the city sales tax (presently at half a penny) be increased to a full penny. The revenue from this tax increase will be used to build a park, a bike path, and a community center.
3. The city-owned bus system has been losing money for several years, and the buses are in bad shape. If the city raises property taxes by ten percent on houses worth more than \$150,000, it could use the additional revenue to buy new buses. With new equipment and better service, perhaps people will use the system instead of driving themselves and reduce traffic congestion on the city's roads.
4. A large company is going to build a computer assembly plant that will employ several hundred workers. The company will locate the plant near your city if the city will lease it a building for \$1 per year for fifty years and provide various other tax breaks. Other communities in your state have offered such assistance to the company. From your view point, would the economic benefits of having a new business in town offset the tax revenues and rent given up by the city?



State Taxes: Why Do We Pay the State?

A state's budget pays for day-to-day expenses. Those expenses provide salaries for state employees, supplies such as computers and paper, and maintenance of state facilities. State facilities include state parks, the state capitol and other government buildings, and recreation and roadside areas.

In most states, the governor prepares the budget. The legislature then discusses and eventually approves the budget. Unlike the federal government, states have laws which require a balanced budget. A balanced budget means that the revenues are equal to spending.

This lesson will introduce students to state taxes, major expenditures and sources of state revenues. The purpose of this lesson is for students to develop an understanding of how the state government receives money, along with the decision-making process for allocating funds on the state level.





State Taxes: Why Do We Pay the State?

NCSCOS Civics and Economics Objective(s):

3.08 Examine taxation and other revenue sources at the state and local level.

Warm-Up/Bell Ringer Activity:

Write on the board "Where does the state get its money?"

Materials Needed:

"Information on Taxing and Spending in North Carolina" handout

"State Budgets" Activity Sheet

http://www.ncjustice.org/media/library/543_btcrpt12012005finalbudget.pdf

2005-06 North Carolina General Assembly - Approved State Budget

Time/Pacing:

One class period

Link(s) to Prior Learning:

Purchasing items in the state of North Carolina

Purpose/Objective of this lesson:

Students will understand how the state government receives money, along with the decision-making process for allocating funds on the state level.

Teacher Input:

The teacher will explain how the state of North Carolina obtains funds by using the "Information on Taxing and Spending in North Carolina" handout.

Optional: Invite a current or former state elected official from your area of the state to speak with students about the state budget and how legislators negotiate where to allocate the funds.

Optional: Teachers can create a mock school budget. Have students explain how they will save 20% by making cuts in something they have some experience with (i.e., athletics, cafeteria, band, technology, the arts, etc.).

**Key Questions:**

1. How does the state of North Carolina obtain its revenue?
2. Where does the state of North Carolina spend its money?

Strategies for Differentiation:

Have students conduct research on the various taxes in North Carolina. Ask the students to write a position paper explaining if the taxes go to the appropriate people and organizations, or if the taxes could be distributed in a more cost-effective manner.

Class Activity**Guided Practice:**

- Discuss the warm-up activity. Ask the students the following questions:
- Have any students recently bought anything?
- How much was the sales tax?
- Do any of the students work?
- How much is taken out of their paycheck to pay taxes?

Independent Practice:

Have the students break into groups of three and pass out "State Budgets" Activity Sheet. They are to create a new state budget after the state has had a 20% reduction in tax revenues.

Summary/Closure:

Students are to present their budget recommendations to the class, who will be acting as the state legislature and will decide which budget they want.

Continuous Assessment:

Discussion
Presentations

Information on Taxing and Spending in North Carolina

State governments have major expenditures. The expenditures have continued to increase over the years. Taxes are the major source of income for the states.

Sales tax accounts for more than half of many state's tax revenues. Sales tax in North Carolina is collected at seven percent on every dollar that is spent for purposes other than food and medicine. These pennies add up to millions of dollars. Income tax accounts for the second largest source of income for the state. Individuals are required to pay approximately seven percent of their income to the State of North Carolina. There are other taxes but these two add up to 90 percent of the state's income.

North Carolina Government Expenditure	
Education - Elementary and High School	40.9%
Health and Human Services	24.2%
UNC System	12.3%
Corrections	6.1%
Community Colleges	4.7%
Courts	2.6%
Debt Service	2.7%
Other	6.5%
Corrections	6.2%
Transportation (Highways)	.1%
Other	19.2%

Student Activity

Name_____

Date_____ Period_____

State Budgets

Directions:

Students will need to visit the following web site, http://www.ncjustice.org/media/library/543_btcprt12012005finalbudget.pdf or a copy of the state budget needs to be provided to each student. Imagine you are the governor of the state of North Carolina. You realize that the state has some very serious budget shortfalls. Government revenues have fallen by twenty percent from last year's total. Your job is to decide what budget cuts are acceptable or how the revenues need to be redistributed. The other options are to raise taxes or to create new taxes. You must make some tough decisions for the state of North Carolina

Below you are to write your recommendation to present to the state legislature in the morning. Explain the reasoning behind your choices.



Economic Investment in a Community: A Case Study

This lesson has students investigate the importance of business and business development at the state and county levels. Businesses provide jobs, pay wages, pay taxes, and improve the economy by offering products and services. The overall economic impact of a single large employer can create wealth for many individuals or bring a community to its knees with its absence.

Students will analyze a case study of a county government courting a major manufacturer. Then students will apply their research to their locality, analyzing tradeoffs of state funded incentives, local development and those who oppose them.

This lesson is intended to provoke thought about the role of state government in the economy, planning and courting development, and how development affects individual citizens as well as communities.



Economic Investment in a Community: A Case Study

NCSCOS Civics and Economics Goal and Objective(s):

- 3.08 Examine taxation and other revenue sources at the state and local level.
- 3.09 Describe the services provided by state and local government agencies and how funding is provided.
- 9.03 Explain the impact of the movement of human and capital resources on the United States economy.
- 9.04 Assess how current events impact decisions made by consumers, producers, and government policy makers.
- 9.08 Analyze the influence of environmental factors, economic conditions, and policy decisions on individual economic activities.
- 10.05 Describe examples of recurring public problems and issues.

Warm-Up/Bell Ringer Activity:

Ask the students to think about local businesses. What businesses are headquartered or have major plants in the area? Why? How does business affect the economy at the local and state level? Is it important to have business in a community? What can government do to encourage business?

Key Questions:

1. Why would the county government want a new business?
2. What could they do to encourage a new business to move to the area?
3. How would a new business help the community?
4. What has been done in your community to recruit new businesses?

Materials Needed:

Access to Internet and research databases

Time-Pacing:

One to four days

Link(s) to Prior Learning:

- What do local and state governments do for citizens and communities?
- What is an economy and how does it affect the people?
- What role do large employers play in the life of a community?

Purpose/Objective of this Lesson:

- Investigate relationships between state government, state economy and the local community.
- Analyze the financial incentives offered by state and local government to corporations, to determine the benefits to the community and the benefits to the corporation.

Teacher Input:

Using a real life example of what your community or a local community did with state assistance, explain the recruiting process for businesses to move to North Carolina communities.

Strategies for Differentiation:

Allow students to work in groups.





Class Activity

Read an article about a business moving to your community or to another community in North Carolina (i.e., Dell).

Guided Practice:

Ask students to rephrase what they learned, orally or in writing.

Independent Practice:

Ask students to write an analysis of the case study (the news article selected) from the class activity. Students will develop a statement of purpose and supporting facts to determine the benefits and costs of the initiative.

Homework:

Read two articles about the new Dell plant in North Carolina:

North Carolina Gets Final Dell Decision on 1,500-Worker PC Plant

<http://www.conway.com/ssinsider/pwatch/pw041108.htm>

Dell Opens North Carolina Manufacturing Facility

http://www.high-point.net/edc/news/100505_Dell_opens.pdf

Industry Week, March 2005, 'Dell Strategy includes U. S. presence; North Carolina plant is one of three new U. S. sites to answer increasing demand for PCs.' Vinas, Tonya. (Available on NC WiseOwl)

Class Activity, Days 2-3

In groups, students will read a news article describing Dell, or another business that has relocated to North Carolina. Using census data, students will identify median income, education, family size, home ownership, and age breakdown of the community the business moved to. Why are these important to a business moving to a new town? (For additional skill development, ask students to create charts using spreadsheet software).

Guided Practice:

The teacher will introduce students to demographic information, using census data from the community to explain median income, household size and other terms that students may not be familiar with.

Independent Practice:

Working in groups, students will find and analyze census data about their community, their county, and the state, compare the data to the United States data, and create charts and graphs to display the data.

Homework:

Continue research



Class Activity, Day 4

Students will present their projects, taking questions from the teacher and class.

Summary/Closure:

Ask students the purpose of the project. Ask them to write one to two paragraphs about the project process, and about how government can work with business to improve the economy of a community.

Notes and Comments:

If there is a plant or facility that provides employment to the community, invite a speaker to talk about their investment in the community. Ask students to profile local businesses that support the economy. Some materials may be available from the Chamber of Commerce or other business development organizations.





Student Activity

Name _____

Period _____ Date _____

Case Study Poster Project Requirements

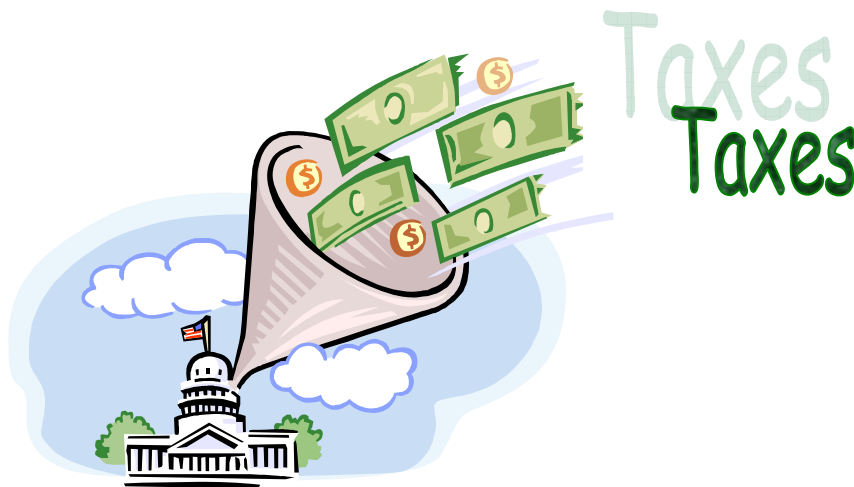
Working in small groups, have students complete a poster, which includes:

1. Names of students (on the back)
2. Map of community with major roads identified
3. Census data
 - a. Income compared to state and national averages (bar graph)
 - b. Educational attainment for those over 25 (pie chart)
 - c. Other major employers in the area
4. Proposal (must be reasonable/logical) of a major employer
 - a. Number and type of jobs provided
 - b. Educational qualifications (Do they match local community?
Will additional training be needed?)
 - c. Average salary, breakdown on \$ 10,000 increments
5. Proposal of timeline using local officials
6. Plan for grants, tax incentives and other benefits
7. Two news or magazine articles that support/criticize the investment

Is There Such A Thing As A GOOD Tax? Lesson Plan on Adam Smith's Principles of Taxation and Types of Taxes

Many citizens are familiar with the quote, "Two things in life are for sure.... death and taxes". Students are likely familiar with taxes, in that they already pay sales tax on the goods they buy. Understanding why taxes exist, and how all levels of government issue different types of taxes is essential to understanding how and why our government functions for and by the people.

In this lesson plan Adam Smith's principles of what constitutes a "good" tax are covered. Students are asked to complete a chart that identifies different types of taxes, who pays and who benefits from the tax. The grid serves as notes on taxation and students need to use their textbook to complete the "Types of Tax" chart.





Is There Such A Thing As A GOOD Tax?

NCSCOS Civics and Economics Goals and Objective(s):

9.07 Analyze short and long-term effects of fiscal and monetary policy on the United States economy.

Warm-Up/Bell Ringer:

Ask if students pay taxes? (Answer- YES!!! All citizens pay sales tax on the products we buy).

Key Questions:

1. What is the difference between a progressive and regressive tax?
2. What are ways that the federal government and state governments generate revenue?

Materials Needed:

"Guidelines for Fair and Efficient Tax Notes"; teacher notes

"Types of Taxes" Chart with teacher key

Students will also need textbooks.

Time/Pacing:

Forty-five minutes of a class period

Link(s) to Prior Learning:

Students will be asked to recall the concepts of opportunity cost and trade-off.

Teacher Input:

The teacher will review the provided notes about the five principles of "good" taxation based on the ideas of economist Adam Smith. Key concepts to cover include: why governments tax citizens, the role of the Internal Revenue Service, and when taxes are high, how consumers have less to spend and save.

Continuous Assessment -Tools/Strategies:

As the teacher reviews the five principles of taxation, students should be asked probing questions such as, Where can you go to find tax forms? What is the role of the Internal Revenue Service in collecting taxes? What happens if you do not pay your taxes?

Strategies for Differentiation:

- The teacher needs to copy a blank grid as well as the provided key.
- The teacher or students will cut apart the pieces of the key and have students match pieces onto a grid as a review.

Class Activity**Independent Practice:**

After the teacher reviews principles of “good” taxes, students will use their books to find the following terms and concepts: federal income tax, property tax, sales tax, luxury tax, withholding tax, social security tax, tariffs, and non-tax revenue. The teacher will divide the class into groups or have students work alone to identify each type of tax, using their textbook to complete the comparison sheet.

Summary/Closure:

Either the teacher or students should go over all answers using the board or overhead. A teacher key has been provided.

Guidelines for Fair and Efficient Tax Notes (Notes for the Teacher)

According to Adam Smith's Principles of Taxation and Types of Tax, taxes must be:

1. Based on your ability to pay:

Progressive Tax - The more money you make, the more you pay (i.e., income taxes)

Regressive Tax - The same amount for all (i.e., sales tax)

2. Taxes should be clear and straightforward, easy to understand (i.e., The government provides booklets, forms and advice.)
3. Taxes should be collected in the most convenient way possible (i.e., sales tax is paid when you purchase an item; income tax at the end of the year)
4. Collected efficiently - Since part of each tax a consumer pays goes to the cost to collect taxes, collection should not cost more money than it takes to complete the job.
5. Added by other economists:
Taxes should be reasonable.
When taxes are high, consumers have less money to invest and save.



Type of Tax	Description	Progressive or Regressive	Who pays?	Who Benefits?
Federal income tax				
Property tax				
Sales tax				
Luxury tax				
Social Security tax				
Tariffs				

**TYPES OF TAX CHART
(Student Activity)**



Type of Tax	Description	Progressive or Regressive	Who pays?	Who Benefits?
Federal income tax	<ul style="list-style-type: none"> • Tax on the earnings of citizens. • Tax is taken out of paycheck (payroll deduction). • The federal government sets tax rate. 	Progressive	Individual citizens	Federal government. Income taxes are used to help fund and run government programs (i.e., defense, social programs).
Property tax	<ul style="list-style-type: none"> • Tax on homes, cars, boats. • Each state/local government sets tax rate. 	Regressive	Individual citizens	State and local governments. Used to fund state/local budget expenses (i.e., education, road construction)
Sales tax	<ul style="list-style-type: none"> • Tax on the goods we buy. • Each state/local government sets tax rate. 	Regressive	Individual citizens	State and local governments. Used to fund state/local budget expenses (i.e., education, road construction)



<p>Luxury tax</p>	<ul style="list-style-type: none"> • Tax on certain goods that are not considered necessary (cigarettes, cars) • Each state/local/federal government sets tax rate. 	<p>Regressive</p>	<p>Individual citizens</p>	<p>State and local governments/federal government. Used to fund budget expenses.</p>
<p>Social Security tax</p>	<ul style="list-style-type: none"> • Tax of the earnings of citizens • Tax is taken out of paycheck (payroll deduction). 	<p>Regressive</p>	<p>Individual citizens</p>	<p>Federal government. Social Security tax funds government programs (social security program for elderly citizens or those disabled and unable to work).</p>
<p>Tariffs</p>	<ul style="list-style-type: none"> • Tax of foreign-made imported goods. • Encourages consumers to "buy American." 	<p>Regressive</p>	<p>Individual citizens/and Businesses</p>	<p>American businesses that make similar goods (i.e., Japanese cars versus American-made cars).</p> <p>American businesses are "protected" from competition due to the increased money consumers must spend on a foreign good.</p>

Teaching our young people to manage their finances should be as much a part of their curriculum as teaching them grammar... it will impact their ability to purchase a home, raise a family and prepare for retirement.

*- Susan Molinari, National Chairperson
Americans for Consumer Education and Competition*



Section III

Money Management

Dream Life

This lesson is intended to help students identify long term goals and jobs they might enjoy and be qualified for, and investigate opportunities and the costs of living. It encourages students to think about educational needs for particular jobs, the costs of a home, car and family, and their role in society.

The lesson can be used as a cumulative project, or as several separate assignments over the course of a semester. It can be used to enhance a variety of skills including writing, analysis, logical thinking, and research and Internet skills.



Dream Life

NCSCOS Civics and Economics Objective(s):

- 7.04 Analyze the impact on economic activities of specialization, division of labor, consumption and production increases.
- 8.02 Describe how the free enterprise system encourages private ownership of property and promotes individual initiative.
- 10.03 Evaluate the importance of supporting, nurturing, and educating oneself in the United States society.
- 10.04 Demonstrate characteristics of effective citizenship.

Warm-Up/Bell Ringer:

Write the following questions on the board:

- Why do people work?
- Why do people need money?
- What kinds of jobs do people you know have?
- How did they get those jobs?
- How do the choices we make affect our lives?

Links To Prior Learning:

Students should be aware of jobs, employment, wages, and choices people make to prepare for adult life.

Students should also know that there are types of taxes, including state and federal income taxes.

Key Questions:

1. Where will you be at age 30?
2. What kind of job will you have? Where will you work?
3. What kind of house will you live in? Where?

4. How will you contribute to society? What will your family needs be?
How will you save for retirement?
5. What will your life look like? What do you need to do to get there?

Materials and Resources Needed:

"Dream Life Essay" student activity

"Job Comparison: Opticians, Optometrists, Ophthalmologists" student notes

"Phase One: The Job" student activity

"Calculating Disposable Income: Optometrist" student activity

"Calculating Disposable Income" student activity

"Phase Two: The Shelter" student activity

"Determining the Cost of Housing" student activity

"Phase Three: The Vehicle" student activity

"Phase Four: The Rest of Your Life" student activity

"Summary Activity" student activity

Internet

Computers for word processing

Calculators

Time Required:

One to four class days, or may be broken down into weekly projects

Links to Prior Learning:

Students should be aware of choices made by the adults in their lives: education, jobs, marriage, children, service to community, etc.

Purpose/Objective of this Lesson:

- Investigate jobs and employment, along with skills and education needed.
- Apply and understand the purpose of income taxes on disposable and discretionary income.
- Understand the relationship between income and spending on important purchases such as housing, transportation, and other necessities.

- Understand and plan for active citizenship by investigating service opportunities

Teacher Input:

- Review the four factors of production, and point out that most income earned in United States is in the form of wages/salary.
- Review the business cycle.
- Review that according to statistics, the more education you have, the more you earn.
- Review concept that jobs provide compensation packages (pay, health insurance, vacation, educational opportunities) and that choosing jobs involves type of work, skills, where/how, and satisfaction.

Strategies for Differentiation:

- Work in small groups
- Use spread sheets to do calculations

Class Activity

Dream Life: Students will write a four paragraph paper about what their life will look like at age 30.

Guided Practice:

Discuss the need to plan for life. It is estimated that 99% of all people will need to work for a living. Finding a job that is interesting, suits your personality and pays a living wage takes planning and education. Additionally, how one lives will make a difference in terms of the income needed to afford extras like a home, a car and a family.

Independent Practice:

Dream Life Essay Assignment





Student Activity

Name_____

Period_____ Date_____

Dream Life Essay

Write an essay about your dream life. Assume you are 25 years old. Answer the following questions:

1. What kind of work will you be doing? (You must work.) Identify your dream job, then be realistic and indicate a more likely career for you based on what you like to do, education you will achieve, and interests.
2. What will your living situation be: where (geographically), with whom, how many? What will you live in: house, apartment, tent? How will it be furnished?
3. What kind of car will you drive? Big or small, economical or expensive, luxury or basic?
4. What will your hobbies be?
5. How will you contribute to society? Volunteer work, charitable donations, church or other?

**Job Comparison:
Opticians, Optometrists, Ophthalmologists
(Student Notes)**

	Opticians	Optometrists	Ophthalmologists
Nature of work	Fit glasses and sometimes contacts; review prescriptions; keep records.	Perform tests on patients to diagnose vision needs as well as problems and diseases such as glaucoma; treat patients who have infections and contributing issues such as diabetes.	Diagnose patients; treat for disease; perform surgery for patients who need cataracts removed; laser surgery and others issues.
Working Conditions	40 hours a week, may require retail hours (weekends, evenings); clean and neat facilities, one patient at a time; often with appointments.	At least 40 hours a week, some call-in (increasing); clean, well lighted offices; often manage their own business with office and staff.	50 hours a week or more; on call responsibilities on rotating basis for most practices.
Skills/Education	Generally requires high school degree, with 1-2 years of community college or apprenticeship; basic knowledge of anatomy and physics.	High School, AND 3-4 years of college, AND Doctor of Optometry degree, which usually takes 3-4 years.	High School AND Bachelor's degree (four years) AND Medical School (four years) and Internship and Residency (3-6 years). Often requires post graduate work
Pay	\$ 25,600	\$ 86,1000	\$200,000
Growth of profession	About average, with some job security	About average, with some slight growth, as research develops and baby boomers age	About average



Student Activity

Name _____

Period _____ Date _____

PHASE ONE, THE JOB

1. Choose a particular job and investigate it on the website:
<http://www.bls.gov.oco>
 - A. Type of work
 - B. Working conditions
 - C. Average time at work
 - D. Do you work for yourself or a business (proprietorship, partnership or corporation)?
 - E. Required training
 - F. Job Opportunities
 - G. Salary range and average earnings
(Assume you will earn the median)
 - H. Fringe benefits you will realistically earn (health insurance, life insurance, paid vacation, sick leave, etc.)

2. Write a well constructed three paragraph paper.
Cite the website: <http://www.bls.gov/oco>

3. Using the chart, calculate your take home pay (disposable income).

Calculating Disposable Income: Optometrist

	Gross Monthly Income \$7,175	Gross Annual Income \$86,100
Minus Federal Income tax (20%)	\$ 1,435	\$ 17220
Income after Federal Income tax	\$ 5,740	\$ 68,880
Minus State Income Tax (7%) (Use gross)	\$ 502	\$ 6027
Income after Federal and State Income tax	\$ 5,238	\$ 62,853
Minus FICA (7.65%) (Social Security)	\$ 549	\$ 6,587
Disposable Income (Income after Federal, State and Social Security taxes)	\$ 4,689	\$ 56,266

Federal Income Tax: Paid to federal government in first part of year, for previous year, to help fund United States government.

State Income Tax: Paid to North Carolina government in first part of year, for previous year, to help fund state government activities.

FICA (Federal Insurance Contribution): Commonly known as social security, 7.65% is paid by employee, and another 7.65% is paid by employer to fund social security or government managed retirement funds.



Name _____

Period _____ Date _____

Student Activity

Calculating Disposable Income

\$ _____
Total Income

	Gross Monthly Income	Gross Annual Income
Minus Federal Income tax (20%)		
Income after Federal Income Tax		
Minus State Income Tax (7%) (Use gross)		
Income after federal and State Income Tax		
Minus FICA (7.65%)		
Disposable Income (Income after federal, state and social security taxes)		



Student Activity

Name_____

Period_____ Date_____

Directions: Using the data collected in the Calculating Disposable Income chart, answer the following questions.

1. What do you think about this calculation? Does it seem fair?

2. What do you get for your federal taxes?

3. What do you get for your state taxes?

4. What do you get for your social security taxes?



Student Activity

Name _____

Period _____ Date _____

PHASE TWO: SHELTER

1. Think about how you will live: rent an apartment, buy a house, share a house, live at home.
2. Research using local sources for options
 - A. Local newspapers should have an insert on a weekly basis, as well as listing options every day.
 - B. Select a house or apartment from paper, or magazine (found at video, grocery and other stores). Include picture, and description.
 - C. Mortgage Calculator; use any you wish, these may help.
 1. <http://www.mortgage-calc.com/>
 2. <http://www.homestore.com/>
3. Cost of furnishing the house: usually about 15% of housing cost
4. Estimate basic expenses(monthly and annual):
 - A. Insurance (rental or homeowners): this covers theft, flooding, and other things that might happen.
 - B. Electricity and Gas: this is cost for cooling and heating your home.
 - C. Water/garbage: Sometimes included in rent payment, but not always. (Sometimes paid to the city)
 - D. Phone: Decide whether you will have a land line, or cell phone or both.
 - E. Cable: Include basic cable and any extended service that you might have. Does it include Internet connection?
 - F. Ask your parents for suggestions.

5. Your total monthly payment must be less than 30% of take home pay (disposable income).

6. For homeowners:
 - A. Assume insurance cost of 1% value of the home.
For example, if your home is worth \$120,000, $(\$120,000 \times 0.01) = \1200 of insurance annually, or \$100 per month

 - B. Assume 1% tax rate.
For example, if your home is worth \$120,000, $(\$120,000 \times 0.01) = \1200

7. Write a paragraph describing the house, who lives there and the weekly, monthly and annual estimate of time (yard, maintenance, upgrades).



Determining the Cost of Housing (Example)

	Monthly	Annual (monthly x 12)
Housing payment	\$1,200	\$14,400
Insurance	\$100	\$1,200
Heating and cooling (electricity and/or gas)	\$250	\$3,000
Water/garbage	\$50	\$600
Phone	\$100	\$1,200
Cable	\$100	\$1,200
Total Cost of Living Payment	\$1,800	\$21,600

	Monthly	Annual
Income after federal, state and social security taxes	\$4,689	\$56,266
MINUS Cost of housing	\$1,800	\$21,600
30% of Income after taxes	\$1,407	\$16,880
This house is TOO Expensive!		



Name _____
 Period _____ Date _____

Student Activity

Determining the Cost of Housing

	Monthly	Annual (monthly x 12)
Housing payment		
Insurance		
Heating and cooling (electricity and/or gas)		
Water/garbage		
Phone		
Cable		
Other costs (explain)		
Total Cost of Living Payment		

	Monthly	Annual
Income after federal, state and social security taxes		
MINUS Cost of housing		
30% of Income after taxes. Is it affordable?		
Discretionary Income		

Name _____

Period _____ Date _____

Student Activity

PHASE THREE: VEHICLE

1. Identify the kind and number of cars you own (lease).
 - A. Indicate a monthly and annual budget for
 1. Gas
 2. Regular maintenance
 3. Assume \$50/month
\$100/month if it is over five years old
 - B. Vehicle costs: Assume you purchase a car, investigate the costs of financing:
 1. www.householdauto.com
 2. www.carsdirect.com
2. Car Insurance
 - A. Call your parents' insurance agent. If you identify yourself and indicate that you are working on a project for school, most agents will be happy to help you.
Caution: DON'T WAIT UNTIL THE LAST MINUTE!
 - B. Assume you carry
 1. **Liability:** covers bodily injury and property damage if you are at fault (\$100,000/\$300,000)
 2. **Collision:** Covers your car if you are in an accident (\$100,000)
 3. **Comprehensive:** covers most other incidents: fire, theft, and vandalism (\$100,000)
 - C. You will need to know what kind of car and the age of the car to get a quote. Assume you are 30 years old.

3. Essay: Provide a three paragraph essay on the type of car you selected, why, and insurance coverage you carry. Provide a picture of your car, with costs associated with owning the car.

PHASE THREE: VEHICLE

	Monthly	Annual
Discretionary Income		
Cost of Transportation		
Income left		

PHASE FOUR: The Rest Of Your Life

If you are married, write a description of your spouse's job, similar to the directions in PHASE ONE.

Savings: Americans save about 2% of their income, while financial planners assume they should save 10%.

Retirement: If you want to live on more than social security (maximum of \$30,000/year), you should save 10% (Gross pay) for retirement. If only one spouse works outside the home, save 20%, so both people can retire.

General savings: If two people are working, assume you save 6% of your gross income (before taxes and other expenses). If you plan to have children add another 5% for each child you have. If you want to have two children you will save 6% per person (savings), plus 3% (for each child), plus 3% of your gross monthly income, for a total of 12%.

Society is not run by the government alone. Active and involved citizens improve society by contributing time, skills and money. Assume that you will give through charitable donations and volunteerism. Choose two groups, investigate their needs, and allocate between 5 and 10% of your income to those organizations. Suggestions include places of worship, educational associations (colleges, public schools), and other charitable organizations (i.e., Habitat for Humanity, Goodwill, Humane Society, etc.).

Document other assumptions:

Children cost \$1,000/month per child for 25 years.

Housekeeper or yard work is \$100 per visit.

Dogs are \$600 per year; Cats \$400 per year.

Food: Write a paragraph about expenses related to how often you will eat. It may be easier to estimate this weekly and then multiply by four for the monthly cost.

If you eat out, discuss what types of restaurants you will frequent. Estimate the total cost of the meal, including the tip.

If you are dating, occasionally treat your girlfriend/boyfriend and figure that cost into the budget.

If you eat at home, talk with your parents to get a better understanding for the expenses involved.

Be sure to include drinks and snacks you purchase. (i.e., the convenience store, or from snack machines).

If you are married or have children, food expenses are multiplied by the number of people in your family.

Clothing: Estimate the monthly amount you will spend on clothing. Discuss in a paragraph where you will shop, and how often. Discuss with your parents to get a more realistic estimate:

- Monthly expenditure on clothes
- Married or with children, multiply by number of people

Entertainment: Write a paragraph indicating what types of activities you will engage in for fun. Include a realistic estimate.

Discuss things such as:

If you go to the movies, do you buy popcorn and drinks? If you skate, include the costs of shin guards, popcorn and drinks.

For a yearly vacation, look at the advertisements in magazines and papers.

Monthly entertainment: _____

Annual vacation costs: _____





Student Activity

Name _____

Period _____ Date _____

	Monthly	Annual
Income after taxes, shelter and vehicle		
Assumptions		



Student Activity

Name _____

Period _____ Date _____

SUMMARY ACTIVITY

1. Write a three paragraph essay about what you learned about the following:
 - A. Cost of taxes
 - B. Cost of shelter
 - C. Cost of vehicle
 - D. Family costs

2. Answer the following questions:
 - A. How will you achieve your goals?
 - B. How will you contribute to society?

3. What have you learned from this lesson:
 - A. About yourself?
 - B. About your parents?
 - C. About your future life?

4. For reflection:
 - A. What would make this project MORE useful to you?
 - B. What specific changes can you suggest?

Family Financial Project

A one-two week project to coincide with a personal finance unit

This lesson describes a multi-day project to be used at the end of an economics unit. The following lesson helps students understand that Civics and Economics has real life applications. After the teacher introduces a concept such as taxation, the students will complete a compatible activity to reinforce knowledge. Students will be asked to recall prior knowledge of taxation, banking, credit, and insurance choices. The lesson plan includes student directions, reproducible activity sheets, and a grading rubric.

It is possible to extend the project in a semester-long economics elective where the task list expands to 40-50 items and requires a greater level of understanding and application by the student. Typically, this is a project that has great “buy-in” from parents as well as the students due to the real life application.





Family Financial Project

NCSCOS Civics and Economics Goals and Objective(s):

- 7.02 Explain how scarcity influences producers and consumers to make choices.
- 8.08 Evaluate the investment decision made by individuals.
- 8.09 Describe the role of money in trading, borrowing, and investing.
- 9.07 Analyze the short vs. long term effects of monetary and fiscal policy.

Warm-Up/Bell Ringer:

Use any topic covered by this lesson (i.e., banking, taxes, credit, insurance) to write a review question for students.

Key Questions:

1. What are basic economic questions that must be addressed by all families?

2. How do the economic concepts of trade-off, opportunity cost, and scarcity apply to family financial decisions?

Materials Needed:

The following activity sheets are needed to complete the project and are included with this lesson plan.

1. Project guidelines for students
2. Family options (cards)
3. Grading rubric
4. 1040 EZ tax form (See <http://www.irs.gov>)
5. Monthly budget options and grid
6. Bank product investigation with check writing
7. Sample credit application
8. Online vehicle search
(Students will select their own vehicle/company)
9. Online mortgage search
10. Grocery shopping list
11. Insurance comparison

Time/Pacing:

This project should coincide with on-going lessons that will teach the major topics (banking, taxes, insurance, and credit). This project can take 1-2 weeks based on pacing.

Link(s) to Prior Learning:

All topics covered in this project will coincide with classroom learning. Each day a new topic will be introduced, modeled by the teacher, and then students will be asked to apply to their own family situation.

Purpose/Objective of this Lesson:

Students will be able to complete basic personal finance tasks that will recall prior knowledge of banking, taxes, credit, and insurance. This unit is designed to coincide with the teaching of a one-two week personal finance unit.

Teacher Input:

Each task for the project corresponds to a one-two day lesson on a specific topic. After the teacher discusses the notes, and models an example with students, the students move into their family groups and apply the day's lesson. (i.e., After the teacher covers a 1040 EZ tax form using a phony W2 and real tax tables, the teacher will provide each family their own W-2 form based on their income and have them determine their own taxes).

Continuous Assessment Tools/Strategies:

When tested on this material, the test consists of application-based questions to recall student knowledge. Such items include creation of a budget, completing a tax form, identifying parts of a credit report and comparison of insurance choices. To extend the project, the teacher or students can write "life" cards that will be randomly handed out that will change the family situation (lay off, birth, death, accident/sickness, inherit money). Students will be asked to account for the life event into their family budget and narrative.

Strategies for Differentiation:

The teacher can add to and take away any of the ten required tasks depending on the topics covered and the time allowed for the project. An additional requirement would be to have the students write a narrative describing their family or to provide a visual that describes their family. Students could also act out an event or "day in the life" of their family.

Class Activity:

Each day after the teacher covers a new concept, students should be given time to practice the new material by working with their "family" to complete one of the ten tasks required for the family financial project (i.e., after teaching different types of insurance, students will complete the "Insurance Choices" activity sheet that is a required piece of the project).

Summary/Closure:

Each group participates in a self/group reflection that will be included as part of their individual grade. Plan a “family” presentation day with a group discussion of the project, challenges, successes, and ways to change for the next year on the final day of the project.

Homework:

Each group divides the ten tasks to be completed and the visual for the presentation over the 7-14 day unit. The teacher should require “check-in” days to monitor on-task behavior.



Family Finances Assignment

What?

This is a group assignment and will require each student to work in a group that has been given a list of family demographics. Each group will have 3-4 “family” members and will operate as a family to make personal economic decisions. You must decide as a family how to complete the given tasks.

How will we do this?

1. The group will turn in a folder of their work. This will include all assignments, listing of group members, and a group evaluation of each student’s contribution to the project. Each group can use the folder provided by the teacher, or groups can choose to use a group-created folder to display your family’s creativity.
2. Each family will be given 5-10 minutes to present at the end of the project. All family members will verbally present in some way. Think about how you want to introduce your family to the class. Remember overall guidelines for projects at school, *“If it is illegal for you to do or possess at the age you are now, then it has no place in your project.”* Overall grades will include a separate presentation grade. Treat the presentation as an important part to plan before you stand up in front of the class.
3. Each group will prepare at least one type of visual to be shown during your presentation.

Ideas for visuals:

- Poster
- Skit; acting out a “day in the life of” or event in your family
- Pictures or collage
- Calendar of your family’s weekly/monthly schedule
- Map
- Graph or chart

- Timeline
- Overhead
- Handout to the class
- Mobile
- Model (floor plan of house or exterior)

4. Grading: Your individual grade will come from several areas:

- a. Turning in a completed folder of tasks
- b. Class presentation with at least one visual
- c. Group/Self Evaluation of your participation during this project



Your group **must complete all ten items** on the list as part of the assignment. Your teacher will give you all of the forms/sheets your family needs except for #1, the family narrative. This assignment is designed to help you *apply* what you learned in class to your individual family. Complete your family's part (i.e., taxes, budget, credit), after you complete the example given by your teacher in class. Remember, your teacher is here to serve as your financial "advisor" but your "family" should do the work.

Project Requirements:

1. Write a one-page, typed narrative about your family. You have been given the basics (i.e., household income, number of dependents, and ages), but you need to complete the remaining details such as:
 - Tell us where you live.
 - Describe the vocation you chose.
 - Describe your children.
 - Explain the choices your family has made in the past in regards to economic decisions.

Example: Your Family recently went on a vacation, bought a new TV, or started a savings account. How did your family plan for these events?

2. Complete a 1040 EZ tax form based on your family income and given W-2 statements. A 1040 EZ tax form may be found at <http://www.irs.gov>.
3. Complete a monthly budget based on the family demographics and household income.
4. Complete a credit application.
5. Research three vehicles that your family would consider buying.
6. Choose two bank products and explain how they will help your family make sound economic decisions. Complete the planning sheet.
7. Write a check for an expense on your family budget.

8. Choose two types of insurance for your family and complete the planning sheet.
9. Complete a shopping list and a meal planning sheet.
10. Complete a new housing/mortgage planning sheet.



Family Options: Family Financial Project

Directions: Divide groups into 4-5 students per group. Given incomes are designed to work with a 1040 EZ tax table.

<p>Single adult, no children, earns \$26,000/full time job.</p>	<p>Two parents, three kids ages twelve, fifteen, and eighteen. Combined household income \$39,500 with one parent working full time and one part-time.</p>
<p>One parent, one kid age two; Parent works part time for \$16,000/year.</p>	<p>Two parents, two kids; twins age ten. Parents earn \$37,500 annually plus \$400 from interest on savings accounts.</p>

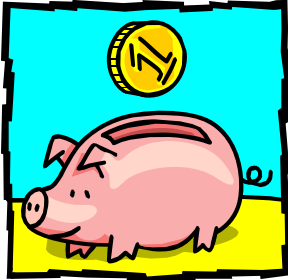
<p>Two parents, two kids ages ten and fifteen. Both parents work full-time and earn a combined household income of \$49,100.</p>	<p>One parent, two kids ages seven and fifteen. Parent earns \$33,000 at a full time job plus \$400 from interest on savings accounts.</p>
<p>Two parents, four kids ages six, nine, twelve, and fifteen. One salary household at \$47,500.</p>	<p>Elderly couple, no children living in the home. Retired on a fixed annual income of \$28,000 income plus \$400 from interest on savings accounts.</p>

Grading Rubric for Family Finances Project

- 25% self and peer evaluation
- 25% presentation to the class with one visual
- 50% teacher evaluation

	Meeting	Approaching	Needs Work	Little/No Credit
Project	All 10 required items are complete	9 items are complete	8 items are complete	7 (or fewer) of the items are complete
Project	Includes obvious thought and preparation	Includes good thought, effort and preparation but with some mistakes	Includes some thought and minimal preparation but with obvious mistakes	Minimal thought and effort put forth, no preparation is obvious
Project	All members participated and contributed equally	Non- participation by 2-3 members	Non- participation by 2-3 member	Completed by only one person
Project	I deas are clear, original, and creative	Project includes some original thought but often vague	Project has little original thought or creativity; project is vague	No creativity or original thought; items are unclear
Presentation	Includes one visual to support findings that are on topic, and creative	Includes one visual but with little creativity	No visual Provided	No visual provided
Presentation	Presentation is clear, factual and interesting; the group obviously worked on the presentation out of class	Presentation is factual; some mistakes are made that would have been fixed with more planning.	Presentation is vague and provides few facts to the class; obvious lack of outside planning.	No presentation is given

Family Financial Project Budget Options



Directions: Each student “family” will use this sheet to help develop a family budget.

Each group’s budget must balance for the month!!! Remember to carry over your choices to the pie graph and list the fixed and flexible expenses.

Housing

1. Four bedroom houses in a country club neighborhood with a golf course, tennis center and pool. Neighborhood is zoned for the best schools in the town. Mortgage, taxes and homeowners insurance- \$2500/month
2. Three bedroom house in a nice quiet neighborhood that is close to a shopping center and good schools. Mortgage, taxes and homeowners insurance-\$2000/month
3. Two bedroom house in a middle-class neighborhood, the schools are average, but not the best in the city: Mortgage, taxes and homeowners insurance- \$1500/month
4. One bedroom town home in a suburb of the city. Schools and a daycare are nearby. Mortgage, taxes and homeowners insurance- \$1200/month

5. Two bedroom apartment in an older part of town. Schools are far away, so kids will have a long bus ride. Mortgage, taxes and homeowners insurance-\$1000/month
6. One bedroom subsidized apartment that is near average schools \$550/month *(to qualify for this apartment you must make less than \$20,000 and have no more than two dependants)*

Food

Weekly groceries + and eat-out four times a week \$350

Weekly groceries+ and eat-out two times a week \$ 225

Weekly groceries+ and eat-out one time a week \$ 175

Weekly groceries only- \$125 No eating out-even fast food!! You are coupon crazy!

Transportation

Two new cars + gas/insurance \$1,400/month

One new and one used car \$1,000/month

One new car \$500/month

One old "clunker" - \$250/month

Monthly bus pass (public transportation) \$75/month

Insurance-Optional

Monthly insurance premium **\$50** per family member (maximum of \$350 total)

Utilities (choose as many as your family will use in a month)

Phone service -\$25

Cell phone- \$30

Cable TV- \$35

Water- \$40

Electricity- \$80

Internet service- \$25

Other Expenses-Each group will set a budget for these categories!

- Pets
- Entertainment (movies, videos, magazines/books, CDs)
- Gifts
- Church tithes and other charitable donations
- Clothing
- Medicines
- Savings



Student Activity

Name _____

Period _____ Date _____

Personal Budgeting: Fixed Versus Flexible Expenses

Using the fixed and flexible grid below, write the percentages for at least four fixed expenses and four flexible expenses. Your budget must equal your monthly income. Graph your percentages on the pie chart. Label each expense and the percentage given (i.e., housing 31%).

My monthly income is \$ _____

Fixed Expenses- list type and amount needed	Flexible Expenses- list type and amount needed

Student Activity

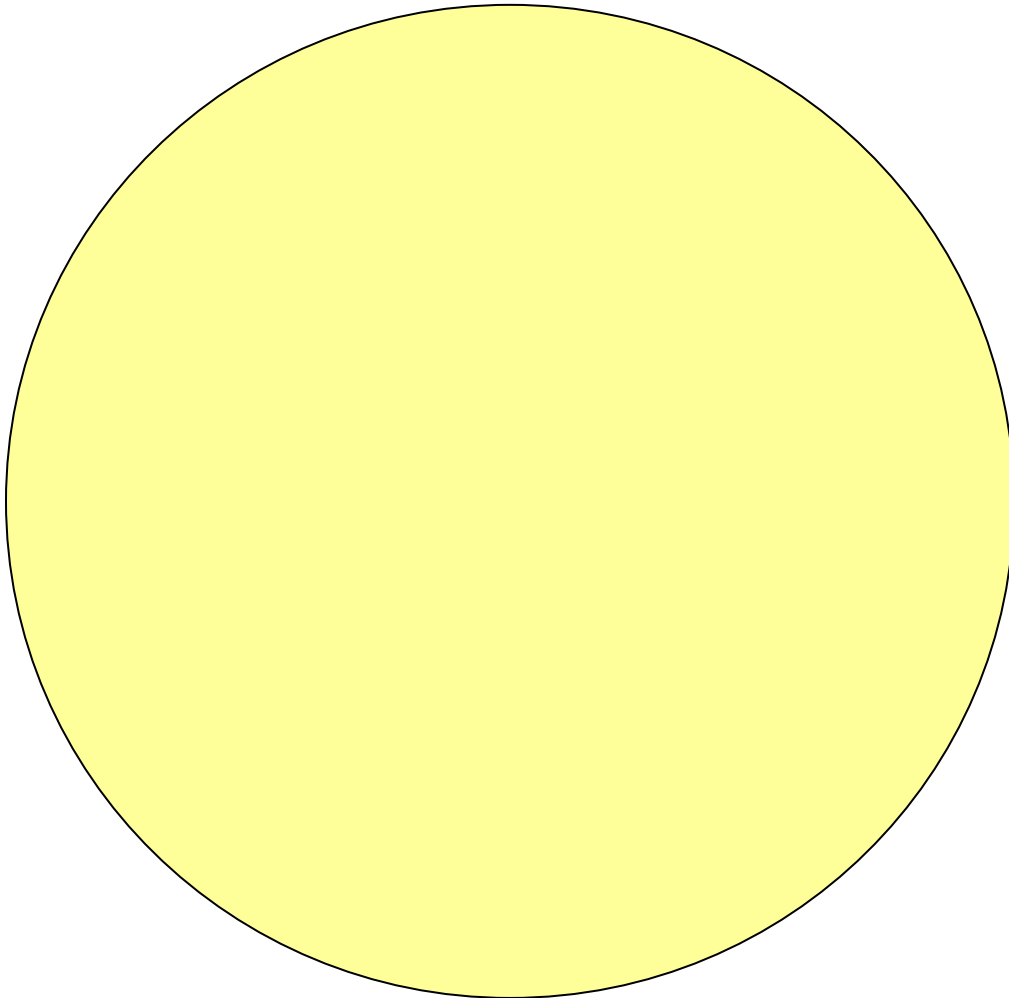
Name _____

Period _____ Date _____

Personal Budgeting: Fixed Versus Flexible Expenses

Directions: Graph your percentages on the pie chart. Label each expense and the percentage given (i.e., housing 31%).

Personal Budget Pie Chart





Student Activity

Name _____

Period _____ Date _____

Banking Comparison

Directions: Pick one or two brochures from area banks and financial institutions to determine which banking products would best suit your financial needs. Fill in the boxes below with information you find in the brochures.

Bank Product	Name of the account	Minimum Opening Deposit	Does the account earn interest? What percent and how often?	Is there a monthly service charge or fee? How much?	Does the account offer a check or debit card?	List any other special features that the account offers.
Checking Account						
Savings Account (can include Certificates of Deposit, Individual Retirement Accounts, and Money Markets)						



Student Activity

Name _____

Period _____ Date _____

Name one additional bank product or service that you might use and why?

List any four items from your personal budget you will write checks for:

1. _____

2. _____

3. _____

4. _____

Using your prior knowledge of writing a personal check, complete the check below for one of the items you listed above from your budget.

Name _____	Check 101
Address _____	Date _____
Pay to the Order of _____	\$ _____
_____ Dollars	
Smart Saver Bank	
Memo _____	Signature _____
8738748839 92377983	



Student Activity

Name _____
Period _____ Date _____

Sample Application for Credit

Last Name _____ **First Name** _____ **Initial** _____

Date of Birth _____ **Social Security Number** _____ - _____ - _____

Place of Birth (city, state) _____

Home Address

How long have you lived at this address? _____

If less than three years give your prior address:

Employer _____ **Occupation** _____

Company Address _____

Salary _____ **Years of Employment** _____

Previous Employer _____

Applicant is not required to provide the information in this section unless a co-signer is also applying for the credit. The co-signer's personal information including credit-worthiness will also be considered.

Co-Signer Last Name _____ **First Name** _____ **Initial** _____

Date of Birth _____ **Social Security Number** _____ - _____ - _____

Place of Birth (city, state) _____

Home Address

How long have you lived at this address? _____

If less than three years give your prior address:



Employer _____ Occupation _____

Company Address _____

Salary _____ Years of Employment _____

Previous Employer _____

Name and Address of relative not living with you:

List all sources of income (salary from all jobs)

Applicant _____ Co-applicant _____

***Note: income from alimony, child support, and social security does not need to be revealed unless the applicant or co-applicant wants the income to be considered to qualify for credit.**

Current Creditors: Please list all credit cards, mortgages, and loans you currently owe.

1. _____ Balance
2. _____ Balance
3. _____ Balance
4. _____ Balance
5. _____ Balance
6. _____ Balance

Checking Account Number _____

Bank _____

Savings Account Number _____

Bank _____

The above information is true and correct and the applicant acknowledges and agrees to the contract and to pay all indebtedness incurred in accordance with such contracts.

Applicant Signature _____

Date _____

Co-Applicant Signature _____

Date _____



Student Activity

Name _____

Period _____ Date _____

Directions: You will need transportation for your family. You may go to a web site such as the *Kelley Blue Book* (<http://www.kbb.com>), or you can visit a local car dealership to assist you with completing the chart below.

Manufacturer's Price or "sticker price"	Which car would your family buy?	Make	Model	Color	Safety Features	Fuel Efficiency (miles per gallon)	Interior Features
	Car #1						
	Car #2						
	Car #3						

Student Activity

Real Estate and Mortgage Loan Internet Search



Assignment: Your mission is to research two homes your family would consider based on your household budget. Use any search engine for the key words *new homes or real estate* in the city and state your family lives.

To determine the monthly cost of a home, search for “financial calculator mortgage loans” to determine an amortization schedule for your home. Assume 7% interest for a 30-year mortgage and 6% for a 15-year mortgage.

Fill in the chart below with your family's home search.

	House #1	House #2
Price		
Term of loan (15 or 30 years)		
Interest rate		
<u>Total</u> interest paid over the life of the loan		
Average <u>monthly</u> interest over the life of the loan		

Circle the house choice your family wants and can also afford to buy. Remember, a guideline for a mortgage payment is no more than 28% of your monthly budget!

Student Activity

Name _____

Period _____ Date _____



Family Financial Project: Meal Planning Guide and Grocery List

Directions: Use the space below to plan all meals for one day.

All meals must be provided from home including children's lunches. All meals must include one item from the following groups (dairy, meat, fruit, vegetable, and bread). After planning your meal, make a grocery list and go shopping at a local grocery store. List the price for each item.

Breakfast Menu	Lunch Menu	Dinner Menu	Snacks



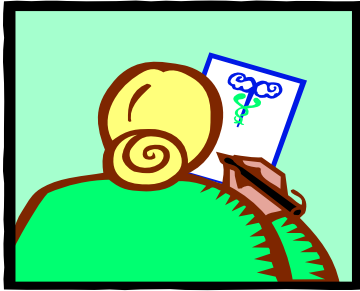
Items and Price

Name of Grocery Store _____

Please have someone at the store sign your list

Employee's Signature _____

Date of Visit: _____



Family Financial Project: Insurance Choices

Directions: Choose any two types of private insurance for your family. Fill in the chart below to describe what type and why your family will need this type of insurance.

Insurance Type?	Why will your family need this type of insurance?	What does this type of insurance protect against?	What are some features of this insurance? (Your family may need to search the Internet to determine what insurance companies offer)
Choice #1			
Choice #2			



Sample Application for Credit

Last Name _____ **First Name** _____ **Initial** _____

Date of Birth _____ **Social Security Number** _____ - _____ - _____

Place of Birth (city, state) _____

Home Address

How long have you lived at this address? _____

If less than three years give your prior address:

Employer _____ **Occupation** _____

Company Address _____

Salary _____ **Years of Employment** _____

Previous Employer _____

Applicant is not required to provide the information in this section unless a co-signer is also applying for the credit. The co-signer's personal information including credit-worthiness will also be considered.

Co-Singer Last Name _____ **First Name** _____ **Initial** _____

Date of Birth _____ **Social Security Number** _____ - _____ - _____

Place of Birth (city, state) _____

Home Address

How long have you lived at this address? _____

If less than three years give your prior address:

Employer _____ **Occupation** _____

Company Address _____

Salary _____ **Years of Employment** _____



Previous Employer _____

Name and Address of relative not living with you:

List all sources of income (salary from all jobs)

Applicant _____ Co-applicant _____

***Note: income from alimony, child support, and social security does not need to be revealed unless the applicant or co-applicant wants the income to be considered to qualify for credit.**

Current Creditors: Please list all credit cards, mortgages, and loans you currently owe.

1. _____ Balance
2. _____ Balance
3. _____ Balance
4. _____ Balance
5. _____ Balance
6. _____ Balance

Checking Account Number _____

Bank _____

Savings Account Number _____

Bank _____

The above information is true and correct and the applicant acknowledges and agrees to the contract and to pay all indebtedness incurred in accordance with such contracts.

Applicant Signature _____

Date _____

Co-Applicant Signature _____

Date _____

Individuals need to know that responsible money management is not rocket science, but the financial cost of not starting to save today can have a serious impact on their financial well-being 10, 20 or 30 years down the line.

-Don Blandin, President American Saving Education Council



Section IV

Savings and Investment

Investment: Does Money Grow?

Most high school students graduate with no understanding of the basic principles of financial planning. In today's society, more and more companies are expecting their workers to plan and prepare for their own futures. Companies are no longer guaranteeing a pension for their employees upon retirement, so today's future employees need to learn about money and how to put it to work for their future. This expectation is very confusing to many workers who have no understanding of the value of investing and long-term planning.

This lesson is devised to introduce students to the rewards of long range planning and delayed gratification to achieve the larger goal of financial security. Students will gain a fundamental introduction to the "use of money". This two-day lesson plan includes graphics showing students the long-term results of saving early and the risk levels involved with types of investments.





Investment – Does Money Grow?

NCSCOS Civics and Economics Goal and Objective(s):

7.05 Explain the impact of investment on human, capital, productive, and natural resources.

Warm-Up/Bell Ringer Activity:

The teacher will write the following question on the board, "When should you start saving for retirement? Why?"

Key Questions:

1. When should you start saving?
2. What impact do time and interest rates have on investments?

Materials Needed:

- "Results of Early Investment" student handout
- "Rule Of 72" overhead transparency
- "Example of Rule of 72" student activity
- "The Greater the Risk, the Greater the Reward" overhead/student handout
- "Investment Triangle" student handout
- "Risk Scale" activity sheet

Time/Pacing:

One-two class periods

Link(s) to Prior Learning:

Savings accounts, jobs and any discussions on long-term goals.

Purpose/Objective of this Lesson:

The students will understand that the younger you start saving the better.

Teacher Input:

Introduce the investment information and lead the discussions.

Explain Compound Interest (Using the "Results of Early Investment" student handout).

Continuous Assessment:

Discussion, Results of practice

Strategies for Differentiation:

Using the Internet, students are to compare interest rates between savings accounts, CD's, savings bonds and one local municipal bond.

Class Activity**Guided Practice:**

1. Discuss the warm-up activity. Why do you think the answer you selected is the "right time" to start saving for retirement? Do you think that your goals over time might change?
2. Distribute the "Results of Early Investment" student handout. Point out the difference in the amounts invested and the results. What do you think would make that difference?
3. Pass out the student activity sheet, "Example of Rule of 72". Use the "Rule of 72" overhead transparency to explain that 72 divided by the interest rate will give you the answer of how long it will take to double your money. Show students how it takes money less time to grow the higher the interest rate.

Independent Practice:

Write five different ages on the board and give students one set amount of money to deposit. The average rate of return is 8%. Have students determine the period of time to double their money, depending on their given age.

Guided Practice:

1. Pass out the “The Greater the Risk, The Greater the Reward” student handout and project this handout on the overhead. The teacher will highlight the advantages of each of the different types of investment.
2. Pass out the handout of the “Investment Triangle” pointing out the different types of investment at different risk levels.

Independent Practice:

The teacher draws on the board/overhead a spectrum with no risk on one end and extreme risk at the other end. Have the students come up and sign their names on the spectrum where they think they would be comfortable investing and explain why (that is their present Risk Quotient).

Summary/Closure:

Explain that at different times in your life your Risk Quotient will change as the events in your life change.

Homework:

Pass out the activity sheet on “Risk Scale” and have students complete for homework.





Results of Early Investment (Student Handout)

The advantage of compound interest

Age	Amount saved	Age	Amount saved
16	\$1000	16	
17	\$1000	17	
18	\$1000	18	
19	\$1000	19	
20	\$1000	20	
21	\$1000	21	
22	\$1000	22	
23	\$1000	23	
24	\$1000	24	
25	\$1000	25	
26	<u>Amount invested</u>	26	\$1000
27	\$10,000	27	\$1000
28		28	\$1000
29		29	\$1000
30		30	\$1000
31		31	\$1000
32		32	\$1000
33		33	\$1000
34		34	\$1000
35		35	\$1000
36		36	\$1000
37		37	\$1000
38		38	\$1000
39		39	\$1000
40		40	\$1000
41		41	\$1000
42		42	\$1000
43		43	\$1000
44		44	\$1000
45		45	\$1000
46		46	\$1000
47		47	\$1000
48		48	\$1000
49		49	\$1000
50		50	\$1000
Amount available at age 50	\$131,050	Amount available at age 50	(Difference)
		\$84,701	\$46,349

The Rule of 72

(Overhead Transparency)

There are **TWO** methods of use

- (1) Divide 72 by the interest rate you expect to earn. This will tell you how long it will take to double your money.

$$\begin{array}{c} 72 / 6\% \text{ interest} \\ = \\ 12 \text{ years to} \\ \text{double your money} \end{array}$$

- (2) Divide 72 by the number of years in which you expect to double your money.

$$\begin{array}{c} 72 / 12 \text{ years} \\ = \\ 6\% \text{ Interest to} \\ \text{double your money} \end{array}$$



Student Activity

Name _____

Date _____ Period _____

Example of Rule of 72

Initial Investment of \$5,000

	6 Years	8 Years	12 Years
Interest Rates			
6%	_____	_____	\$10,000
10%	_____	\$10,000	\$15,000
15%	\$10,000	\$15,000	\$20,000

THE GREATER THE RISK, THE GREATER THE REWARD

(Overhead Transparency/ Student Handout)



Direct Investment in a business itself

NASDAQ ————— Must meet certain qualifications
 Successful companies pay dividends
 Trading done via Internet between brokers

INCREASED RISK



New York Stock Exchange

- Common - Voting privileges
- Preferred - Costs less per share
Guaranteed return
- Bonds - Fixed time
Fixed interest
"Contract"

Mutual Funds

Professional Management
 Spread and share risk and reward

Government Not Insured

- Bonds - Fixed interest
Fixed time
- Notes - Nontaxable

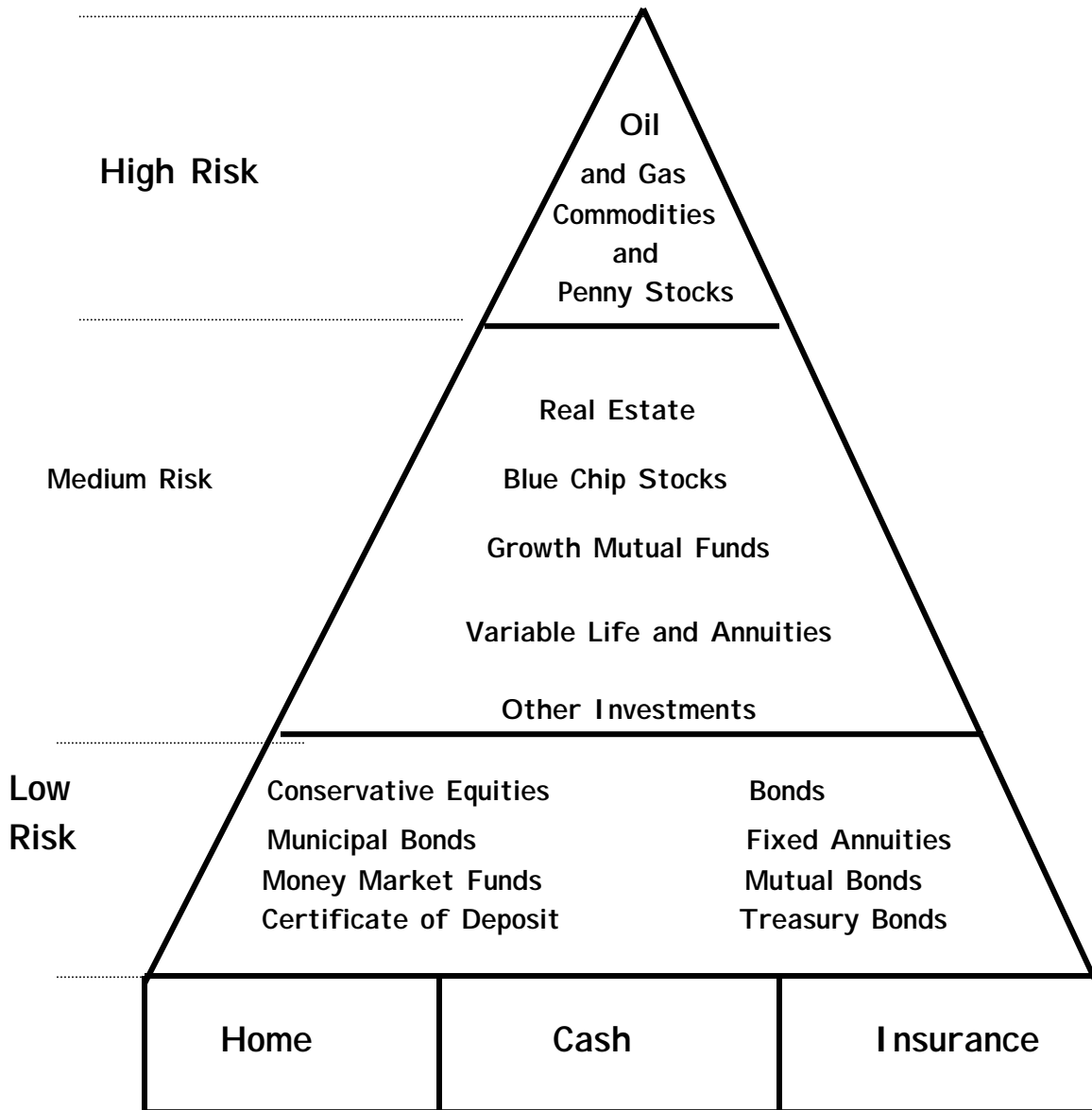
LITTLE RISK



Banks Insured to \$100,000

- Certificate of Deposit - Higher Interest
Fixed time
- Saving Accounts - Guaranteed interest
Immediate Access

Investment Triangle



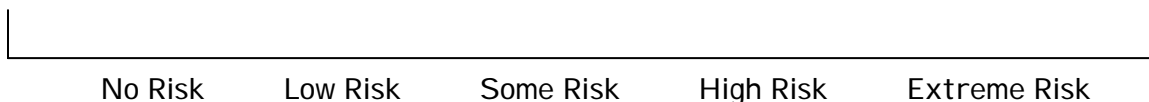
A sound financial plan is built on a foundation of home ownership, cash in the bank for emergencies, and insurance to protect your current assets.

Student Activity

Name _____

Date _____ Period _____

Risk Scale



Directions: Using the scale above, plot what you think would be acceptable risk to take in the following times in your life. Remember at each time your responsibilities change and so might your goals. In the space below explain why you chose that risk level. (If not enough space, use the back of this sheet.)

- _____ 1. You are 21 years old, not married, recent college graduate with an entry-level job with a very well known company and a bright future.
- _____ 2. You are 35 years old, married with a son that is ten years old and a daughter six. You anticipate that both of them will be going to college. You have been with your company for nine years and are in middle management.
- _____ 3. You are 55 years old. Your children are out of the house in "good" jobs. You are thinking of retirement, wanting to continue your present life style and enjoy your life after work.
- _____ 4. You are 67 years old and in excellent health. You have retired and are looking at a very long and happy life of traveling and good works.



Investment - Does Money Grow? Day Two

NCSCOS Goal and Objective(s):

7.05 Explain the impact of investment on human, capital, productive, and natural resources.

Warm - Up/Bell ringer:

Students are to get out their homework ("Risk Scale" activity sheet) and prepare to exchange ideas with classmates.

Key Questions:

1. How do you prepare for long-term goals?
2. When should you start planning for your future?

Materials Needed:

Blank paper and colored pens or pencils

Article from the Bureau of Labor Statistics:

http://cber.cba.ua.edu/rbriefs/ab_jul97.html

Time/Pacing:

One to two days

Link(s) to Prior Learning:

Homework

Purpose/Objective of this lesson:

Students will understand how the need for long-range planning prepares them for the future.

Teacher Input:

Provide students with information about investing, saving and spending. Spending patterns vary by age, region of the country, the size of the household, and income, among other things.

Continuous Assessment Tools/Strategies:

Evaluate the plans according to the students long-range planning

Evaluate on accuracy and students' demonstration of concept understanding

Strategies for Differentiation:

See projects below

Class Activity**Guided Practice:**

1. Revisit information from previous class on the "Risk Scale" worksheet. Have students discuss in groups of three their ideas of investment at different ages. One member from each group will present to the class that group's ideas and explanations.
2. Students are to write how they envision their retirement; When will they retire? What will they be doing? Where do they expect to be? How are they going to be able finance this vision?
3. The teacher should ask for student volunteers to tell the other members of the class about their plans and lead a class discussion about how realistic the plan(s) are.

Independent Practice:

Have students create a retirement plan to present in class. Have them break up into groups according to their determined risk level.

Summary/Closure:

Discuss among groups and have two or three from each group present their plan.

Independent Practice:

Pass out Bureau of Labor of Statistics handout titled, "How do people spend their money?"

Guided Practice:

1. Using the article, students are to figure out how people spend their money. What are the categories and what are the percentages in each category?
2. Go over the answers students provided for guided practice activity #1. Remind students that taxes take about 35% off the top of their paychecks through various withholdings as well as sales taxes, property taxes and other government fees.

Summary/Closure:

Using a job with a salary of \$40,000 and using the percentages, have students calculate how much money would be spent in each category.

Homework:

Using the information from the class discussion, have students create a pie chart poster about how Americans spend their money. (The teacher may demonstrate what a pie chart is and how to create one.) The pie chart needs to include what salary they started with, the amount in each category and picture in the pie "slice" representing that group.



How Do People Spend Their Money?

Spending patterns vary by age, region of the country, the size of the household, and income, among other things. Some things are purchased infrequently, others on a regular basis. The Bureau of Labor Statistics conducts the Consumer Expenditure Survey to quantify some of these observations. The seven major categories in the Survey are food, housing, apparel and services, transportation, health care, entertainment, and an "other" category that is mostly taken up by personal insurance and pensions, but also includes personal care products, reading, education, tobacco products, cash contributions, and miscellaneous items. Although the dollar amounts vary with every Survey report, some trends have been in place for many years.

Health Care. Health expenditures vary considerably by age. U.S. households, on average, spend five or six percent of their after-tax income on health care. The youngest householders, those under 25, spend less, both in total dollars and as a percent of all their expenses. As the age of the householder rises, so does the amount of the budget devoted to health insurance, drugs, medical supplies, and services such as doctor's visits, lab tests, X-rays, or therapy. Householders age 65 or older devote, on average, 12 percent of their budget to health care.

Food. Everybody who has shopped in a grocery store has marveled at how much of what we buy there is not food. The Consumer Expenditure Survey counts the food items purchased in the Food category, and things like toilet tissue or scouring powder in the Housing category. American households spend about 14 percent of their budget on actual food items. However, these are not only grocery store food purchases. This category also includes food from vending machines, in restaurants, and special catered affairs. Two groups are spending a little more of their budget than average on food, but for different reasons. Households headed by someone under 25 spend more than average on food in restaurants; households headed by someone over 65 spend more on food eaten at home.

Housing. This category is more than shelter. It also includes utilities, household furnishings, household operations and domestic services, and other housekeeping expenses such as pest control, appliance repair, reupholstering or furniture repair, or rental or repair of lawn and garden tools. The average expenditure for this category seems to be about 32 percent of the American household budget. Householders aged 25-44 average a little more, possibly because this is the most common age to buy a house. Single-person households are also spending a bigger percent of their income on housing, possibly because larger households frequently have more than one earner, therefore the percentage of all their household money spent on housing is lower, even if the dollar amount is not.

House Furnishings and Equipment. We might expect young householders to spend a bigger percent of their budget on house furnishings, because they are just setting up housekeeping. Middle-aged householders would spend relatively more because they are at the height of their earning power. Senior citizens might spend less because they have already furnished their homes. However, every age group seems to spend between five and six percent of their budget on furniture, floor coverings, and appliances. Furniture breaks, rugs wear out, and appliances quit working no matter how old you are.

Consumer Expenditure Survey. 1995 Annual 1995 Percent Expenditures of Total Income before Taxes \$ 36,948 Average Annual Expenditures \$32,277
100% Food 4,505 14% Food at home 2,803 9% Food away from home 1,702
5% Housing 10,465 32% Apparel and services 1,704 5% Transportation 6,016
19% Health care 1,732 5% Entertainment 1,612 5% Other expenditures
3,274 10% Personal insurance and pensions 2,967 9% Pensions Note: Details do not sum to total due to rounding.

Source: U.S. Department of Labor, Bureau of Labor Statistics

**07/97; http://cber.cba.ua.edu/rbriefs/ab_jul97.html

*Credit is widely misunderstood and,
perhaps even more to the point, widely misused.*

- Author Unknown



Section V

Credit

Credit: Friend or Foe?

Families today do not spend much time together talking about such mundane matters as bills, credit, and loan repayment. One set of statistics says that many high school students graduate owing \$5,000 in credit card debt, and from college with \$30,000 in student loans.

This lesson is an introduction to money management and credit. Students will discuss the advantages and disadvantages of credit. The lesson provides guidelines to the use of credit and demonstrates that once credit is used it must be repaid. It includes activity sheets to illustrate the use of credit and its cost. The thrust of the lesson is to teach the concept that credit must be used with caution and it always has an opportunity cost to the borrower.





Credit: Friend or Foe?

NCSCOS Civics and Economics Objective(s):

7.05 Explain the impact of investment on human, capital, productive, and natural resources.

Warm-Up/Bell Ringer Activity:

Write on the board, "In your opinion, is using credit a positive or a negative thing? Why do you feel this way?"

Materials Needed:

"Notes on Credit"

"Advantages and Disadvantages of Credit" transparency

"Use of Credit" activity sheet

"The Questions That You Should Ask Yourself" transparency

"The Cost of Credit" activity sheet

Time/Pacing:

One class period

Link(s) to Prior Learning:

Students are to know the difference between a want and a need.

Purpose/Objective of this lesson:

Students will be able to discuss using and managing credit.

Teacher Input:

- Discussing the notes with students
- Assigning the project

Key Questions:

1. What is credit?
2. What are the advantages and disadvantages of credit?
3. When should credit be used?
4. How much does credit cost?

Strategies for Differentiation:

Students are to explore the different Annual Percentage Rate (APR) of five banks and search for the best rates for credit cards.

Class Activity:**Guided Practice**

1. Discuss the warm-up questions to help students express their feelings about credit. Are there any reasons to be afraid of credit? When is credit a "good" thing?
2. Using the notes, the teacher defines "credit". Ask students if they have ever used credit? Ask students if they have ever asked their parents for a loan? When did they pay it back or did they? Explain to the students that this is an example of the use of credit.
3. Place the "Advantages and Disadvantages of Credit" transparency on the overhead projector. Discuss each aspect of the points.
4. Pass out activity sheet "Use of Credit".
5. Place transparency "The Questions That You Should Ask Yourself" on the overhead. Lead a discussion on the different questions. Ask the students whether they agree or disagree with each point and why.

Independent Practice/Homework:

Pass out the activity sheet "The Cost of Credit."

Continuous Assessment Tools/Strategies:

Evaluate students' responses to determine understanding.

Discussion

Review the results of student activity sheets.

Notes on Credit

Credit is a promise to pay later for goods or services purchased today. It is an amount of financial trust extended to you by a lender based on your **ability** and **willingness** to repay. People find obtaining credit easy but the continuing monthly repayment of principal and interest difficult. Credit should be used carefully, within the limits of your resources.

Advantages

1. Immediate Possession – Credit enables you to enjoy goods and services immediately that you might otherwise have had to postpone or do without.
2. Flexibility – Credit allows people to time their purchases, in order to take advantage of sale items or other bargains, even when their funds are low.
3. Safety – Credit cards provide a safe and convenient means for people to carry their purchasing power while traveling or shopping without carrying cash.
4. Emergency Funds – Credit gives people a cushion in an emergency (i.e., an automobile breakdown when money is needed for immediate repairs).

Disadvantages

1. Overspending – Sometimes credit cards and charge accounts make it *too easy* to spend money. Then, as debt increases, it is often difficult to make the necessary monthly payments.
2. Higher Cost – It costs more to buy on credit than to pay cash. Interest or other charges are often added to the cost of goods sold on credit, causing the final cost to be more than the original cost of the item.

3. Impulse Buying – Shoppers who buy on credit often ignore sales and special prices because they can buy what they want on credit rather than waiting to take advantage of money saving events.

When should you use credit?

Most Americans use credit in one form or another. About 80% of the adult population have credit cards. Most people buy their homes with a mortgage and about 60% of college students use loans to help pay tuition.

When you are deciding to use credit, there are some questions that you should ask yourself before you proceed:

1. Do I really need this item or can I wait?
2. What is the least amount that I have to borrow?
3. How much are the interest rate (APR) and other fees?
4. How much is the monthly payment and when is it due?
5. Can I afford the monthly payment?
6. What will happen if I do not make the payments on time?
7. What will be the extra cost of using credit and is it worth it?
8. What will I have to give up to pay for it?

Credit must be used with Caution!

It's not how much credit that you have, but how you handle it.

Credit is not free. Borrowing money has a price; it is called interest. When interest is added to the amount borrowed (principle), you spend more dollars over time than saving and paying cash for the item in the first place.



What does a lender want to know before they loan you money?

"Character, capacity and collateral"

1. Is the consumer a reliable person?
(Does not move often, has remained in the same job for a period of time)
2. Does the consumer have a steady income that is likely to continue into the future?
3. Does the consumer earn enough money to be able to pay back the loan?
4. Does the consumer have a good credit record (credit rating) in repaying of other loans and bills?

Credit terms

1. People who borrow are called **debtors**.
2. The people who loan money are called **creditors**.
3. **Finance charges**, is the amount that is paid over the original loan amount, which is the interest plus any other additional fees.
4. **Annual Percentage Rate (APR)** is the rate of interest that is paid every year on a loan for the use of the money. Federal law requires that all lenders use the same method of calculation so that consumers can "comparison" shop for credit.
5. **Secured Credit** is credit for which the consumer must put up some property of value (**collateral**) to cover the amount of the loan. Examples: Mortgages where the house is used to secure the loan or car loans where the car is the collateral.

6. Money that is loaned on nothing but the promise to repay in the future is called **Unsecured Credit**. Examples: Credit Cards.
7. Charging any amount above a legally set amount is called **Usury**.

How Can Creditors Legally Collect on Their Loans if You Fail to Repay the Money?

Under the *Fair Debt Collections Practices Act*, consumers are protected from abusive and unfair collection practices. Collectors are limited to reasonable times and places. Acts of harassment or abuse and misleading or false statements are prohibited.

The collectors might use the mail or phone calls in an attempt to recover their money. They are not allowed to call in the middle of the night or to call people at their place of employment to tell them about the debt.

If you made a secure loan, they can repossess the collateral. The creditor can sell the property and apply that amount to your loan. If that amount is below the amount of the loan the debtor is still responsible for the remainder of the loan.

As a last resort, the creditor can sue the debtor for the amount of the loan and court costs. If the creditor wins in court the court may order your wages garnished. That means that part of your pay goes directly to the creditor. The amount that can be garnished is no more than 25% of the debtor's take home pay according to federal law, but some states have different laws. Employers are prohibited from firing an employee as the result of a garnishment. The second order the court can make is called an attachment. Your bank could be forced to pay the loan straight out of your accounts without your permission. Another form of attachment is to seize your property, even if it was not put up as collateral, and sell it to satisfy the loan.

Student Activity

Name _____

Date _____ Class _____

Use of Credit

1. Make a list of products or services that you, friends or family members have bought on credit.

2. What are the advantages and disadvantages of using credit to pay for:
 - a. College or vocational school tuition?

 - b. A car to get to work?

 - c. A vacation?

 - d. Clothing to wear to a formal dinner?

 - e. Write some rules on when it is acceptable to use credit and when credit should not be used. (3 or more of each)

The Questions You Should Ask Yourself Before Using Credit

(Overhead Transparency)

1. Do I really need this item or can I wait?
2. What is the minimum amount of credit needed?
3. How much are the interest rate (APR) and other fees?
4. How much is the monthly payment and when is it due?
5. Can I afford the monthly payment?
6. What will happen if I do not make the payments on time?
7. What will be the extra cost of using credit and is it worth it?
8. What will I have to give up to pay for the item (opportunity cost)?



Student Activity

Name _____

Date _____ Class _____

The Cost of Credit

Jamul, Amir and Sue each want to purchase a game player that costs \$500 and finance it with credit. Using the information below, how much would the game player cost including finance charges?

Directions: Using the total amount spent, subtract the amount of the loan and that is the cost of credit.

I.	Total Spent	Cost of Credit
A. Jamul paid \$45.00 a month for 12 months.	_____	_____
B. Amir paid \$12.00 a week for one year.	_____	_____
C. Sue paid \$25.00 a month for two years.	_____	_____

Of the three loans, which one paid the most to borrow the \$500 and which paid the least?

- II. You want to borrow \$1,000. Which will cost you more, paying twelve monthly payments of \$92, or one payable in 36 months at \$36 a month?
- III. Are there any generalized conclusions that you can observe about:
- the length of a loan?
 - the size of the payment?
 - the total amount a person pays for a loan?



Credit: Friend or Foe?

Day # 2

NCSCOS Civics and Economics Objective(s):

7.05 Explain the impact of investment on human, capital, productive and natural resources.

Warm-Up/Bell Ringer Activity:

Have students take out homework activity titled, "The Cost of Credit". Discuss the homework in groups of three.

Materials Needed:

"Paying Off Debt" activity sheet
"Loan Officer" activity sheet
Rubric for grading brochure on credit

Time/Pacing:

One class period

Link(s) to Prior Learning:

Knowledge of the definition of credit, advantages and disadvantages and questions to ask before using credit

Purpose/Objective of this Lesson:

Students will be able to discuss the cost of credit and to understand the consequences of not maintaining payments.

Teacher Input:

Knowledge of the notes

Key Questions:

1. What are the requirements for credit?
2. What are the consequences of not paying off the loans?

Class Activity

Guided Practice:

1. Discuss the homework and how much credit costs.
2. Pass out activity sheet, "Paying Off Debt" and tell the students to complete it. Discuss the results in relation to information from the homework.
3. Using the notes, inform the students of the criteria for obtaining credit.

Independent Practice:

Have students get into groups of three and pass out to each group the activity sheet, "Loan Officer." Let the students draw conclusions and then share them with the class. If there are major disagreements, bring the students to consensus.

Guided Practice:

1. Review credit terms with students from the notes.
2. Using the notes inform the students of the different methods that lenders can use to recover their money.

Summary/Closure/Homework:

Assign students a project to create a brochure on credit that will be passed out to students at their school.

Each brochure must include information on:

- the definition of credit
- the advantages and disadvantages of credit
- the questions one should ask themselves before borrowing money
- the cost of credit
- the methods that can be used to collect on a "bad" debt

Teachers may create their own rubric to grade the brochure or use the sample rubric included at the end of this lesson.

Continuous Assessment Tools/Strategies:

Presentations

Depth of questions that students ask

Results of activity sheets

Student Activity

Name _____

Date _____ Class _____

Paying Off Debt

Sammy has a \$3,000 balance on a credit card with an 18% APR. His grandmother, who thought he was the cutest thing, left him \$3,000 in her will. Should Sammy pay off his debt or invest in the booming stock market?

Examine the following chart, and then answer the questions that follow.

	Stocks at 12% per year	Credit Card at 18% per year
Beginning	\$3,000	\$3,000
Year 1	\$3,360	\$3,540
Year 2	\$5,287	\$6,863
Year 10	\$9,317	\$15,701

1. After five years, how much greater would that original \$3,000 debt be?
2. How much would your \$3,000 have earned in the stock market after ten years?
3. Which would you advise Sammy to do – invest the money or pay off his credit card? Explain your advice to Sammy and why you are making that recommendation.



Student Activity

Name _____

Date _____ Class _____

Loan Officer

You are the loan officer at a local bank. In each of the following cases, individuals are seeking to borrow money from the bank. Based on the information provided, evaluate each applicant and decide whether each will receive the loan. Explain the reasons you granted or denied the applicant the loan.

Case # 1

Donna is a single mother of two children. Her only source of income consists of public assistance payments of \$650 a month and \$120 per month from the pension from her late husband. She wants to purchase new kitchen appliances totaling \$989. She lives in subsidized housing. Her share of the rent and other expenses total \$575 a month.

Case # 2

Bruce is a bricklayer who is always looking for work. Due to weather and other factors, he is seasonally unemployed. He currently brings home \$950 a month. He owes \$200 a month for his car, \$175 a month for the High Definition big screen TV, and \$300 a month for rent and has no money saved in the bank. He wants to borrow \$4,000 to purchase a motorcycle.

Case # 3

Susan, 22, is in her second year of college. She has excellent grades in school and plans to attend medical school after graduation. Until recently her parents paid her bills, but are now unable to and she is on her own. She is seeking \$10,000 dollars to finish college and pay her living expenses. She has never borrowed any money before but plans to repay her loan when she graduates from medical school.

Rubric for Grading Brochure on Credit

Category	20 points	15 points	10 points	5 points
Content and Accuracy	All the facts are correct	90% of the facts are correct	80% of the facts are correct	Fewer than 80% are correct
Grammar	No grammatical mistakes	Few (1 to 3) grammatical mistakes	Several (4 to 7) grammatical mistakes	Many (over 8) grammatical mistakes
Organization/ Attractiveness	Well organized and exceptionally attractive	Well organized and attractive	Well organized	Confusing to reader
Graphics/ Pictures	Graphics go well and good mix between text and graphics	Graphics go well, but too many	Graphics good, but too few so it seems "text-heavy"	Graphics do not go with the text, or appear randomly chosen
Vocabulary	Used all new vocabulary and defined them correctly	Used a few of the new vocabulary and defined correctly	Tried to use some of the new vocabulary, but defined several incorrectly	Used no new vocabulary

Read the Fine Print

This unit will introduce students to credit, credit card offers, and the cost of credit. Students will compare credit card applications between two companies. Students will also analyze the benefits and consequences of using credit as a method of payment.

Good credit, bad credit, damaged credit, and repaired credit. No matter how we define it, credit is a big part of our lives. Credit can be a valuable friend, but it can also be a vindictive foe. Credit is widely misunderstood by students and adults.

In addition to learning about credit cards, students will review the three C's of Credit (Character, Capital, and Capacity to pay). Students will complete a sample credit application and interview an adult who has established credit. Through these real-life experiences/assignments, students will learn that credit is not free money, it should be managed wisely, and it can be beneficial when used responsibly.





Read the Fine Print

NCSCOS Civics and Economics Objective(s):

8.09 Describe the role of money in trading, borrowing, and investing.

Warm-Up/Bell Ringer Activities:

Write the following questions on the board. "Do you know a friend or family member that uses credit? If so, what did he or she buy using credit?"

Materials Needed:

Sample credit card application

"Credit Card" Comparison activity sheet

"Credit Interview" activity sheet for homework

Teacher compiled examples of credit card offers (not included)

Time/Pacing:

One block period, or two 45-minute periods

The lesson can be extended by another 45-minute period or one-half block for the credit card comparison and credit interview discussion.

Link(s) to Prior Learning:

Students will be asked to recall the concepts opportunity cost and trade-off in this lesson.

Purpose/Objective of this lesson:

Using this lesson, students will be able to define types of credit, why credit is used, and how credit is obtained.

Teacher Input:

The teacher will review the "Three C's" of credit. The teacher will ask students how each of the C's (character, capital, and capacity to pay) could determine if a citizen is given credit with a financial institution.

Key Questions:

1. What are the Three C's of Credit?
2. What is the difference between short and long term credit?
3. How are opportunity cost and trade-off a part of making decisions about credit?

Class Activity**Guided Practice:**

The teacher should show an example (make an overhead if possible) of a sample credit card offer. The teacher will point out the different fees associated with the card, the APR (annual percentage rate), and what is required to open the credit card account.

Independent Practice:

Students will then fill out a sample credit application. To ensure that no student is uncomfortable giving personal information, encourage the students to make up the personal information.

Summary/Closure:

Review the Three C's of Credit by highlighting which parts of a credit application asks the citizen's character, capital, and capacity to pay.

Homework:

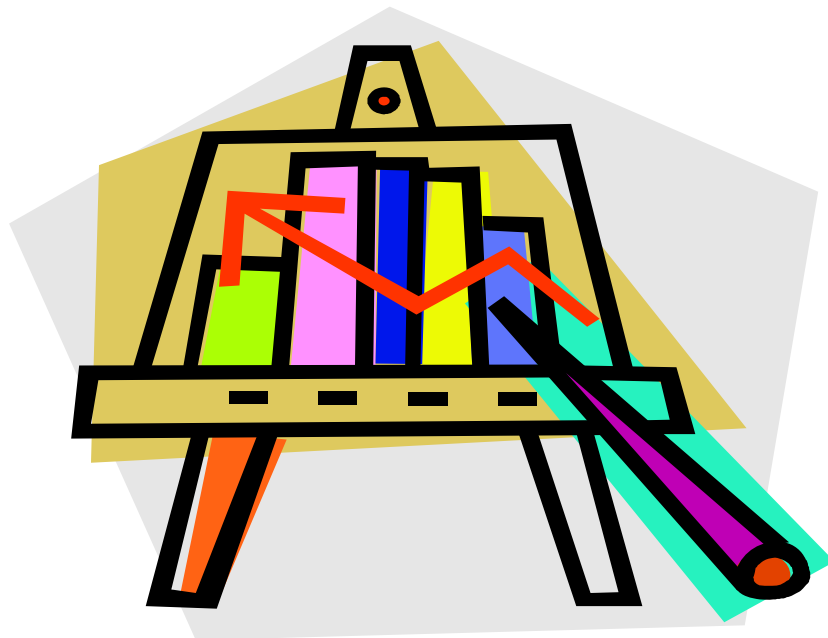
After the lesson on day one, hand out the sheet, "Read the Fine Print Credit Interview." Emphasize that students should ask only a parent, guardian, or other adult who is willing to talk about their personal history with credit to participate. Students will share their answers in class the next day. Names of the adult interviewed will not be used during the discussion.

Oral Questions:

- Why would a person use long versus short-term credit?
- What types of purchases would they make with each type of credit?
- How can you identify the three C's of credit on a credit application?

Strategies for Differentiation/Extension:

The lesson can be continued the next day by having students share their findings from the credit interviews with adults. Chart the class findings on a bar graph. If time permits, have students compare two credit card offers. A comparison sheet is provided. Many banks will provide blank credit card offers to be used in class. If the teacher collects personal offers, make sure all personal information has been removed.

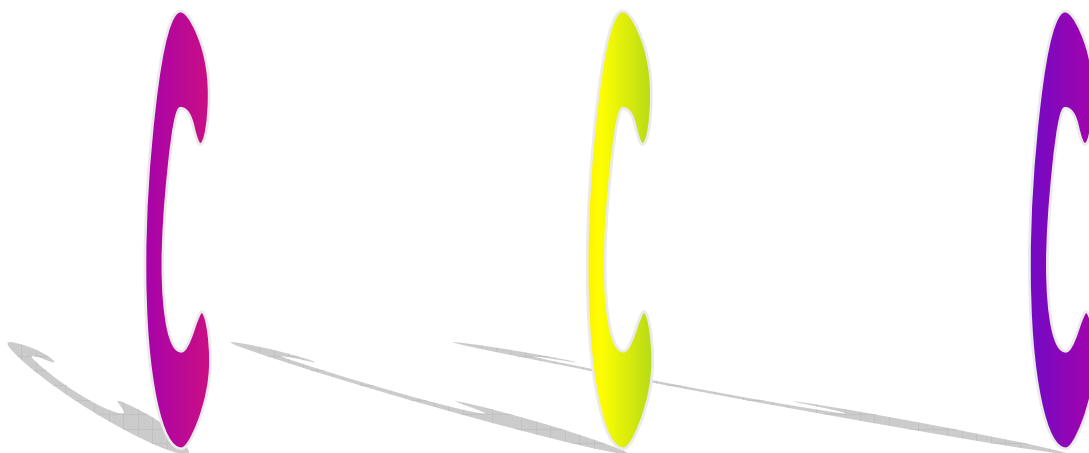


The Three C's of Credit

Character includes name, address, phone number, social security number, and date of birth.

Capital includes yearly salary and bank account information. If you have a parent or spouse co-sign for the credit with you, their information will also be included.

Capacity to pay includes other forms of credit you already have. You will be asked to determine how much you currently owe. (i.e., other credit cards, home, car, and student loans that you still owe money on).





Sample Application for Credit

Last Name _____ First Name _____ Initial _____

Date of Birth _____ Social Security Number _____ - _____ - _____

Place of Birth (city, state) _____

Home Address

How long have you lived at this address? _____

If less than three years give your prior address:

Employer _____ Occupation _____

Company Address _____

Salary _____ Years of Employment _____

Previous Employer _____

Applicant is not required to provide the information in this section unless a co-signer is also applying for the credit. The co-signer's personal information including credit-worthiness will also be considered.

Co-Singer Last Name _____ First Name _____ Initial _____

Date of Birth _____ Social Security Number _____ - _____ - _____

Place of Birth (city, state) _____

Home Address

How long have you lived at this address? _____

If less than three years give your prior address:

Employer _____ Occupation _____

Company Address _____

Salary _____ Years of Employment _____



Previous Employer _____

Name and Address of relative not living with you:

List all sources of income (salary from all jobs)

Applicant _____ Co-applicant _____

***Note: income from alimony, child support, and social security does not need to be revealed unless the applicant or co-applicant wants the income to be considered to qualify for credit.**

Current Creditors: Please list all credit cards, mortgages, and loans you currently owe.

1. _____ Balance
2. _____ Balance
3. _____ Balance
4. _____ Balance
5. _____ Balance
6. _____ Balance

Checking Account Number _____

Bank _____

Savings Account Number _____

Bank _____

The above information is true and correct and the applicant acknowledges and agrees to the contract and to pay all indebtedness incurred in accordance with such contracts.

Applicant Signature _____

Date _____

Co-Applicant Signature _____

Date _____



Student Activity

Name _____

Period _____ Date _____

Credit Card Comparison

Directions: Using the two examples of credit card applications your teacher gives you, answer the questions below of the two credit card offers given. Be prepared to discuss in class along with your credit interview.

Name of Card #1 (what bank)	Name of Card #2 (what bank)
Application Fee	Application Fee
Annual Percentage Rate	Annual Percentage Rate
Grace Period	Grace Period
Balance Transfer Fee	Balance Transfer Fee
Late Payment Fee	Late Payment Fee
Over the Limit Fee	Over the Limit Fee
Cash Advance Fee	Cash Advance Fee
Service provided by the financial institution (points, mileage, discounts)	Service provided by the financial institution (points, mileage, discounts)
Is there an introductory rate? For how long?	Is there an introductory rate? For how long?

Which of the two cards would you pick? What were the benefits and drawbacks of each card? What is required to apply for the card?



Student Activity

Name _____

Period ____ Date _____

Credit Interview

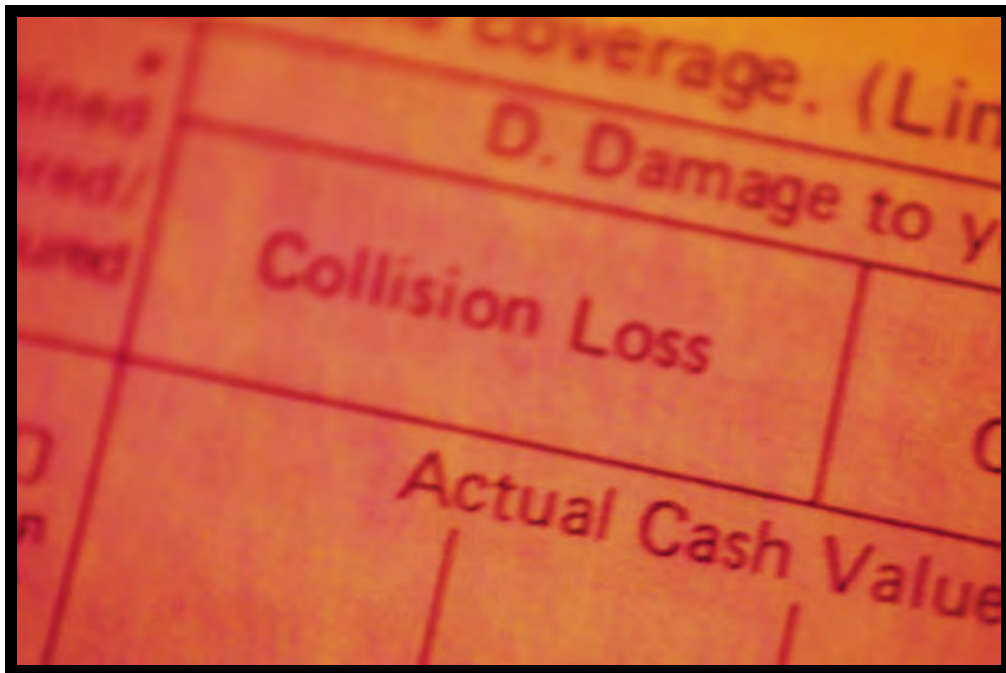
Directions: Using the following questions, select and interview a person who has established credit (including credit cards, car loans, home mortgages, second mortgages/home equity loans). Make sure the person you interview is comfortable talking to you about using credit. Be prepared to share your findings with the class.

1. What is your age?
2. What is your occupation?
3. What forms of credit do you use regularly?
4. What types of loans do you currently have?
5. How many credit cards do you currently have?
6. Have you ever "paid off" a credit card and closed the account?
7. What age were you when you first received a credit card?

8. What motivated you to get the card?
9. What are some examples of goods/services you have purchased on credit?
10. What credit purchases have taken the longest to pay off?
11. Would you use credit to purchase this item again? Why or why not?
12. Have you ever opened a credit card or line of credit at a store to get a discount or free item (just for opening the account)?
13. How does using credit make you feel?
14. How concerned are you when you owe money?
15. What types of opportunity cost/trade-off do you make by choosing to pay later with credit as opposed to paying now with cash?

Teens can't wait to get behind the wheel. But it's a costly milestone—young, inexperienced drivers face some of the biggest auto insurance premiums.

-Ann Job, Freelance Writer



Section VI

Insurance

Insuring Against Risk

Teenagers often think insurance is something for adults. This lesson plan compares basic types of private versus public insurance, who pays the premium, how a deductible works, and what trade-offs and opportunity costs are associated with purchasing insurance? Many students are introduced to insurance when they obtain their driver's license.



Insuring Against Risk

NCSCOS Objective(s):

8.08 Evaluate the investment decisions made by individuals, businesses, and the government.

Warm-Up/Bell Ringer Activity:

The teacher should open the class by asking why citizens buy and use insurance. Ask students to name a type of insurance that individuals may need to purchase.

Key Questions:

1. Who pays for private insurance versus public insurance?
2. What trade-offs and opportunity costs are associated with the purchase of insurance?

Materials Needed:

"Public versus Private: Who/What Does It Protect?" (grid notes for students)

Time/Pacing:

Half a block class or one 45-minute period

Link(s) to Prior Learning:

This lesson will assess prior knowledge of the concepts trade-off and opportunity cost.

Purpose/Objective of this Lesson:

Students should be able to:

- Compare private insurance to public insurance
- Describe who provides each type of insurance
- Describe the types of insurance associated with private insurance and public insurance.

Teacher Input:

The teacher will use students' prior knowledge from the warm-up activity to explain why insurance is used by citizens.

Using the notes, "Private versus Public Insurance, Who Does It Protect?"

- Discuss the difference between private and public insurance.
- What is a premium?
- Who pays the premium for each type of insurance?
- What is a deductible ?
- Describe the various types of private and public insurance.
- The teacher should recall student knowledge of trade-off and opportunity cost in relation to the purchase of insurance.

Continuous Assessment Tools/Strategies:**Oral Questioning:**

The teacher should have students share why insurance is important to the study of personal finance. Students should be able to share what types of insurance consumers should purchase.

Strategies for Differentiation/Extension:

Students can write scenarios in which different types of insurance would be used. In each scenario, students should be able to identify how trade-off and opportunity cost are related to insurance.

Class Activity**Guided Practice:**

The teacher will explain the notes titled, "Public versus Private, Who Does It Protect?" As the teacher is explaining the different types of insurance, the teacher should give examples of a situation that would require the use of specific insurance (i.e., a car wreck would likely use automobile and health insurance).

Oral Questioning:

The teacher can ask students to think about what types of insurance they will need. Ask students to share answers.

Summary/Closure:

The teacher should review the reasons why citizens have insurance and how insurance is funded.

Homework:

The teacher can have students conduct an interview with a parent or guardian regarding which types of insurance the family uses, and then report findings to the class. The data collected by each student could be compiled to form a class graph of the most commonly used insurance. Students could create a hypothesis to generalize why certain insurance is purchased by families in their community.



**Public versus Private
Who/What Does It Protect?**
(Overhead Transparency)

Private Insurance Who/What Does It Protect?	Public Insurance Who/What Does It Protect?
<p>Automobile- Pays for damage and repairs to a vehicle (yours, or if you are responsible for the accident, the other driver's).</p>	<p>Social Security- Provides benefits to all retired workers at age 65. If a worker must retire early due to illness or disability, the worker may receive benefits before age 65.</p>
<p>Health-Pays for hospitalization and doctor visits.</p>	<p>Unemployment- Pays benefits to workers who have lost their job.</p>
<p>Liability-Protects property owners against injuries and accidents that occur on their property.</p>	<p>Medicare-Provides health insurance, benefits, and medications to citizens 65 years old and older.</p>
<p>Property- Replaces or repairs property that is damaged, stolen or destroyed.</p>	<p>Medicaid- Provides health insurance/medical benefits to low-income citizens regardless of age.</p>
<p>Life- Provides payment (money) to the beneficiary (person named to receive the money) in the event of the insured person's death.</p>	<p>Food Stamps/Earned Income Tax Credit (EITC)-Provides food benefits and tax savings to low-income citizens.</p>

Key Insurance Terms:

Payment or Benefit- the amount of money given to an individual who qualifies for the social insurance. A citizen may have to prove annual income is to be considered "low-income."

Deductible- The amount of money that an individual must pay before more benefits are paid (i.e., if a citizen has a \$350 deductible, the citizen must pay the first \$350, then the insurance will begin to pay).

Premium- The monthly payment a citizen pays for any private insurance type.



Insurance: Do We Need It?

The most fundamental level of financial planning is the purchase of insurance. This is to protect the purchaser from major financial ruin as the result of some unexpected catastrophe such as a major illness or natural disaster. It is to protect assets that will need to be replaced or protected from loss.

This lesson introduces students to different types of insurance. It is designed to encourage students to engage in discussions with their parents about the many types of insurance that they acquired through their jobs or have purchased on their own. It discusses insurance that students are aware of, such as car insurance or health insurance, and introduces them to types of insurance they may not be aware of, such as long and short term disability insurance.



Insurance: Do We Need It?

Objectives:

7.05 Explain the impact of investment on human, capital, productive, and natural resources.

Warm-Up/Bell Ringer:

Write the following question on the board:

“What do you think is the purpose of insurance?”

Have each student write one paragraph response to the question.

Key Questions:

1. What is insurance and what is its purpose?
2. What are the different types of insurance and what does it cover?

Materials Needed:

“Notes on Insurance”

“Key Questions About the Notes On Insurance” overhead transparency

“Insurance” activity sheet

Time Needed:

One Day

Link(s) to Prior Learning:

TV commercials about insurance, discussions and interaction with different types of insurance

Purpose/Objective of this Lesson:

Students will have a basic knowledge of the purpose of insurance and the different types of insurance.

Teacher Input:

The teacher will pass out information on insurance and how to protect financial investments from catastrophic occurrences.

Continuous Assessment:

Discussion

Questions and Answers

Class Activity**Guided Practice:**

The teacher will pass out the insurance notes. Then, the teacher will provide examples of the usage of the different types of insurance outlined in the notes. The key questions on the board or overhead should be answered in class by the students, as they go through the information in the "Notes on Insurance".

Independent Practice and Summary/Closure

Pass out the activity sheet, "Insurance." The students are to complete the top part while still in class, either while going over the notes or as a follow-up activity to show comprehension.

Homework:

Have the students complete the chart activity at home using parental input.



Notes on Insurance

The Purpose of Insurance

We live in a world full of risk. Risk is the possibility of loss. All risk cannot be completely eliminated, but there are ways to avoid, minimize, or protect oneself from risk. The basic purpose of insurance is to anticipate catastrophic losses that could financially impair your future. Insurance is to provide financial security and peace of mind for you and your family in case of some major event such as storms, accidents, illnesses or some other life-altering event.

There are five major areas in which people want to be financially covered. Life insurance helps your family financially after you have died. Health insurance helps pay medical bills, which can be very expensive. Disability insurance pays you and your family so that you can financially survive a major medical event that prevents you from working. Property insurance financially helps you and your family repair the property that has been rendered unusable as the result of some event. The last major type of insurance is auto insurance to pay for damage to you or others as a result of some action by your automobile.

Life Insurance

The main purpose of life insurance is to provide cash to your family after you die. It can ensure your loved ones have enough money to maintain their current lifestyle. Your family will be able to continue to meet expenses on major expenses such as:

- The home you have purchased together by providing money for the mortgage
- The automobile that will need to be repaired or replaced
- Your funeral and burial expenses
(Average cost is anywhere from \$2,000 to \$15,000)
- A college education for your children

You need to review your coverage with changes in your family such as marriage or the birth or adoption of a child. Ideally, you should carry enough insurance to help cover expenses until your children become independent, at which time you will want to review your insurance needs again.

Health Insurance (Medical Insurance)

Health Insurance is to provide against financial losses resulting from sickness or accidental bodily injury. This type of insurance provides for payment of benefits for covered sickness or injury. Health insurance is a major benefit provided to many employees by employers. Employees pay some proportion of the premium for themselves and their family coverage.

There are two principle types of coverage. Base (or basic) plans generally cover hospital expenses or surgical expenses, or both. Base (or basic) plans usually have no deductible or a lower maximum amount, such as \$10,000, \$25,000 or \$100,000. Major Medical plans have a deductible to initial expenses such as \$500 per year. After the deductible is satisfied, typically 80 percent of the remaining amount is covered by the company to some much larger amount such as \$500,000 or \$1,000,000. This kind of insurance covers hospital and surgical costs but physician expenses, private duty nurses, lab expenses and prescriptions.

As a result of the increasing costs of Medical Insurance many companies are increasing the costs to their employees. People who are not covered by some sort of group insurance feel that they cannot afford to be covered by insurance are not.

Disability Insurance

The purpose of Disability Insurance is to protect against financial disaster when someone is unable to earn a living because of sickness or injury. Whether to purchase this type of insurance is an important financial decision about protecting one's earnings and lifestyle due to illness or injury. Disability insurance helps cover the gap between your inability to work and bring home a paycheck, and your living expenses, and therefore could provide valuable protection. There are two major types of disability insurance, short term and long term.

Short-Term Disability Insurance covers disabled workers for a period of time up to six months after some qualifying period of not working. The pay out is usually less than 100 percent of your regular paycheck because insurance companies and the government want to deter workers from not returning to work as soon as they are able to do so.

Long-Term Disability Insurance coverage usually begins after the short-term disability coverage period ends. It covers a portion of salary in case an employee is out of work for an extended period because of illness or injury. It provides replacement income in the event that the employee can no longer work.

Property or Homeowners Insurance

Property or Homeowners Insurance is one of the most popular forms of insurance on the market today. This insurance covers two major areas, one is the property itself and the second part provides liability coverage for the homeowner. Often the homeowner must purchase this type of insurance to satisfy their lender as a part of obtaining a mortgage.

The insurance can cover either actual cost value or replacement cost. Actual cost covers the property at its depreciated value at the time of the loss. Under replacement insurance, the policy owner is reimbursed the amount necessary to replace the damaged property with one of similar type and quality and at the current price.

One must make sure to get the insurance that covers the different type of losses that their property might face, such as flood or wind damage insurance.

Automobile Insurance

The purpose of auto insurance is to help pay the cost of damages to at least the other person and their car. Depending on the type of insurance, it may cover your car and it may even cover your car if it is damaged because of fire, wind, and water damage. If you get in an accident and you do not have insurance you might have to pay a fine and or lose your license. Everyone who drives needs car insurance. In fact, most states require it by law. When you buy car insurance, you are buying what is called a "policy." Your policy is based on a variety of factors, including what kind of car you drive, your driving record, where you live, your age, and marital status, as well as the amount of insurance you want.

The Four Parts To An Automobile Insurance Policy:

1. The first part provides liability coverage from lawsuits arising from either negligent operation or ownership. The two major areas covered are for bodily injury of people you injure in an accident, and the other to cover any property damage you might have caused as a result of the accident.
2. The second part pays medical expenses for the policy owner and passengers in the car at the time of the accident.
3. The third part is to cover the policy owner from uninsured or underinsured motorists. This coverage is to compensate the injured policy owner when the other motorist has little or no insurance to cover medical and property damage.
4. Part four covers damage to your car when it is involved in an accident.



Key Questions About the Notes On Insurance

(Overhead Transparency)

1. Why would you want to have insurance?
2. What are the five major categories of insurance and what areas do they cover?
3. Can you think of another circumstance in which insurance should be available? Why?



Student Activity

Name _____

Date _____ Period _____

Insurance

Directions: From the Notes on Insurance answer the following questions.

1. Why should you have insurance?
2. List and explain three different types of insurance.
3. How can different types of insurance protect you from risk as circumstances change over time?

Using the chart below, and discussions with your family, list basic insurance information for your family. Include as many different types of policies as possible: life, disability, auto, property and health.

Type of Policy	Premium and How Often Paid	Deductible (if any)	Coverage Limit(s)

Banks are important to Americans. We use banks to save money and earn interest, or borrow money and pay interest.

- National Council on Economic Education



Section VI I

Banking

Banks And Consumer Services

Banks are an integral part of the American economy. Using the services they offer is an important part of the lives of most adults. Choosing a bank is often a more difficult decision. In this lesson, students will investigate and analyze the services of several financial institutions and recommend the one they think best meets their needs.





Banks And Consumer Services

NCSCOS Civics and Economics Objective(s):

- 8.02 Describe how the free enterprise system encourages private ownership of property and promotes individual initiative.
- 8.08 Evaluate the investment decisions made by individuals, businesses, and the government.
- 8.09 Describe the role of money in trading, borrowing, and investing.
- 10.03 Evaluate the importance of supporting, nurturing, and educating oneself in the United States society.

Warm-Up/Bell Ringer Activity:

Have students answer the following questions prior to the beginning of the lesson. Do you or your parents have a bank account? Why? What do banks do? Why are they important in our society?

Key Questions:

1. What are banks?
2. What do they do?
3. How do individuals use them?

Materials Needed:

Access to Internet for students
Posters

Time/Pacing:

One to two days

Link(s) to Prior Learning:

One of the most basic elements of adulthood is establishing a banking relationship. However, not all banks are the same. Students will be asked to compare and contrast services that financial institutions offer, and choose which best meets their needs.

Purpose/Objective of this Lesson:

Using a cost benefit analysis, students will identify the banking services they might use.

Teacher Input:

Review the purposes of banks and why we need them.

Strategies for Differentiation:

- Allow students to work in small groups
- Use only two financial institutions to compare

Class Activity**Guided Practice:**

Review banks as providers of services, taking deposits, and making loans. Discuss margin, the difference between what a bank earns on loans, and what it pays on savings. Discuss services banks offer: checking and savings accounts, Certificates of Deposits, overdraft protection, ATM cards and access points, check cards, mortgages and loans, credit cards, and other services. Discuss fees (for bounced checks, safe deposit boxes, and other services). Discuss the differences between banks and credit unions (and savings and loans if necessary).

Independent Practice:

“Bank Scavenger Hunt” activity sheet

Homework:

Require each student or group to create a poster comparing the three financial institutions, and make a recommendation for the best financial institution. Ask students to present their posters to the class and explain their reasoning.

Summary/Closure:

Write a two-paragraph essay that compares and contrasts the financial institutions. Where would you choose to bank and why?



Student Activity

Name _____

Period _____ Date _____

Bank Scavenger Hunt

Identify six Financial Institutions:

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____

Choose three of these institutions and complete the following form for each.

	Bank #1	Bank #2	Bank #3
Name			
Home Office			
In how many states does it have offices?			
Directions: List five branches in North Carolina, and indicate the closest one to your school by marking it with a *.			
Branch 1			
Branch 2			
Branch 3			
Branch 4			
Branch 5			

Personal Services			
Directions: List personal services the bank offers (as many as there are, up to six). Then give an example of each of the services.			
<i>Name of Bank</i>			
Personal service #1			
Example			
Personal service #2			
Example			
Personal service #3			
Example			
Personal service #4			
Example			
Personal service #5			
Example			
Personal service #6			
Example			

Business Services			
Directions: List services the bank offers to businesses and corporations (as many as there are, up to four). Then give an example of each of the services.			
Business Service #1			
Example			
Business Service #2			
Example			
Business Service #3			
Example			
Business Service #4			
Example			

Directions: List four types of deposit accounts offered by the bank. Include details and benefits of each.

Account #1			
Account #2			
Account #3			
Account #4			

Automated Banking Services
Directions: Describe the services. Are there fees? Minimum balances?

#1			
#2			
#3			

List some interesting facts and or services about the institution.

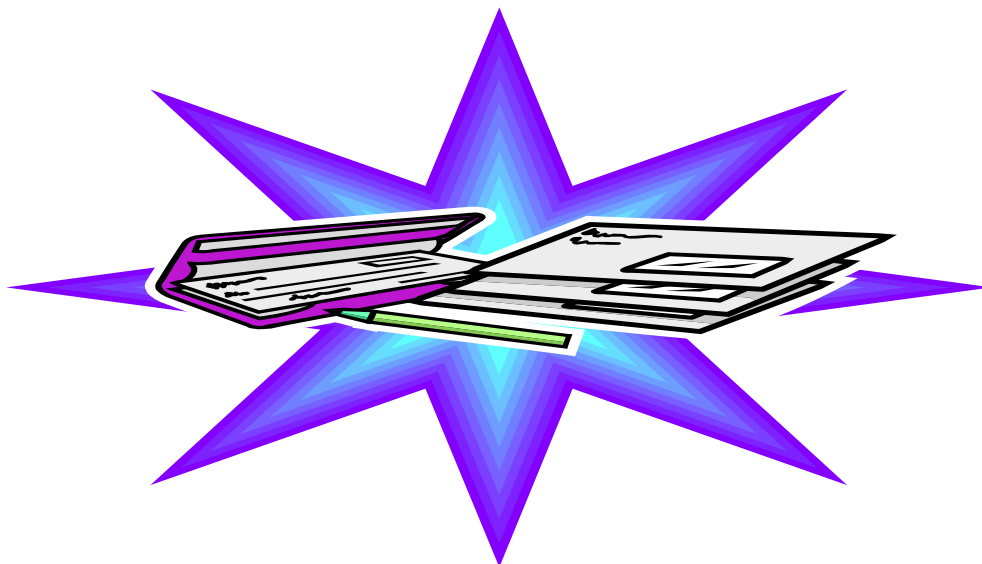
Fact #1			
Fact #2			

No Rubber Checks: Personal Budgeting

Teenagers are a valuable market to advertisers and businesses. Since students spend money, they also need to know how to budget money and make their money “work for them.”

This lesson plan covers the differences between fixed and flexible expenses, and teaches how to set up a monthly budget, to compare bank products to meet individual financial needs, and to write a personal check.

If students see practical, everyday application of why and how budgets work, they are more likely to understand the importance of balancing a budget and using credit with caution.



No Rubber Checks: Personal Budgeting

NCSCOS Civics and Economics Objective(s):

- 8.08 Evaluate the investment decisions made by individuals, businesses, and the government.
- 8.09 Describe the role of money in trading, borrowing, and investing.

Warm-Up/Bell Ringer Activity:

List five items you spend money on each week. What happens if you do not have enough money to buy the items you want?

Materials Needed:

"Personal Budgeting Class Notes"

"Personal Budgeting – Fixed Versus Flexible Expenses" activity sheet

"Banking Comparison" activity sheet

Personal Budget Pie Chart"

Teacher collected brochures on banking products and services from area banks and financial institutions (not provided)

Time/Pacing:

One block period or two forty-five minute classes

Link(s) to Prior Learning:

This lesson will assess prior knowledge of opportunity cost and trade-off.

Purpose/Objective of this lesson:

Students will be able to compare the differences between flexible and fixed expenses, as well as describe bank products offered by financial institutions. Students will be able to explain how a balanced budget can be achieved, as well as describe consumer behavior that will save money.

Teacher Input:

The teacher will review the notes on personal budgeting with the students. Using examples from area banking brochures, the teacher should explain to the class that each financial institution offers a variety of different types of savings and checking products to help consumers save money. To bring closure to the lesson, the teacher should model setting up a sample budget using a mock monthly income, with examples of fixed and flexible expenses. The teacher should also model how to write a check for sample expenses.

Key Questions:

1. What is the difference between a fixed and flexible expense?
2. What happens if a person does not balance his or her budget each month?

Class Activity**Guided Practice:**

The teacher should model both effective personal budgeting using the sample budget grid and sample check writing practice. Using a sample brochure from a financial institution, the teacher should review the services offered.

Independent Practice:

After the teacher models a sample budget and check writing, students should practice using mock monthly salaries and expenses. If a student's budget does not equal the monthly salary, then the teacher should check to see if the student knows how to make adjustments to balance the budget. Students will review the brochures on banking to complete the banking services comparison.

Summary/Closure:

The teacher should review the differences between fixed versus flexible expenses by asking students for examples based on their budgets. Have students show their budgets and completed sample checks, either on the board or the overhead.

Homework:

Students will continue practicing sample check writing or use of another sample budget, using a predetermined salary and expenses.

Continuous Assessment- Tools/Strategies:

Throughout the lesson the teacher should ask students for input as to what types of monthly expenses consumers have. (Sample answers may include rent/mortgage, food, transportation/ gas, clothing).

Students should be able to classify each expense as fixed or flexible.

When introducing banking products, the teacher should give scenarios of different types of customers (i.e., elderly, college students) to elicit that banks offer different products aimed at different populations.

Strategies for Differentiation/Expansion:

The teacher could easily expand this activity by assigning predetermined monthly incomes. Each income would include a list of required expenses, to test the students' knowledge of how to correctly set up a personal budget and how to write a check to cover monthly expenses.



Personal Budgeting Class Notes

When you budget your money you must decide how much of it should go to each of your needs. The ideal in budgeting money is to have a balanced budget meaning payments = money earned.

As a personal consumer, **you** decide how and where to spend your money. Using a personal budget is a way to track how much you spend and where.

When planning a budget you include **fixed expenses** (Items you buy or use every month that cost the SAME month to month) and **flexible expenses** (things you buy every month that vary in price each month)

Examples

Fixed
Mortgage

vs.

Flexible
Groceries

Ways to save money:

Use a checking or savings account to keep extra money in a safe place.

- Compare prices at different stores.
- Check the unit price.
- Do not buy items "just to buy something."
- Read consumer magazines before buying an expensive item.
- Shop at discount or warehouse stores.
- Use a budget or write down what you spend.
- Shop for an item that will last and is of good quality.



Student Activity

Name _____

Period _____ Date _____

Banking Comparison

Directions: Pick one or two brochures from area banks and financial institutions to determine which banking products would best suit your financial needs. Fill in the boxes below with information you find in the brochures.

Bank Product	Name of the account	Minimum Opening Deposit	Does the account earn interest? What percent and how often?	Is there a monthly service charge or fee? How much?	Does the account offer a check or debit card?	List any other special features that the account offers.
Checking Account						
Savings Account (can include Certificates of Deposit, Individual Retirement Accounts, and Money Markets)						



Name one additional bank product or service that you might use and why?

List any four items from your personal budget you will write checks for:

1. _____
2. _____
3. _____
4. _____

Using your prior knowledge of writing a personal check, complete the check below for one of the items you listed above from your budget.

Name _____	Check 102
Address _____	Date _____
Pay to the Order of _____	\$ _____
_____ Dollars	
Smart Saver Bank	
Memo _____	Signature _____
8738748839 92377983	



Student Activity

Name _____

Period _____ Date _____

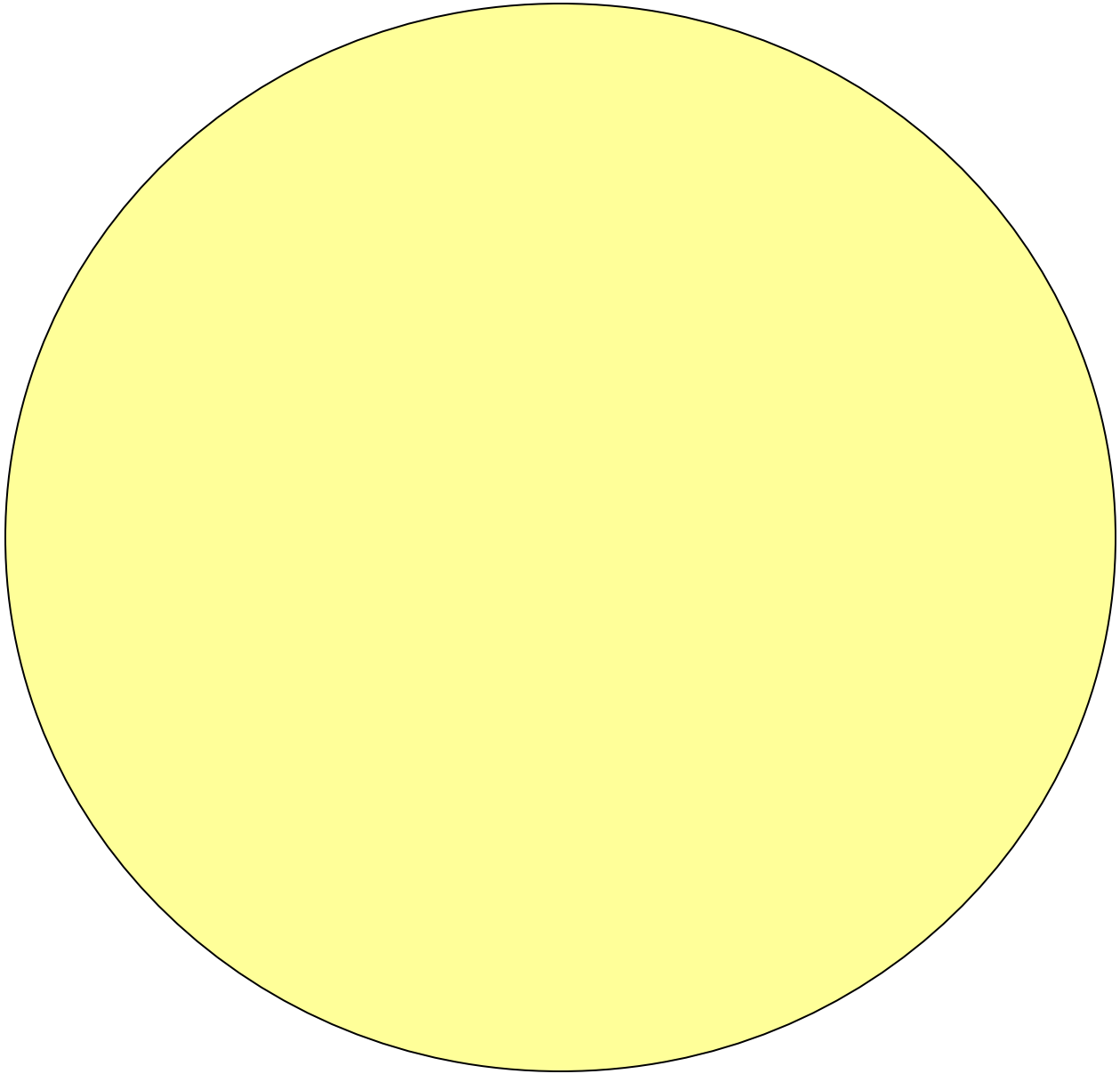
Personal Budgeting - Fixed Versus Flexible Expenses

Using the fixed and flexible grid below, write in percentages of at least four fixed expenses and at least four flexible expenses for your personal budget. Your budget must equal your monthly income. Graph your percentages on a pie chart. Label each expense and the percentage given (i.e., housing 31%).

My monthly income is \$_____

Fixed Expenses- list type and amount needed	Flexible Expenses- list type and amount needed

Personal Budget Pie Chart





Additional Resources



ADDITIONAL RESOURCES

Personal Financial Literacy: Activities and Teaching Strategies for Secondary Social Studies provides educators with a foundation for teaching personal financial literacy to high school students. Teachers are encouraged to utilize the following educational resources as they continue to prepare students with life skills for the 21st century.

<http://www.consumerjungle.org>

Consumer Jungle

The Consumer Jungle is a web-based program that helps turn high school students into savvy consumers without putting them to sleep. Students will discover interactive games and educators will find free classroom resources and units.

http://www.dpi.state.nc.us/workforce_development/

Career-Technical Education (NC Department of Public Instruction)

1. Click on the link listed above.
2. Click on Business Education.
3. Click on Curriculum.
4. Click on Course Code 6200:

Principles of Business and Personal Finance.

This resource guide provides students and educators with the major principles and concepts that are the foundation for future study of business and management. Topics of study include basic business principles, personal finance concepts, management concepts, systems thinking, quality management, and the current environment for business in a multinational marketplace.



<http://www.econedlink.org>

EconEdLink

EconEdLink provides a premier source of classroom tested, Internet-based economic lesson materials for K-12 teachers and their students.

<http://www.italladdsup.org/>

It All Adds Up

It All Adds Up is a web-based, interactive program designed to help high school teachers and students understand responsible personal finance management skills and the proper care and use of credit.

<http://www.jumpstart.org/search.cfm>

Jump\$tart Coalition for Personal Financial Literacy

The Jump\$tart Coalition for Personal Financial Literacy seeks to improve the personal financial literacy of young adults. The purpose of this organization is to evaluate the financial literacy of young adults; develop, disseminate, and encourage the use of standards for grades K-12; and promote the teaching of personal finance.

<http://www.ncjumpstart.org/>

Jump\$tart North Carolina

The North Carolina Jump\$tart Coalition is comprised of over 36 organizations, government agencies, financial institutions, and corporations.

http://www.jumpstart.org/madmoney/pgv_money_rc_main.html

Jump\$tart Coalition - Reality Check

What kind of car are you going to buy? Where are you going to live? Do you love to go to the movies every weekend? Remember, it's your life, you can do whatever you want...or can you?



<http://www.mymoney.gov/>

My Money

Mymoney.gov is the Federal Government's website dedicated to helping Americans understand more about their money – how to save it, invest it, and manage it to meet personal goals.

Every day, consumers spend money – or do something that involves money – whether it is balancing a checking account, shopping for a mortgage or auto loan, researching ways to pay for a college education, checking credit card statements, putting money away for retirement; understanding a credit report, or simply deciding whether to pay cash or charge a purchase.

<http://www.nefe.org/>

National Endowment for Financial Education (NEFE)

NEFE offers resources for educators and students, including the High School Financial Planning Program, which uses contemporary materials to teach the basics of personal finance to young people while they are developing habits and attitudes about money that will influence them for the rest of their lives. The High School Financial Planning Program is available at no cost to all high schools throughout the country.

<http://www.federalreserveeducation.org/FRED>

The Federal Reserve System

The Federal Reserve System is committed to economic and personal financial education. At this site, educators will find links to instructional materials and tools that can increase students' understanding of the Federal Reserve, economics and financial education.

<http://www.360financialliteracy.org/>

360 Degrees of Financial Literacy

360 Degrees of Financial Literacy provides a comprehensive approach to financial education. It sends the message that financial education should be a lifelong endeavor—from a child putting pennies in a piggy bank to adults reaching a secure retirement.