

Fake Budget

- Name _____ Income _____
- Name _____ Income _____
- Combined Gross Annual Income _____
- Combined Gross Monthly Income _____
Combined Net Monthly Income _____
- (Your combined net income should be approximately 20% less than your combined gross income).

Fake Budget Cont'd

• Categories	Monthly Cost
• Mortgage	House cost / 200
• Property Tax	House Cost /(10 X 12)
• Food/Groceries	Estimate
• Utilities	Estimate
• Other	Estimate
• Savings	Estimate
• Miscellaneous	Estimate

Real Budget

- Name _____ Income _____
- Categories _____ Monthly Cost _____

Finances: Savings & Debt

- Savings:
- -CD's: Certificate of Deposit
- -Bonds: Government Loan
- -Stocks: Piece of Company

Certificate of Deposit

- Non-Touch savings account in which a minimum amount of money is deposited and not touched for a minimum period of time.
- Interest rates vary depending on amounts and time frames.
- Safest of the three savings methods due to FDIC

Bonds

- Government purchased items which return money plus interest at the end of lengthy terms.
- Average Bond length is 15 years.
- Bonds can be reinvested when they “mature”
- Primarily safe propositions barring financial collapse

Stocks

- Privately purchased pieces of companies that will rise or fall based on economic times and success or failure of the companies.
- Riskiest propositions but also can have the highest rates of return

Day Traders

- Individuals who buy and sell stocks on a daily basis.
- Riskiest of propositions.
- 2% of people make money day-trading

Money Level Marketing (Pyramids)

- Technically these are illegal, but can be made legal with written loopholes.
- Only 2 % of individuals make money through pyramids which require you to recruit other people into the company.

Disability

- 1/3 of all American workers between the ages of 18-65 will become disabled at some point in their working careers.
- The #1 reason for disability is stress/mental health issues
- Purchased from private companies and will payout about 2/3 of salaries until well again.

Life Insurance

- Term: Make premium payments so that loved ones are protected in case of death.
- -Premiums depend upon payout amounts as well as overall health and age.
- Whole: More expensive. Some money is returned when person reaches age 65.

Checking Accounts

- Select the bank of your choice
- Personalize your checks with your name on it
- Bouncing Checks affects FICO scores
- Writing a check with the knowledge that you cannot pay it is illegal.
- KEEP YOUR ACCOUNT BALANCED

Debt

- Credit Cards
- Purchases: Car & Home
- Miscellaneous

FICO Scores

- Similar to a grade point average, FICO scores represent your credit history worthiness.
- Range from 400-850. Anything above 720 is considered strong.
- Average credit score in U.S. is 670.

Financial Concepts

- Term: Length of time the loan exists
- Principle: Amount of money borrowed
- Interest: Additional money owed
- Interest Rate: % of money owed on principle
- Payoff: Principle plus interest

Financial Concepts Cont'd

- Appreciation: Amount an item increases
- Depreciation: Amount an item decreases
- Equity: Ownership of an item's increase
- Upside Down: Amount of money owed is more than value of the item (relates to homes)

Financial Examples

- Car is bought for \$20,000 at 5% interest for 5 years (60 months): Payments @ 4000/year (approximately 333/month).
- Year 1: $20,000 \times .05 = 1000$
- Year 2: $16,000 \times .05 = 800$
- Year 3: $12,000 \times .05 = 600$
- Year 4: $8,000 \times .05 = 400$
- Year 5: $4,000 \times .05 = 200$

Financial Examples Cont'd

- Principle: 20,000
- Interest: 3,000
- Payoff: 23,000

Credit Card Debt

- Credit Cards are usually based on the all or none payment principle:
- -Credit Card bill = \$1250: Paid 1250 than no interest. Paid 1249, then interest on 1250.
- Interest is found by multiplying the interest rate by amount due and dividing by 12.

Interest Example

- Amount Owed on Card: \$2500
- Interest Rate: 20%
- Amount Paid: \$500
- Interest Amount: $.20 \times 2500 = 500/12 = 41.67$
- New Amount Owed = $2500 + 41.67 - 500 = 2041.67$

Extreme Debt

- Suze Orman: “You spend more when you feel less.” (Self-esteem relates to compulsion, including spending).
- YFB- Young, Fabulous, Broke (Those that love to look and feel wealthy but the reality is that they are in tremendous debt).

Bankruptcy

- Filing bankruptcy is a manner of clearing all debts and no longer being responsible for them. However, you are now unable to establish any source of credit for 7 years.

Student Loans

- Used to be a positive method of paying for College and the smartest way to go about it.
- Nowadays, student loans can be a positive or negative reality.
- Most loans are funded through Sallie Mae, Freddie Mac, or Fannie Mae but there are other student loan lenders out there.

College Costs

- The costs of going away to college have become quite prohibitive. It's not necessarily a bad idea, but the cost of a 4 year undergraduate degree, out of state, can range upwards of \$250,000.
- Lowering that cost:
 - 1) Take 8 units or less and establish residency after one year.
 - 2) Investigate living in a co-op or any other option besides a dorm which may be significantly less.
 - 3) Take some of your first 2 years of classes at the local JC near the college of choice.

Tax Form

- LIFE SKILLS TAX FORM



- Name _____Name_____

- Occupation _____Occupation_____



- Gross Income _____



Class Formula

• Under 30,000	15%	4500
• 30,001-60,000	28%	8400
• 60,001-90,000	40%	12000
• Over 90,000	50%	Varies

Examples

- Gross Income = 75,000: Taxable income = 15% of 30,000 = 4500 +
- 28% of 30,000 = 8400 +
- 40% of 15,000 = 6000 = 18,900

- 98,000:
- 15% of 30,000
- 28% of 30,000
- 40% of 30,000
- 50% of 8,000 = 28,900

Already Taxed

- Take 20% of your combined gross income; that is your already taxed amount.
- If it's smaller than tax owed, you owe the government.
- If it's larger than tax owed, you get a refund.

Portfolio

• Stock	Shares	\$\$Share	Total Value
• IBM	10	120	1200
• Costco	20	50	1000
• Total = \$10,000			

Finances Prompt

- Discuss the importance of being responsible with finances. Include methods of reducing costs and increasing savings, and discuss the importance of keeping a budget. Finally, include the benefits and dangers of credit cards as well as student loans, and include how people can pay down their debt.