Helping students and families understand how to invest, save, and manage money.
Together, we are creating a successful financial future for our children.

Learn to Save by Paying Yourself First
See Page 8

Your Credit Past Is Your Credit Future
See Page 14

Practice Budgeting Your Money
See Page 10

Calculate College Costs and Explore Financial Aid
See Pages 2 and 3

Be Money Smart

A Newspaper in Education Supplement to The Washington Times
Be Money $mart

Financial security for our families and in our communities is a goal we all share. The Allstate Foundation, Allstate Insurance Company and Junior Achievement of the National Capital Area are proud to partner with The Washington Times as sponsors of this financial education guide, “Be Money $mart.” This guide is designed to empower the residents of the Greater Washington Region with the information they need to prepare for a financially prosperous and successful future.

Allstate has a long history of caring and commitment to communities, as demonstrated through support of many programs, including crime and fire prevention for children and adults, disaster preparedness and neighborhood revitalization. We are also committed to providing you and your family the peace of mind that comes with attaining economic self-reliance and achieving financial security. We look forward to continuing our financial education and safety and prevention efforts in the Washington area to ensure everyone has the information they need to be safe and secure both physically, as well as financially.

Since 1919, Junior Achievement (JA) has been teaching youth about business. We’ve learned that educating kids about business requires teaching them the basics of financial literacy. As we all know, you can’t succeed in business or life without understanding such financial matters as loans, budgets, and balancing a checkbook. Last year, JA provided programs to more than 37,000 local children. Those programs emphasized the fundamentals of financial literacy and business, citizenship, economics, entrepreneurship, ethics and career development.

By using the information available in this guide and sharing it with your families, friends and neighbors, we can all feel a little more prepared to financially plan for the future. On behalf of the Allstate Foundation, Allstate Insurance Company, Junior Achievement and The Washington Times, we appreciate the opportunity to bring this information into your home. Thank you for taking the time to review its contents and share it with your family. For more information, please contact your local Allstate agency at www.allstate.com or Junior Achievement at www.myJA.org.

Best wishes and continued success,

Scott Glazier, CIC, CLTC
Regional Financial Services Leader
Allstate Financial Services

Edward J. Grenier III
President and CEO
Junior Achievement of the National Capital Area

Contents

Introduction Letter . . . . . .
Map Your Financial Future. . .
Something for Nothing . . . .
High Risk, High Return . . .
The Take-Home Pay . . . . . .
Pay Yourself First . . . . . .
Interest Rates Make a Difference . . .
Budget Your Money . . . . . .
Money Doubles by the Rule of 72 . . .
Start Saving Early . . . . . .
Stay Insured . . . . . .
Your Credit Past Is Your Credit Future . . .
Don't Borrow What You Can't Repay . . .

Looking at College Costs

<table>
<thead>
<tr>
<th>Type of Institution</th>
<th>Four-year, private</th>
<th>Four-year, public (in-state resident)</th>
<th>Four-year, public (out-of-state resident)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual tuition</td>
<td>$20,000</td>
<td>$6,000</td>
<td>$12,000</td>
</tr>
<tr>
<td>Auxiliary fees</td>
<td>$2,000</td>
<td>$400</td>
<td>$200</td>
</tr>
<tr>
<td>Books and supplies</td>
<td>$1,500</td>
<td>$400</td>
<td>$400</td>
</tr>
<tr>
<td>Room and board</td>
<td>$7,500</td>
<td>$4,000</td>
<td>$6,000</td>
</tr>
<tr>
<td>Personal expenses</td>
<td>$1,500</td>
<td>$300</td>
<td>$500</td>
</tr>
<tr>
<td>Travel</td>
<td>$1,500</td>
<td>$300</td>
<td>$500</td>
</tr>
</tbody>
</table>

With a price tag of nearly $20,000, private university may be out of reach for many high school graduates. However, hundreds of less expensive schools provide an excellent education. Check out the college issues of major magazines. They generally provide annual rankings of schools by region and size. Online resources can help you calculate your expenses and ability to pay at various levels. Don't forget about grants, scholarships, and loans. In 2006, more than $30 billion was awarded in various forms of student financial aid. (www.collegescholarships.org)
Scholarships
When you investigate financial aid, beware of scams. Some companies promise a scholarship but ask you to pay an eligibility fee up front. Others charge a processing or application fee. Generally, if a company asks for money just to start the process, it’s probably not a reputable organization. Visit the JA Financial Aid Center at studentcenter.ja.org/aspx/PayColleges for a scholarship search tool and more information.

Part-Time Job
Another way to help finance your education is to work part time while going to school. Work experience while you’re in college looks good on a resume, especially if it’s related to your field of study. For example, if your major is finance, you might take a part-time job as a bank teller if your choice is pre-med, perhaps the student health center needs a part-time receptionist.

Getting Started
To begin the planning process, try to estimate what you and your family can afford to pay for college. Then check some of the college-cost calculators on the Internet to find out what additional funds may be available.

| Amount you have already saved: |
| Amount you’ll be able to save before college: |
| Amount your family will be able to contribute: |
| Total |

Possible scholarships
Possible grants
Student loans

Internet Resources
1. Calculators you can use to estimate your college costs and what you can afford.
   (http://studentcenter.ja.org/aspx/PayColleges/Calculator.aspx)
2. Junior Achievement’s comprehensive college site, containing valuable information about how to save for college, apply for aid, and calculate college costs.
   (http://www.ja.org/studentcenter/careers/edresearch)
3. Lists of information about college aid, in the form of scholarships, savings-tips, and loans.
   (http://studentcenter.ja.org/aspx/PayColleges/)
4. Educational Testing Service’s web site, with ideas for cutting costs, saving for college, and acquiring loans, scholarships, and grants.
   (http://www.ets.org/points/)

Public Colleges and Universities
The average cost of tuition and fees by region in 2004-2005, from most to least expensive:
   New England $6,039
   Middle states* $6,980
   Midwest $6,865
   Southwest $4,360
   South $4,143
   West $4,130
*Middle states are defined as NY, NJ, PA, IL, MI, MD

Private Colleges and Universities
The average cost of tuition and fees by region in 2004-2005, from most to least expensive:
   New England $25,060
   Middle states* $21,439
   West $19,968
   Midwest $18,089
   South $17,297
   Southwest $15,867
*Middle states are defined as NY, NJ, PA, IL, MI, MD

Source: http://www.collegeboard.com/article/1.3685.159-88968.html

Financial Aid Myths

Myth
Millions of dollars in college scholarships are unclaimed each year.

Reality
Usually these scholarships are aimed at very specific populations, and the reason they’re unclaimed is that no one qualified for them.

Myth
My parents saved for my education, so I won’t qualify.

Reality
The family’s share of college costs is based on income, not assets.

Myth
I should live at home to cut costs.

Reality
Be sure to consider the daily cost of gas and auto upkeep, as well as parking. Also, living on campus may provide better opportunities for part-time work.

Myth
I’m not a “straight A student,” so I won’t get aid.

Reality
Many federal aid opportunities are based upon need, not merit.

Source: http://www.collegeboard.com/article/1.3685.159-88968.html
Something for Nothing

Some people think that being successful is just a matter of luck. They believe Lebron James was lucky to be born with great basketball skills, Nicole Kidman was lucky to have a special acting talent, and Bill Gates was lucky to have a knack for computer technology. The truth is that just about everyone who is successful works very hard at what they do. They practice, practice, practice.

Being proficient at finances takes practice, too. No one is born knowing how to be a good money manager. It's a skill that takes time and effort to master. As you begin to manage your money, you might come across offers, especially on the Internet, that seem too good to be true. Beware of them. Ask yourself these questions before conducting business online:

- Was the promotion unsolicited?
- Did it come from overseas?
- Does it look too good to be true?
- Do I have to respond at once? What's the rush?
- Do I have to make a purchase to win a prize?
- Do I have to call a long distance telephone number?
- Do I have to provide my bank or credit card details?
- Do I have to send the money to a postal box?
- Am I asked to keep the offer confidential?

Source: https://www.cit.cox.net/~cge/smart/parents.html

Even though not all offers are scams, some "come-ons" should be avoided. A few of the top Internet and telemarketing frauds are listed below:

- Prize and Sweepstakes
- Magazine Sales
- Credit Card Sales
- Work-At-Home Offers
- Advance Fee Loans
- Credit Card Loss Protection
- Buyer's Clubs

(Source: http://www.peoples-tax.org/consumer/scares/consumer_scares.html)

The best way to avoid dishonest bargains is to purchase from reputable dealers. You can be a wise shopper without falling for questionable deals offered by unscrupulous scammers. A good way to start is a simple one. Compare the prices of the things you buy. Sometimes it's easy. For example, if the same bike costs $200 at one store and $175 at another, you know where to make your purchase. But sometimes comparison shopping is tricky. For example, which is a better deal: 20 cans of root beer for $1.00 or 10 cans for $2.50?

You might think that saving a nickel or dime on an item isn't a big deal, but if you save 10 cents on every item you buy, you could be $10 or $20 ahead each week. That's enough to add to your savings account, go out for pizza, see a movie, or buy a music CD.

Activity for Primary Grades

The following activity will challenge you to do some comparison shopping. In each example, circle the better deal.

1. Gum — a package of 3 sticks for $0.25 or a package of 10 sticks for $0.90?
2. Milk — a gallon for $2.99 or a quart for $0.95?
3. Gym socks — 5 pairs for $10 or 10 pairs for $15?
4. Music CDs — buy 1 at $15.99 and get one free or 2 for $36.99?
5. Batteries — 4 pack for $6.99 or 8 pack for $7.99?
6. Soup — 5 cans for $1.80 or 2 cans for $3.25?
7. Cookies — 4 for $2.99 or 5 for $4?
8. Golf balls — 12 for $15 or 10 for $25?
9. Notebooks — 4 for $2.95 or 6 for $2.97?
10. DVD rental — $2.00 for one night or $7.50 for three nights?

Bonus:

Calculate how much you saved on each item. What's the total savings?
Activity for Primary Grades

These toys were on a shelf in a store, but all their price tags fell off. Cut out the price tags below and glue them on the correct items. Then, cut out the items and line them up in order, from lowest to highest price.

High Risk, High Return

As you plan your financial future, you'll reach your goals faster if your plan includes regular investing. Investing means that you give up spending money now so that you'll have more money to spend in the future, but investing also means taking risks, and some investments are riskier than others.

How do you decide which investment is best for you? To answer this question, you need to look at the risks and potential rewards of different financial choices.

Think of rides at an amusement park as a good example of the relationship between risk and reward. You can choose a merry-go-round or a roller coaster. If you choose to ride on the merry-go-round, there's not much risk, but there's not too much excitement either. On the other hand, a ride on an upside-down, tip-to-tap roller coaster is pretty risky, but the resulting excitement takes your breath away. Some people are willing to take bigger risks, and in return they expect greater rewards. Others are uncomfortable with risk, so they choose a more moderate path. When you begin to invest, you'll need to ask yourself how much risk you feel comfortable with.

Several factors influence how much risk you are willing to take:

- **Your age.** You probably can afford to take more investing risks when you are 20 than when you are 65. (Do you see more 20-year-olds or 65-year-olds on roller coasters?)
- **Your income.** Oprah Winfrey undoubtedly takes more risks with her money than you do. If she loses $200,000 on an investment, she won't feel the pinch as much as you would.
- **Your family responsibilities.** A married person with a growing family cannot take the same kinds of risks as someone who's unmarried with no children.

- **Your saving goals.** If you need money for college 10 months from now, you can't afford to take the same risks as someone saving for retirement many years in the future.

The stock market is a good place to invest, no matter how old you choose to be. That's because some stocks are less risky (for example, big, profitable companies with a history of successful products), and some stocks are more risky for example, new companies that haven't yet made their mark.

Owning stock in a company means you own a part of that company. Even if you own only one share, you can attend a shareholder's meeting and vote on certain company policies, but most people don't travel to attend meetings. They hope to buy shares at a low price and sell them at a higher price, thereby making a profit. Here's how it works:

1. You buy 100 shares of XYZ stock at $10 per share. You pay $1,000.
2. When you sell those 100 shares of XYZ stock, the price is $20 per share. You receive $2,000.
3. Even with a broker's fee and taxes taken out, you still make a profit.

Before you invest in the stock market, you should know something about how it works:

1. **How to buy stock.** When you buy a share of stock, you are not buying it from the company; rather, you are buying it from an individual who wants to sell it. You do this by using a stockbroker to handle the deal, or...

(Continued on next page)
Activity for Secondary Grades

From today’s newspaper, choose three companies listed on the New York Stock Exchange or the NASDAQ. Be sure to diversify; don’t pick all technology or all manufacturing stocks. Complete the chart below with the information you find. Now track your stocks for a week making a line graph, using the charts below.

<table>
<thead>
<tr>
<th>Company One</th>
<th>Monday</th>
<th>Tuesday</th>
<th>Wednesday</th>
<th>Thursday</th>
<th>Friday</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price per Share</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Company Two</th>
<th>Monday</th>
<th>Tuesday</th>
<th>Wednesday</th>
<th>Thursday</th>
<th>Friday</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price per Share</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Company Three</th>
<th>Monday</th>
<th>Tuesday</th>
<th>Wednesday</th>
<th>Thursday</th>
<th>Friday</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price per Share</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Activity for Primary Grades

Martha went to a craft show with her sister. She bought a stuffed rabbit for $15 and a hand-painted jewelry box for $20. When she got home, she showed the items to her cousins. Maribel, Maribel’s sister, really liked the jewelry box and asked Martha if she could buy it from her. Martha didn’t want to sell the jewelry box, but Maribel offered to pay $10 for it. Martha couldn’t resist. She sold the box to Maribel for $2 more than she originally paid for it. The $12 was Martha’s profit.

Investors in the stock market also like to make a profit. They buy low and sell high. This means that they try to buy stocks at low prices and then sell them at higher prices, just as Martha bought her jewelry box for $10 and sold it for $12. If you can figure out which investors below made a profit and which ones suffered a loss on their investments.

1. Popeye invested in a case of spinach for $10. Lots of people wanted to buy the spinach, including Olive Oil, who paid Popeye $20. (Circle one.) Profit or loss for Popeye? How much?
2. Homer invested in some peanut butter for $10. A new creamy formula. Homer sold it to Bart for $20. (Circle one.) Profit or loss for Homer? How much?
3. Clark Kent invested in a silk cape for $30. Since no one else wanted to buy it, he sold it to Lois Lane for $25. (Circle one.) Profit or loss for Clark? How much?
4. Cinderella invested in a trunkload of glass slippers for $1,000 and sold them to the wicked stepmother for $1,250. (Circle one.) Profit or loss for Cinderella? How much?
5. The Incredible Hulk invested in an old baseball card for $10. He later sold it to Spiderman for $75. (Circle one.) Profit or loss for the Hulk? How much?
6. Barbie invested in three rare Beanie Babies for a total of $90. Though they were in excellent condition, she had a hard time finding a buyer. Finally, she sold them to a neighbor for $25 each. (Circle one.) Profit or loss for Barbie? How much?

A Newspaper in Education Supplement to The Washington Times

Be Money Smart

TUESDAY, APRIL 25, 2006

Page 6
Take-Home Pay

Jamaal Williams was excited about his first real paycheck. Sure, he had worked during middle school mowing lawns and babysitting a few neighborhood kids, but this was a real job. He was earning $6 an hour in a Michigan fast-food restaurant. Jamaal already had plans for the $120 he'd be getting for his 20-hour work week.

When Jamaal opened the envelope that held his first check, his jaw dropped in disbelief. Instead of $120, his check was for only $115.60. Seeing Jamaal's disappointment, his manager, Mr. Carter, took him aside and showed how a number of deductions are made from each worker's check. He listed the amount subtracted from Jamaal's pay:

- Jamaal's Gross Pay for 20 Hours: $120.00
- Deductions, Subtracted from Gross Pay:
  - FICA, or Social Security (8.1%) $7.44
  - Medicare (1.45%) 1.78
  - Federal income tax (25%) 30.00
  - State income tax in Michigan (4%) 2.80
  - Jamaal's Total Deductions: $42.62
- Jamaal's Net Pay: ($120.00 - $31.96) $88.02

Now Jamaal understood the numbers, but he wasn't too happy about them. Why did he have to pay taxes? Mr. Carter explained that taxes are used to support government programs such as schools, roads, and police and fire departments. Each taxpayer pays a small portion to maintain these programs, and everyone benefits from them.

Later that day, Jamaal took his check to the bank and deposited it in his checking account. Now he would be able to write checks to buy what he wanted. He went to the music shop and picked out a $14.99 music CD for his mom for her birthday. Of course, when he got to the counter, he discovered that he'd have to write a check for $14.99, the price of the CD plus 6% sales tax! Not only did he get less in his paycheck than he expected, but the things he wanted to buy cost more than he expected. This tax thing was really eating up his earnings!

The moral of Jamaal's story is this: When you plan your expenses, be sure to take into account the taxes that are deducted from your pay and the taxes that are added to your purchases. Otherwise, you might find yourself with a budget deficit (not enough money) at the end of the month.

Activity for Secondary Grades

Calculate the total cost of Jamaal's purchases, then write checks for Jamaal, buying the items below. Don't forget to keep a record using the check register. Keep in mind that Michigan's sales tax rate is 6%. Calculate tax like this: Cost of Item + 6% of the Cost = Cost of Item plus Tax

*Multiply the Cost of Item times 0.06 to get 6% of the Cost.

<table>
<thead>
<tr>
<th>Store</th>
<th>Items Purchased</th>
<th>Cost</th>
<th>Tax (6%)</th>
<th>Total Cost with Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boomer's Music Shop</td>
<td>CD for More</td>
<td>$14.99</td>
<td>$0.90</td>
<td>$15.89</td>
</tr>
<tr>
<td>Boundary Book Store</td>
<td>School Supplies</td>
<td>$17.96</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Classic T-Shirts</td>
<td>Basketball Shirt</td>
<td>$25.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deuce Hardware Store</td>
<td>Combination Lock</td>
<td>$5.50</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Saf's Sporting Goods</td>
<td>Tennis Racket</td>
<td>$6.90</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Check Register

<table>
<thead>
<tr>
<th>Check No.</th>
<th>Date</th>
<th>Transaction Description</th>
<th>Payment</th>
<th>Deposit</th>
<th>$ Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>12/02</td>
<td>12/02</td>
<td>The Check</td>
<td>$115.60</td>
<td>$48.02</td>
<td>$229.62</td>
</tr>
</tbody>
</table>

Interesting Link


This site has a federal income tax table that illustrates how much tax is due for an individual, married couple filing jointly, and others.
Pay Yourself First!

Saving, even small amounts, can add up to big bundles of money over your lifetime. Imagine that you gave up a soft drink each day, a rented video once a week, or a pizza once a month. If you regularly invested the money you would have spent, you could have plenty of savings without too much effort.

Next, imagine that you invested $3 a day in a mutual fund that returned as little as 4%. With interest accrued, in 40 years you’d have more than $118,000.

The easiest way to begin a saving and investing habit is to pay yourself first. This means that you should set aside a certain amount (about 10% is recommended) each time you receive money. Put this money in a savings account, or invest it in a mutual fund. If the money is invested, you won’t be tempted to spend it on stuff you don’t need. Because you set it aside as soon as you earn it, you won’t even miss it.

You might think, “What’s the big deal about 10%? If I’m earning $40 a week cutting grass and babysitting, that’s only $3 a week.”

Again, let’s take a long-term look at how $3 a week would grow: At just 4% interest, in 40 years you’d have more than $10,000, all from $3 a week.

The best news is that if you start a strong saving habit when you are young, it will become routine. Later, as you earn pay increases, bonuses, and raises, you’ll be able to increase that $3 to $30 or even $300. If you saved $300 a week for 30 years at 4%, you’d have nearly $700,000 at retirement. Use the calculator at Quicken to compute other savings combinations: http://www.quicken.com/banking_and_credit/savings_calculator

Of course, the amount you can save depends on the amount you earn, and we all know that some jobs pay more than others. You can see what different jobs pay by checking the JA Career Center: http://studentcenter.ja.org/aspx/FindCareer

Activity for Secondary Grades

Did you know that some people change careers more than six to eight times in their lives? Here’s a game that lets you change jobs with the flip of a coin. The object is to see who can save the most money no matter how many different jobs you have.

Each time you land on a job, save 10% of your earnings, and write that amount on your score sheet. Play this game with a friend to see who can save the most by paying yourself first.

What you need: a pencil and a sheet of paper to keep score; a coin to toss; and two plastic game pieces. (You can use beans, macaroni, or small tops from colored markers.)

Before the game: Take turns flipping the coin; the first person to get heads starts. If you both get heads, flip again. Put both game pieces on start.

Play the game: Flip the coin; heads moves one space, and tails moves two. When you land on an occupation segment, calculate 10% of your earnings and add it to your score. Follow the directions on the board. Continue until the first player reaches finish. The winner is the player with the most savings when the game ends.


- Medical assistants
- Network systems and data communications analysts
- Physician assistants
- Social and human service assistants
- Home health aides
- Medical records and health information technicians
- Physical therapist aides
- Computer software engineers, applications
- Computer software engineers, systems software
- Physical therapist assistants
- Fitness trainers and aerobics instructors
- Database administrators
- Veterinary technologists and technicians
- Hazardous materials removal workers
- Dental hygienists
- Occupational therapist aides
- Dental assistants
- Personal and home care aids
- Self-enrichment education teachers
- Computer systems analysts
- Occupational therapist assistants
- Environmental engineers
- Postsecondary teachers
- Network and computer systems administrators
- Environmental science and protection technicians (including health)
- Preschool teachers (except special education)
- Computer and information systems managers
- Physical therapists
- Occupational therapists
- Respiratory therapists
- Flight Engineer $60,000
- Computer Programmer $60,000
- Dressmaker $22,000
Compare Interest Rates

You use your credit card to buy a computer for $2,000. If you make payments of $50 a month, it should be paid for in 40 months, right? After all, $50 x 40 months = $2,000.

Unfortunately, when you make a credit-card purchase, you do not just pay the original purchase price. You also have to pay interest. If the annual interest rate on your credit card is 15%, and you only pay the minimum payment, it will take you 56 months to pay it off. You will end up paying $2,000 for the computer plus $800 in interest.

Here's How It Works

When you use a credit card to buy a $2,000 computer at HiTech Tony's, Tony gets paid immediately. In effect, when you sign the credit-card receipt, you are getting a loan from the credit-card company. Your signature means you agree to pay the credit-card company $2,000, plus interest. Interest is the price you pay for using the bank's money. Interest rates are expressed as percentages; you might pay 6%, 18%, or more on a credit card.

Some people use the same credit card for years, never looking for a better rate. However, you can often find better deals by shopping around. Just as you look for the best deal on a new computer, stereo, or television, you should shop around for the best deal when you choose a new credit card.

Here are some things to look for when you're in the market for a credit card:

- What is the interest rate? Be careful here; some cards offer an introductory rate that is very low, but after 30 or 60 days the rate jumps up. Be sure to read the fine print.
- Is there a grace period? The grace period is the number of days during which you pay no interest after a purchase is made. Some cards offer 20-day grace periods; some offer more. Caution: if you have an outstanding balance, there is no grace period. That means you begin to pay interest the minute you charge something. If you have a 20-day grace period, you start paying interest on the 21st day, so don't wait until the end of the month to pay your bill.
- What is the annual fee? Fees range from zero to as much as $50 a year. Look for a card that has no fee.
- What about other fees? Many credit-card companies charge more than $25 if your payment is even one day late. Be sure to read the offer carefully to find any hidden fees.

Activity for Primary Grades

Your aunt pays you $5 a week to take care of her parakeet. You put 50 cents each week into your piggy bank to save. Cut out the quarters. Put the number of quarters you would need to buy each of the items below on top of the pictures. How long will it take you to save enough to buy each item?

- **Puzzle** $5.00
- **Game** $3.50
- **Candy Bar** $1.50
- **Movie Ticket** $6.00
- **T-Shirt** $8.50

Activity for Secondary Grades

You and your family probably get a pile of credit-card applications in the mail every week. Find six credit-card offers and compare them by using the chart below:

<table>
<thead>
<tr>
<th>Name of Card</th>
<th>Interest Rate</th>
<th>Grace Period</th>
<th>Annual Fee</th>
<th>Other Fees</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Based on the information you've gathered, evaluate the cards. Which would you choose? Why? The Bankrate.com website calculates how long it will take to pay off a credit card: http://www.bankrate.com/brm/calculator/creditcardpay.asp
Budget Your Money

A budget is like a balance scale. The two sides must be equal, or the balance is tipped. A balanced budget is one that is more than you earn.

It’s easy to be tempted to overspend; there are so many neat things to buy: DVDs, skateboards, video games, clothes, fashion accessories. The list is endless, and the ads are so appealing. One of the best ways to keep yourself from overspending is to make a list of your expenses and then create a spending plan that helps you stay within your limit. Here’s an example:

Earnings per week (to make things simple, taxes already have been subtracted):

- Part-time job at grocery store ........................................ $140
- Babysitting on weekends ............................................. $30
- Gifts from relatives ....................................................... $10
- Total ................................................................. $280

Activity for Secondary Grades

Based on earnings of $280 per week, how would you balance your budget? Fill in the blanks below, allocating expenses in a way that does not exceed $280.

Expenses per week:

- Food (groceries and eating out)
- Transportation (car expenses and/or public transportation)
- Clothing (don’t forget dry cleaning bills)
- Music (CDs and concerts)
- Entertainment (movies, video rentals, travel)
- School supplies (pencils to printer ink)
- Savings (set aside 10% from each paycheck)
- Charity

Total: $280.00

Answer the following questions:

1. If your favorite music group was coming to town for a concert, and you decided to spend $45 for a ticket, how would you adjust your other expenses?
2. If you had to construct a model for a school project and the supplies cost $5, how would you modify your budget?
3. If you needed to buy a winter coat priced at $150, what would you have to give up in another area to pay for it?

Each decision you make above involves an “opportunity cost.” An opportunity cost is the next best alternative given up when a choice is made. Every budget involves opportunity costs; the important thing to remember is that you can’t have everything you want. You have to make choices.

To find out if you could really live within the budget above, track your own expenses for a month and divide by four for a weekly average. Be sure to count every penny you spend, from a package of gum to a new TV. What’s the verdict? Could you live on $280 a week?

When someone gives you money for your birthday, or your uncle pays you $5 for helping him wash his car, that’s called income. Some income is earned, like the car-wash money and some income comes from gifts, like a birthday check. Either way, you can use the money to buy the things you want, but you can’t spend more than your income. If you don’t spend more than you have, you’ve successfully balanced your budget.

Activity for Primary Grades

Try to solve this problem to balance a budget.

Income
- Gift from Grandma ................................................... $20
- Pay for washing dishes ............................................ $5
- Pay for walking neighbor’s dog ................................. $4
- Allowance ............................................................... $3
- Reward for good report card .................................... $3

Total

Purchases
- Toys, games, and candy cost different amounts. When you choose to buy these things, you have to make sure you don’t go over your total income. From the list below, circle the items you want to buy, then total the costs. Add them all up. Be sure you don’t spend more than your income, totalled above.

<table>
<thead>
<tr>
<th>Item</th>
<th>Good</th>
<th>Better</th>
<th>Best</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coloring book</td>
<td>$2</td>
<td>$3</td>
<td>$6</td>
</tr>
<tr>
<td>Toy cars</td>
<td>$6</td>
<td>$7</td>
<td>$10</td>
</tr>
<tr>
<td>Snacks</td>
<td>$4</td>
<td>$5</td>
<td>$10</td>
</tr>
<tr>
<td>Crayons</td>
<td>$3</td>
<td>$3</td>
<td>$4</td>
</tr>
<tr>
<td>Puzzles</td>
<td>$5</td>
<td>$6</td>
<td>$8</td>
</tr>
<tr>
<td>Stickers</td>
<td>$3</td>
<td>$3</td>
<td>$5</td>
</tr>
<tr>
<td>Pencil</td>
<td>$7</td>
<td>$7</td>
<td>$10</td>
</tr>
</tbody>
</table>

If you want to buy the best puzzle but you don’t have enough income, you have two choices:
- Spend less (buy a cheaper puzzle or spend less on some other item).
- Earn more (try to get more dog-walking or car-washing jobs).

Balancing a budget is not difficult if you remember the rule: Don’t spend more than you earn.

Suggestions for Successful Budgeting:
- Use computer software to make the job easier. Programs such as “Quicken” or “Microsoft Money” have built-in budget making tools.
- Watch out for cash “lootings” such as ATM fees. If you use an ATM more than once a week, the fees can add up to a substantial sum over the course of a year.
- Don’t spend beyond your limit. Spending beyond your limit is dangerous. Government figures show that many households with a total income of $30,000 or less are spending more than they bring in. This practice can lead to big financial problems.
- Know the difference between needs and wants. If your income is not covering your costs, eliminate the luxuries that you don’t really need.
- Pay yourself first. Try to save 10% of your income each paycheck, no matter what other expenses come up. If you subtract savings right off the top, you won’t miss them.
- Only count the income you are sure of. Bonuses or investment gains may not materialize.

Ways to Save Money:
- Beware of “spending creep.” When you get a raise, don’t spend all of it. Bonuses and promotions are great ways to increase your savings.

(From “CNN Money.”
http://money.cnn.com/NC/lessons/1/)

(From “Personal Budgeting and Money Society Tips.”
http://www.personalbudgeting-society.com/Money-pers.html)
Money Doubles by the Rule of 72

Jack and Jill are twins. When he was 10 years old, Jack started to save $30 a month. After 30 years, he stopped adding to his savings. Jill didn’t start to save until she was 20. Then, she saved $30 a month and kept adding to her savings until she retired at age 45. Today, they both have $66,000 in their retirement accounts. This seems like a paradox, something that seems the opposite of common sense. How can you save less and have more?

The answer is compound interest. When you save money in a savings account—a certificate of deposit, a money market fund, or other savings plan—you earn interest on the principal. The principal is the amount you already have in your account. When interest is compounded, you begin to earn interest not only on the principal, but on the earned interest as well.

<table>
<thead>
<tr>
<th>Year</th>
<th>Principal</th>
<th>Interest (6% of principal)</th>
<th>Principal plus interest (becomes next year's principal)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$300.00</td>
<td>$18.00</td>
<td>$318.00</td>
</tr>
<tr>
<td>2</td>
<td>318.00</td>
<td>18.00</td>
<td>336.00</td>
</tr>
<tr>
<td>3</td>
<td>336.00</td>
<td>19.98</td>
<td>355.98</td>
</tr>
<tr>
<td>4</td>
<td>355.98</td>
<td>21.36</td>
<td>377.34</td>
</tr>
</tbody>
</table>

Look at the table above, and notice how the interest amount increases each year, even though no additional deposits are made. That’s because the interest is based on an increasing principal amount. As interest compounds, your money grows faster and faster.

You can calculate how fast your savings will increase by using the “Rule of 72.” Divide 72 by the percent of interest your savings are earning. The answer is the number of years it will take to double your money. For example, if you earn 6% interest, your money will double in 12 years (72 ÷ 6 = 12). If you earn 3% interest, your money will double in 24 years (72 ÷ 3 = 24). Some stock market investments in the late 1990s grew at 30% a year, which means that you would have doubled your investment in less than three years.

When you save, there are three important components to consider:

1. The amount you deposit (principal).
2. The interest rate you earn.
3. The length of time you save.

If you add to any of these, you’ll earn a greater return. If you increase all three of these, you’ll really increase your wealth.

Principal x Interest Rate x Time = Total Amount

If you have $100 and put it into a Money Market account with a 6% interest rate for two years, the formula works like this: $100 x 6% x 2 years = $112.00.

Now, increase the principal, the interest rate, and the time. The total nearly triples: $200 x 10% x 5 years = $320.00.

The moral: Save as much as you can, as early as you can, at the best interest rate you can get. That way, you’ll be on your way to greater financial security sooner.

Activity for Secondary Grades

Here’s a game that demonstrates how money grows as a function of principal, interest rate, and time. Use a calculator to play the game with a friend. Materials: sharpened pencil, paper clip, and a calculator.

Directions
Place the paper clip in the center of the Principal circle and the point of the pencil through the paper clip pointing to the center of the paper to make a spinner. Plick the paper clip with your finger to make it spin. The space that you land on is your Principal amount. Repeat with the Interest Rate and Time circles.

Multiply the three numbers to calculate your Total Amount. (Total Amount = Principal x Interest x Time). Then put your answer in the grid below. Play five rounds. The winner has the most money at the end of the game.

<table>
<thead>
<tr>
<th>Round</th>
<th>Player 1</th>
<th>Round</th>
<th>Player 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
</tr>
</tbody>
</table>

TOTAL TOTAL

Activity for Primary Grades

An Example of Compounding Interest
In an old Persian legend, a peasant presented a beautiful chessboard to his king. The king was so grateful that he asked what he could give in return. The peasant requested one grain of rice for the first square on the board, double the amount (two grains) for the second square, double again (four grains) for the third, and so on. The king readily agreed and ordered rice to be brought from the royal storeroom.

How many grains would the king have to give in the 10th square? (Answer: More than 26,000,000.) The number of rice grains on the last (64th) square would be 18,446,744,073,709,551,615. If each grain is 0.5 inches long, that’s enough rice to surround the earth’s equator nearly 5 billion times. That must have been an awfully big chessboard!

Compound interest is like the pennies below, growing each time they’re doubled. How many pennies will you need for this activity? Put one penny on a table. Put two pennies next to the first one. Then double the number of pennies and place the piles of pennies next to each other. Estimate how many pennies will be in the tenth pile.

11
Blue Chip Stocks
Owning blue chip stocks means you own shares in certain big, successful companies like General Motors Corporation, Microsoft, and Wal-Mart. Although all stock investments carry risk, shares of well-established corporations are less likely to lose value than are new companies that have not yet established a reputation of success. Some blue-chip stocks have returned an average of 10% annually over the past 50 years, but even solid stock choices carry some risk: you may be responsible for paying high taxes on the money you gain.

Speculative Stocks
Shares of stock in new high-tech companies can offer the potential for big rewards. In the late 1980s, some investors made mega-bucks buying and selling stock in "dot-com" companies that were returning 50% to 300% increases in value. Those who didn't sell at the right time lost a lot of money. They became victims of industry risk because the industry they thought would be a superstar folded out instead.

Certificates of Deposit (CDs)
Bank CDs offer a fixed rate of interest for a specific length of time, usually from three months to 30 years. Though the interest rate on CDs is lower than that for a savings account, CDs face liquidity risk, which means that you are not able to access your money quickly. If you need money before your CD matures in its maturity date, you'll have to pay a penalty.

Mutual Funds
A mutual fund allows you to own shares in hundreds of companies. The mutual fund manager balances the fund so that there is a good mix of big companies, small companies, energy companies, medical supply companies, etc. By mixing the stocks, there is less likelihood that they'll all lose value at the same time, and you'll earn a pretty good rate of return, depending upon how well the individual stocks do. It's like instant diversification. But even balanced mutual funds may suffer from economic risk -- the chance that if the whole economy declines, your fund will also lose value.

Piggy Banks
Putting your money in a piggy bank, a dresser drawer, or in your closet at home does not pay any interest, but you can access it at any time. You'll suffer big safety risks, however, because your money can easily be lost, stolen, or destroyed by a fire or flood.

United States Savings Bonds
Bonds are loans. When you buy a bond, you're actually lending money to the government. A U.S. Savings Bond is backed by the government, so you're assured of getting back your initial investment, plus interest. However, you can't cash in your bond in an instant, so you face liquidity risk. Also, there's reinvestment risk because your bond could lose value, and you wouldn't be able to reinvest the money at the same rate of return.

Activity for Secondary Grades
How do you know which savings option is best for you? You need to examine the pros and cons of each one, using the chart below. Put a check mark next to the options that you feel are best for you, and explain why.

<table>
<thead>
<tr>
<th>Savings Option</th>
<th>Level of Risk</th>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Savings Account</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Blue Chip Stocks</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Speculative Stocks</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Certificates of Deposit</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mutual Funds</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Piggy Banks</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commodities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Savings Bonds</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

There are many ways to save. Some are good for short-term goals; some are better if you’re thinking about the long term. Which savings option would you choose in the situations described below?

1. You need $500 for school supplies.
2. You need $1,000 in a year for college tuition.
3. You want to diversify, but you don’t know much about the stock market.
4. You are 13 years old, and your uncle gave you $1,000. You would like to invest it for the long term.
5. You want easy access to your money, but you’d like to earn some interest, too.
6. You want to give your sister’s new baby a gift to start his college fund.
Staying Insured

Nobody likes to think about accidents, injuries, or disasters, but a glance at newspaper headlines reminds us that misfortunes happen all the time:

- Car Crash on Stormy Highway
- Construction Worker Injured in Fall from Downtown Building
- Thousands Left Homeless in Aftermath of Hurricane

Usually such unexpected emergencies have costly consequences, including repairs for autos and homes as well as medical insurance for the people involved. However, the financial burden of accidents, injuries, and disasters can be reduced if you have insurance.

Insurance is a way to manage risk. You cannot completely eliminate the possibility of an accident, but you can lower potential costs with insurance.

Auto insurance is a good example. You might pay $1,000 a year for auto insurance, but if you're involved in a crash and break a leg, the cost of fixing both you and your car could amount to much more than the $1,000 premium you pay for the insurance. That's a pretty good deal.

Then, there's renters' insurance, which protects you in case of theft, fire, or other problems. When you move into your first apartment, you might be surprised to learn that the landlord's insurance only covers the building and the things that belong to her. Your furniture, clothes, cameras, TV, CD collection, and everything else you own are your responsibility. You probably have thousands of dollars worth of stuff in your apartment. For about $100 a year, you can protect it.

Health insurance is another important risk-management tool. It pays part or all of your doctor and hospital bills, and some companies include health insurance coverage as part of the benefits given to full-time employees. Because the cost of health care is rising, it is really important to consider good health insurance when you are no longer covered by your parents' policy.

How are insurance costs calculated? Probability has a lot to do with it. If you own a sports car, you'll pay more because it's more likely to be stolen. If you live in a wooden house, you'll pay more because it's more likely to burn. If you smoke, you'll pay more because you're more likely to get sick.

You can lower your insurance costs by making smart decisions about what you drive, where you live, and how you take care of yourself.

There are ways to lower your insurance costs, especially for car insurance.

1. Shop around. There are many insurance companies. You can get cost estimates from local agents or on the Internet.
2. Choose a higher deductible. The amount of money you have to pay before the insurance company pays the rest. Usually, the higher the deductible, the lower the annual premium.
3. Drop collision coverage on an older car. Collision coverage pays for damage to your car if it is hit by somebody else. As a rule, if a car is worth less than $2,000, it probably will cost more to insure it than to replace it.
4. Buy a car that has a low theft rate and is inexpensive to repair. If you buy a flashy sports car, insurance will be more costly.
5. Curb or try to limit the number of miles you drive. Most insurance companies offer low mileage discounts.
6. Ask about discounts for anti-lock brakes, air bags, and other safety features. A safe car means less chances of injury if you're in an accident.
7. Check on other discounts. An insurance company may offer discounts if you have no accidents for several years, take driver's education in school, have an alarm on your car, and are a good student.

Health insurance premiums also can be reduced. Choosing a healthy lifestyle and having regular medical checkups can cut your costs. Similarly, the price of renters' insurance may be lower if you spend a few dollars for a smoke detector and a sprinkler system in case of fire.

Being insured is a good economic decision. You pay a little bit now to avoid paying a lot in the future. For more information about insurance, see www.allstate.com.

Activity for Secondary Grades

Rank the following students as either High Insurance Risk (HIR) or Low Insurance Risk (LIR) by circling your answer. Then, on the lines below each statement, give a reason for your answer.

1. Eddie drives a new SUV to work every day, a round trip of about 30 miles. HIR or LIR?
2. Gary’s recent diet has brought her to her ideal weight. She has quit smoking and joined a health club. HIR or LIR?
3. Pablo’s apartment is located in a new suburban subdivision near the police station. It has smoke alarm and a sprinkler system in case of fire. HIR or LIR?
4. Renata just made the honor roll at school, and her green sedan is parked in a garage every night. HIR or LIR?
5. Takishina has a chronic cough as a result of pneumonitis as a child. She works as a roofer. HIR or LIR?
6. Tyler recently moved into a new apartment downtown. Though the crime rate is high there, he enjoys being close to the excitement of big city life. HIR or LIR?

Activity for Primary Grades

Circle the riskiest activity in each group:

Typing
- Typing in a store
- Climbing a mountain

Driving a race car
- Driving a race car
- Delivering mail

Skiing
- Skiing
- Juggling

Washing the car
- Washing the car
- Sewing

Carrying dishes
- Carrying dishes
- Sleeping

Playing football
- Playing football
- Driving a race car

Sometimes you can't avoid risky activities. That's why it's important to be as safe as possible, no matter what you are doing. That way, the risk of getting hurt is not as great. Answer these questions about lowering risk:

1. Why is it important to wear a helmet when you ride a bike?
2. Why should you brush your teeth every day?
3. Why is it a good idea to have a fire extinguisher near your kitchen?
Your Credit Past Is Your Credit Future

Most of us make decisions based on previous experiences. We go to a certain restaurant because we liked the food there before. We pick a mechanic for our car who did a good job last time and charged a fair price. We attend a concert because the performers were great the last time we saw them.

Banks also look at previous experiences when they decide whether to give you car loans, mortgages, or any type of credit. They look for borrowers who have good backgrounds, pay their bills on time, and have good credit reports.

A credit report is a record of how well a person pays off loans and credit card bills. You might wonder how this bill-paying information gets into a credit report. It's really quite simple: Nearly all lenders submit payment data about their customers to credit bureaus. Then, the credit bureaus release the records to qualified lenders that request them.

For example, when you apply for a credit card or a loan, the credit providers will request your credit report. After reviewing it, they'll decide if you are a good risk. If you have paid your bills on time, and you don't have lots of outstanding debt, you'll probably get the credit card or loan you want. Congratulations! You'll be among the 180 million people in the United States with a charge account, car loan, student loan, or home mortgage.

The story doesn't end there, though. To maintain your good report you have to continually demonstrate that you are responsible. Here are some ways to do that:

1. Pay your bills on time.
2. Keep your debt load reasonable. If you have a lot of outstanding debt, a lender might wonder if you'll be able to handle another loan. Most experts say you should never let your debts go over 35% of your take-home pay.
3. Avoid unnecessary inquiries. Whenever you apply for credit, the lender can check your credit report. If that happens a lot, a lender might think that you're taking on more debt than you can repay.
4. Eliminate excess unused credit. Some people have 20+ credit cards. Even if they don't use all of them, they still have the potential for tens of thousands of dollars of debt. Lenders might find that disturbing. To prevent this from happening, it's a good idea to close accounts that you don't use.

So, how do you know if your credit report is good? Just like a report-card grade in school, your credit report will yield a score. The score can range from 350 to 850. A score of 600 or above is considered good and means you'll probably have no trouble getting that car loan you want.

As your credit record develops, lenders can request to see your credit report, but they can see it. It is available from one of these sources: Equifax, Experian, or Transunion. Now, it's easier than ever to obtain your credit report: as of December 1, 2006, consumers in the United States are legally entitled to one free report from each of the credit bureaus every 12 months.

Most experts say you should review your credit report once a year, even if it's just to make sure there are no mistakes. If you intend to apply for a loan or a new credit card, you should check your score in advance. That way, if it's not satisfactory, you'll have time to improve it with on-time payments or by paying off some debts. Another reason to check your credit report periodically is to spot identity theft. If you see activity that you did not initiate, you should report it immediately.

As you begin to build a good credit history, you will improve your chances of getting a car or student loan sometime in the future. However, it's important to remember that although credit is convenient, it is not the only way to pay for goods and services. Using cash or a check can help you stay out of credit trouble. It's all up to you. You have to make the best choices about your financial reputation and future.

Activity for Secondary Grades

List some advantages and disadvantages of buying things with cash and credit.

<table>
<thead>
<tr>
<th>ADVANTAGES</th>
<th>DISADVANTAGES</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Credit history of these two loan applicants, and explain why each is or is not a good credit risk.

1. Simone Laffleur, a graduate of New York University, has five credit cards and is carrying a total debt of $12,000. Her combined minimum monthly payments amount to $400. Her credit limit on each card is $10,000. She has made late payments four times in the past two years, and has missed two payments on a car. Simone's monthly gross income is $6,000.

2. Anita Westinghouse, a law student, has four credit cards and carries a total debt of $3,000. Her combined minimum monthly payments come to about $140, and her credit limit on each card is $1,500. Anita generally pays each card in full every month, though she's not able to do that this month. She has never made a late payment, nor has she ever missed a payment. Her monthly gross income is $2,000.

Activity for Primary Grades

Put an "X" next to the name of each student you would not let borrow from you. Then, explain what that student could do to earn your trust in the future. If you wanted to borrow money, how could you prove you could be trusted?

1. Janice lost the toy you lent to him last month.
2. Terry never pays for his library fines.
3. Curtis used the bike yesterday and returned it when he was finished.
4. Ben can't find a dollar for lunch and parlay you this next day.
5. Terrence promised to pay you for a raffle ticket, but he never did.

A consumer credit report contains four types of information: identifying information, credit information, public record information, and inquiries.

1. Identifying information:
   - Name
   - Current and previous addresses
   - Social Security number
   - Year of birth
   - Current and previous employers
   - Spouse's name, if applicable

2. Information about credit accounts or loans you have from:
   - Bank(s)
   - Mortgages
   - Credit cards
   - Other loans

3. Public record information:
   - Bankruptcy
   - Tax liens
   - Lawsuits

4. Inquiries from other creditors (If you have used recent inquiries on your credit report, potential lenders may think you are overextending.)

Credit bureaus look at these factors:

- 30% payment history
- 30% amounts owed
- 15% length of credit history
- 10% new credit
- 10% type of credit use

Possible reasons for poor scores:

- Outstanding debts
- Income less than expenses
- Too many recent inquiries
- Length of credit history too short

As you decide to take or not to take credit, remember:

- Good credit is important
- Don't let anyone borrow your credit card
- Keep track of your credit score
- Don't let your credit card payments exceed 30% of your monthly income

For parents:

- Regularly discuss credit with your children
- Explain the importance of good credit
- Avoid using credit cards for small purchases
- Provide a credit card with a small limit
- Encourage your children to manage their credit

A consumer credit report contains four types of information: identifying information, credit information, public record information, and inquiries.

1. Identifying information:
   - Name
   - Current and previous addresses
   - Social Security number
   - Year of birth
   - Current and previous employers
   - Spouse's name, if applicable

2. Information about credit accounts or loans you have from:
   - Bank(s)
   - Mortgages
   - Credit cards
   - Other loans

3. Public record information:
   - Bankruptcy
   - Tax liens
   - Lawsuits

4. Inquiries from other creditors (If you have used recent inquiries on your credit report, potential lenders may think you are overextending.)

Credit bureaus look at these factors:

- 30% payment history
- 30% amounts owed
- 15% length of credit history
- 10% new credit
- 10% type of credit use

Possible reasons for poor scores:

- Outstanding debts
- Income less than expenses
- Too many recent inquiries
- Length of credit history too short

As you decide to take or not to take credit, remember:

- Good credit is important
- Don't let anyone borrow your credit card
- Keep track of your credit score
- Don't let your credit card payments exceed 30% of your monthly income

For parents:

- Regularly discuss credit with your children
- Explain the importance of good credit
- Avoid using credit cards for small purchases
- Provide a credit card with a small limit
- Encourage your children to manage their credit
Don’t Borrow What You Can’t Repay

On his way home from school, Ramon spotted a “For Sale” sign on a bright red convertible. “What a beauty,” he thought as he approached to take a closer look. “Rimmer. Low mileage, really clean, one owner. $6,700. I’ve already saved $2,000, so I think I can afford this car if I borrow the rest.”

Ramon’s dad suggested that he make a trip to the bank to find out about car loans. A few hours later, Ramon returned, smiling broadly. “The loan specialist at First Federated Bank told me that a car loan carried an interest rate of 7.5% for 60 months. Since Ramon would have to borrow $6,700 after his $2,000 down payment, his payments would be $110 per month.”

Ramon earned $10 an hour and worked 20 hours a week as a construction helper after school, so his gross monthly income before taxes was $240. His car payments would amount to about 11% of his monthly income. He certainly could afford that.

“Wait a second,” his dad cautioned. “Don’t forget about the other expenses that go along with owning a car. You’ll have to pay for gas, oil changes, and regular maintenance. It’s a used car, Ramon, so there might be some things that need fixing, too. Another big expense is insurance. At your age, it will be about $200 a year. You’d better reconsider and decide if you can make the monthly payments.”

Ramon’s excitement began to fade. When he added the insurance and other costs, the total came to $220 a month. “That’s more than half of my take-home pay.” he thought. “After school expenses, clothes, cell phones, Internet, and other little things, I won’t have anything left for even a movie once a week. I guess I’d better wait for another car to come along.”

“ Wise choice, son,” said his father. “But, that sure was a fantastic car.” Ramon sighed.

Ramon did make a wise decision. He knows he could borrow the money but he also realized he’d have a tough time repaying it.

Borrowing is not a bad thing; most people will borrow money at some time in their lives, maybe for a home, a car, or a college education. The good news about borrowing is that you get something (like a car) now without paying for it with your own money. The bad news is that eventually you do have to pay.

Ramon knows an opportunity cost. An opportunity cost is what you give up when you get something you want. When he comes home, he sees that the opportunity cost lies in the future because you’ll have to give up something else to make your payments. And, if your payments are too high, you could run into big problems:

First, you’ll have to pay penalty fees if you miss a payment or are late.

Second, you’ll be turned down for future loans because of your poor credit history.

Finally, if you have no other options, you might have to file for bankruptcy.

There were 1.6 million non-business bankruptcy filings in 2004, and nearly 180,000 of them were people under the age of 35. What is the major reason for bankruptcy? Too much debt. The typical family filing for bankruptcy owed more than one and half times its annual income in short-term, high-interest debt. That means a family earning $50,000 a year had an average of $90,000 in credit-card and similar debt.

The best way to avoid problems is to borrow wisely, never borrow more than you can repay.

Activity for Secondary Grades

Examine the earnings of the four students listed and decide if any can afford payments of $130 a month for a used car. Use this rule: monthly payments should not exceed 15% of gross income.

1. Olivia works as a manicurist. She earns $8 an hour and works 15 hours a week. She also earns about $65 per week in tips.

2. Ben is an assistant manager at a local theater. He earns $8 an hour and works 27 hours a week.

3. Anna just got a job as a receptionist in a doctor’s office. She works 31 hours a week and earns $8 an hour.

4. Adam works the late shift at a sporting goods store. He earns $10.50 an hour and works 20 hours a week.

Complete the chart at the bottom of the page to calculate each worker’s gross monthly income. Then calculate 15% for each person’s debt limit. Put a star next to any worker who can afford $130 in monthly car payments.

Activity for Primary Grades

If you borrow something from a friend, it’s important to return it as soon as possible. If you borrow money, you should repay quickly too. Do the math to find out if these students will be able to repay their friends’透信:

1. Jacob borrowed $5 from Tanya to buy dessert at school. Jacob has $3 at home, but he has to save 40 cents, buy some pencils for $1, and pay a library fine of 25 cents. Will Jacob be able to repay Tanya?

2. Tarnation borrowed $4 from Casey to buy a notebook. Tarnation has $6 in his piggy bank, but he has to buy lunch tomorrow for $3.50 and pay $2 to the bus to his friend’s party. Will Tar will be able to repay Casey?

3. Joel borrowed $10 from Nguyen to buy a game that was on sale at the mall. Joel has $8 that his grandmother gave him for his birthday, but he has to pay 7% to his cousin for a haircut, spend $2 for lunch, and pay 5% for a raffle-ticket. Will Joel be able to repay Nguyen?

4. Catherine lent $5 to Casimir to pay for pictures at school. Casimir has $2 in his dresser drawer, but he has to save $2, buy pencils for $1.50, pay his cousin $3 for helping him move the lawn. Will Casimir be able to repay Catherine?

What Is Bankruptcy?

Bankruptcy is a federal-court process that helps individuals and businesses repay their debts or write them off altogether. There are two basic types of bankruptcies: liquidation or reorganization.

In a liquidation bankruptcy, you turn over all your personal property, except clothing and tools of your trade, which are sold to pay your debts. Creditors may get some or none of the money you own. The court may force you to sell your house, car, and other assets to pay your debts. Creditors may then get all or part of the money you own. The court may force you to sell your house, car, and other assets to pay your debts. Creditors may then get all or part of the money you own. The court may force you to sell your house, car, and other assets to pay your debts. Creditors may then get all or part of the money you own. The court may force you to sell your house, car, and other assets to pay your debts.

In a reorganization bankruptcy, some debts must be repaid in full, some are repaid as a percentage of the original debt, and others aren’t repaid at all. Payment plans usually cover three to five years. If you stick with the repayment plan until the end, you may find that creditors will write off the rest of your debt. Even though the bankruptcy will stay on your credit history for six years, it is usually the only way out of a crushing financial burden caused by job loss, medical bills, or other circumstances that are out of your control.

Bankruptcy Statistics

- Average age: 38
- 44% of filers are couples
- 30% are women filing alone
- 26% are men filing alone
- Filers are slightly better educated than the general population
- Two out of three have lost a job
- 44% have experienced a serious health problem
- Fewer than 5% have not suffered a job loss, medical event, or divorce

Highest bankruptcy rates:
- Tennessee, Utah, Georgia, Alabama.
TODAY’S STUDENTS DESERVE THE OPPORTUNITY TO BECOME TOMORROW’S LEADERS.

The Allstate Foundation believes that working in partnership with Junior Achievement is key to strengthening the communities we serve and promoting economic empowerment for future leaders.

To learn more about our community involvement, visit our website at www.allstate.com/community.