



Life Skills Workbook

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Activity 1 Consumer Powers and Protections

AS YOU READ, learn the *Vocabulary*. **AFTER YOU READ**, check your understanding through *Fact and Idea Review*, *Critical Thinking Questions*, an *Extension Activity*, and a *Research Activity*.

What Are Your Rights as a Consumer?

Today, you can buy items using your computer, smart phone, or by going to a store. With the variety of options available, it is critical that you are an informed consumer, so you can make good financial decisions. Fortunately, you have help and protections while shopping in today's marketplace.

In 1962, the Consumer Bill of Rights was established. It helps ensure that consumers can defend themselves against faulty or defective products. Consumers have a right to safe products and sellers have a responsibility to create and sell safe products. The four basic rights are a right to safety, to be informed, to choose, and to be heard. And with all rights, comes responsibilities. Your responsibilities as an informed consumer are to use products safely, research and use information, choose wisely, contact your public officials about consumer issues, and seek **redress**.

In addition to the bill, there are consumer protection laws to protect you from dangerous products, fraud, or discrimination. These laws protect you even if you are unaware of them. Just look at food labels in your kitchen.

The Fair Packaging and Labeling Act of 1967 required truth in packaging and labels to help consumers know what their food contains and to be able to compare products.

To see another example, look for the warning label on children's toys. The Child Protection and Toy Safety Act was passed in 1994. It prohibits the sale of dangerous products intended for sale to children and requires a warning label on toys with small parts.

If you are shopping for a credit card or a loan, you will appreciate the Truth in Lending Act. It requires creditors to report all costs associated with borrowing money in a standardized form. This allows consumers to compare credit charges and interest rates.

These laws are enforced by federal and state government agencies like the Consumer Product Safety Commission, and the Department of Agriculture. State attorney general's offices have consumer protection divisions, too. Locally, you can contact your city or county government for consumer assistance. Private, nonprofit consumer groups such as Public Citizen, or the local chapter of the Better Business Bureau (BBB) will also work to help you resolve your issue. You can file a complaint with the BBB and they will act as a mediator to help resolve the issue. These laws and agencies ensure that businesses sell safe products and provide redress for consumers. Your attorney general may also offer dispute resolution through **arbitration**. For example, some states have "Lemon Laws". If a consumer buys a new car and it has a serious defect that is not corrected by the seller within a certain time frame, then the parties can go to arbitration to decide if the consumer is due a refund.

Vocabulary

redress remedy for a wrong or loss

arbitration a procedure in which a neutral person or panel listens to both sides of a dispute, weighs the evidence, and makes a decision

Fact and Idea Review

- 1. What skills are required to be an effective consumer in today's marketplace?

- 2. What influence do you as a consumer have on sellers?

- 3. What rights and responsibilities do consumers and sellers have?

- 4. What legal protections do consumers have?

- 5. What forms of redress do consumers have at the state and local level?

Critical Thinking

6. Why do you think there was a movement to have consumer protections? Are consumer protections still necessary? What do you see as the next trend in consumer issues?

7. How do the consumer protections of the Fair Packaging and Labeling Act and the Food and Drug Administration impact individuals and your family? What do you think the next consumer trend in labeling will be?

Extension Activity

If your verbal complaints are not heard by a retailer, your next step is to write a letter of complaint. Write a letter of complaint to resolve a consumer issue you have experienced. As a class, discuss what other forms of redress have consumers. Discuss what rights and responsibilities consumers and sellers have.

Research Activity

Directions Research the agencies and groups and write a brief description of how these groups help consumers. Identify if they are local, state, federal, or private agencies.

1. Consumer Product Safety Commission

2. Better Business Bureau

3. Consumers Union

4. Food and Drug Administration

5. Attorney General's Office

6. United States Department of Agriculture

Which of the consumer protection groups would you contact in these scenarios:

7. Contractors repaired your roof last week, but it leaks during a thunderstorm.

8. You purchased a toy for your nephew that breaks into many small pieces.

9. You purchased food that caused you to become ill.

10. You want to research a new digital camera before you buy it.

Activity 2 Time Management Skills

AS YOU READ, learn the *Vocabulary*. **AFTER YOU READ**, check your understanding through *Fact and Idea Review*, *Critical Thinking Questions*, and an *Extension Activity*.

Planning for Success

There is a Chinese proverb that says the journey of a thousand miles begins with the first step. Time management is really about taking a large overwhelming task and breaking it into smaller steps that you can accomplish. This is when some people may **procrastinate**, but if you can create a plan to tackle your project, then you will feel more in control of your time and the project. You will also be more likely to succeed.

One of the first things to do is to create a task list. Then set your **priorities**, which task should be done first, second, third, and so on. Now you are ready to set **goals**. It is best to set several small goals. You will enjoy a feeling of accomplishment each time you attain one of your goals.

Another strategy is to schedule time to work on your project. When will you work on task A, B, and C? How much time will it take to complete task A, B, and C? When will you do it – after school, or work, on the weekend? By creating a detailed schedule, you will also keep your work life and personal life in better balance. You can schedule free time to help reduce stress. Some down time will also help you focus better when you return to your project.

You should also be flexible enough to rework your schedule if necessary. If a line of inquiry takes longer to research, you may have to juggle your schedule.

Conversely, if you have set aside four hours on a weekend and the task does not take that long to complete then you need to rework your schedule.

Your work environment is also an important tool to helping you complete your work. Keep your work space tidy and files organized. Set up your computer, files, and desk for efficiency. Use your computer wisely; download calendars or templates to optimize your time management. Labeling file folders with accurate names and organizing them by date will help you find them faster. Once you complete your project you can sift through and delete or discard files that are no longer useful.

Keeping good records and organizing your files is a good habit to start now. It will help you when you start working or start your own business. Just like you, businesses need to manage time and organize their files and record keeping. Every business must file taxes. Therefore, it is necessary to save all tax related forms, payroll and employee benefits information, and any business expenses. In short, businesses must keep any and all information necessary to fill out a tax return or make a claim.

You have 24 hours in a day. How you use that time will decide how much you can accomplish in a day. Time management skills are key to getting the most out of your day. Remember, it's really about taking a lot of small steps to achieve your goal.

Vocabulary

priorities judgments about the relative importance of alternatives

goals targets for what you want to accomplish

procrastinate to put off taking action

Fact and Idea Review

1. What tools can help you manage time?

2. Describe strategies for time management.

3. How can you use time management skills to better balance your family time with school or work?

Critical Thinking

4. Why is time management important to meeting your goals?

5. What time management strategies work best for you and why?

6. What time management skills do you need to develop or improve? How could you accomplish this?

Extension Activity

Compile a list of time management strategies that work best for you. Explain the purpose and importance of record keeping for you and for businesses, including what is appropriate to keep and discard.

Activity 3 Consumer Ethics

AS YOU READ, learn the *Vocabulary*. **AFTER YOU READ**, check your understanding through *Fact and Idea Review*, *Critical Thinking Questions*, and an *Extension Activity*.

Ethics and Leadership

Impact of Ethics Along with all the choices, decisions, and information consumers must weigh, another one to consider is ethical behavior. Would you report it if you see someone you know shoplifting? Would you buy a product if you knew it is made by a country that ignores labor laws or does not follow safe and ethical labor practices? Would you buy a product from a company that excessively pollutes the environment? These are all ethical decisions you may have to make as a consumer and citizen.

Ethics are like a moral compass pointing us in the right direction to make the best decision.

Consumers who act unethically negatively impact businesses but they also impact other consumers. Businesses pass along the expense of unethical actions to the general consumer in the form of higher prices. Shoppers who return used clothing for refunds pass the burden of their unethical behavior to the next customer who unknowingly buys the used item, or the business cannot sell the item and may eventually have to raise prices to recover losses.

Consumers can influence businesses to behave ethically, also. Some consumers that are concerned our **nonrenewable resources** are running out will not buy products that contain plastic because they are made with oil. Some may only buy products packaged with **biodegradable** materials to reduce landfill waste.

Other consumers may not buy a product at all, by boycotting it, to show how strongly they feel about an issue. For example, suppose you find out that your favorite product, and also the least expensive choice, was made by a company that employed unethical practices. Would you still buy the product? The company may choose to allow the producer to ignore safe and ethical labor practices to produce a product with lower costs. This would allow the company to sell the product at a cheaper price due to reduced production costs. A boycott of this item may result in ethical practices but also possibly higher prices. Knowing possible outcomes, would you boycott the product?

Impact of Leadership This sort of **leadership** by individual consumers can impact the world. Good leaders can improve our world by bringing people together to resolve problems. Good leaders possess skills such as identifying group goals, listening to ideas and concerns, recognizing others contributions, building consensus, and making decisions.

Whether you volunteer in your community to clean up your park or work in a retail store, these skills will help you communicate with neighbors and customers alike. Today you are the consumer, but one day you may be that employee. Learning good habits like treating people respectfully, communicating clearly and calmly, and waiting your turn will go a long way to getting better results.

Vocabulary

ethics values about right and wrong that serve as guidelines for human behavior

nonrenewable resources natural resources that cannot replace themselves

biodegradable able to decompose naturally in the environment

leadership the ability to inform and guide others

Fact and Idea Review

1. What is ethical behavior?

2. What are some examples of ethical issues that consumers may encounter?

3. What skills does a good leader possess?

4. How does being an ethical consumer translate to being an ethical employee? Why do you think employers value these skills?

Critical Thinking

5. Why is it important that consumers behave ethically?

6. How can you demonstrate consumer ethics and professionalism for others?

7. How can you demonstrate leadership skills?

8. How can you apply these skills and abilities to another job or aspect of your life?

Activity 3

Extension Activity

There are various ethical issues that impact consumers and businesses such as boycotting products or businesses, returning used goods. Describe an ethical issue you have encountered while shopping. Describe a time you felt strongly about an issue that it influenced what you purchased, or did not purchase. What do role consumers have in promoting ethical behavior?

Activity 4 Work-Life Balance

AS YOU READ, learn the *Vocabulary*. **AFTER YOU READ**, check your understanding through *Fact and Idea Review*, *Critical Thinking Questions*, and an *Extension Activity*.

Balancing Your Work and Personal Life

When you complete your formal education you will have to find a job that suits your skills and abilities. You will need to consider the schedule, the pay, and if you enjoy the work. The more experience you have working, the greater the likelihood that you will increase your pay, position, and **standard of living**. But, aside from these things, you have other things to consider. How well does your job fit with your life and your family? Does it require a lot of travel, a relocation, long hours at the office away from home? Weighing these things carefully will help you balance your work and family life.

There are a variety of programs, resources, and public policies to help workers strike this balance.

Many employers have standard family friendly policies such as, telecommuting, flextime, where you set your own hours, and employee assistance programs that offer counseling for personal or health issues.

In 1993, there was a public policy shift to support families when the Family and Medical Leave Act (FMLA) was signed into law. Before FMLA became law, employees requesting time off to care for family could be denied for any reason, or even fired. With FMLA employees do not have to be afraid they will lose their job when they ask for time off to care for a sick parent or to have a baby.

There are also local, state, and national organizations that provide assistance to support families. For example, the Grandparent Network is a non-profit agency that connects families looking for the experience of an older **mentor**. These grandparents offer advice, care, and emotional support to families who do not have grandparents of their own to fulfill that role.

Other organizations offer services like career support. There is likely a place in your community that offers job assistance for people who have lost a job, are considering a career change, or who want to explore other career options. Through job support and job retraining classes, people learn what aptitudes they have that can be of service to their community or to a new employer. Being good at managing money, solving problems, or communicating with others are skills that can serve an employer or community well. These organizations also offer informal support networks such as practice interview sessions or group discussions.

Vocabulary

standard of living the way you live as measured by the kinds and quality of goods and services you can afford

mentor an experienced coworker who acts as a guide or informal teacher for employees

Fact and Idea Review

1. How does the Family and Medical Leave Act affect families?

2. What kinds of resources are available that support families?

3. What skills are necessary to provide help to a community?

Critical Thinking

4. What impact does legislation like Family and Medical Leave Act have on a family?

5. What impact do community groups have on a family?

6. What skills are needed to provide services to the community?

Extension Activity

Take a look around where you live. What kinds of community resources are available for people in your community? What kinds of formal and informal support networks are offered? Do these resources benefit families? Select a local issue in your community and explain how you could help resolve it through participation. Draft a plan to address this issue in your community. To develop your own community participation skills, list the skills required to address this issue and how you can develop these skills.

Activity 5 Giving Back

AS YOU READ, learn the *Vocabulary*. **AFTER YOU READ**, check your understanding through *Fact and Idea Review*, *Critical Thinking Questions*, an *Extension Activity*, and a *Research Activity*.

Making a Difference in the Community

Philanthropy is about making an active effort to improve the welfare of others. Booker T. Washington said “If you want to lift yourself up, lift up someone else.” Many people **volunteer** for various reasons such as to give back to their community, or they have a personal connection to a particular cause. Volunteering brings different types of people together for a common cause or goal. It also helps create communities of people that care about one another. People feel better after volunteering, which improves their quality of life. A study by the University of Michigan on volunteer and non-volunteers with a history of heart problems found that the volunteers had less chest pain and lower cholesterol levels than the non-volunteers. Whatever the reason people volunteer, there is a personal reward to be found in helping others.

When considering a nonprofit organization to volunteer for, you should do some research. Ask friends and family about the nonprofit to see what kind of reputation it has. You can do your own research online at these websites, the Better Business Bureau, GuideStar, CharityNavigator, and the American Institute of Philanthropy’s CharityWatch. These sites provide information about the charity such as how much money it raised and how much of that money was paid in salaries and office equipment.

They will also show how much of that money went directly to programs and services to help people.

Nonprofits function like a business but instead of a product to sell and profit from, it provides a program or service to people. If a nonprofit has additional money that it raises, it will reinvest that money into programs and services to help others. A business would use that extra money to pay the owners or shareholders. A nonprofit will do fundraising events like walks or dinners to raise money to pay for their programs and staff salaries. It might also apply for grants from foundations and philanthropists to pay for programs and services.

Just like a business, a nonprofit must file taxes. All nonprofits file a 990 tax form with the Internal Revenue Service that lists all of its financial information like salaries, who is on the board, and what amount was spent on programs. Nonprofits that spend the most on programs will have a greater impact on the people they are helping. Those that spend more on salaries do not serve their clients as well. Volunteer service, charities, and philanthropy all serve to create better communities by making a difference in people’s lives.

Vocabulary

volunteer a person who offers services to a worthwhile cause for no pay

Fact and Idea Review

1. Where can you go online to research charities?

2. What kind of information do these Web sites provide about charities?

3. Describe how a nonprofit charity functions as a business?

Critical Thinking

4. Why is it important that people volunteer?

5. How does volunteering in your community enrich your community and improve the quality of life of others?

Extension Activity

Contact a local charity in your area and ask to interview their volunteers to better understand the concept of volunteer service and philanthropy. Ask them why they volunteer and how it benefits their community. What role does philanthropy, volunteering, and charities have in developing communities and improving the quality of life? Summarize your results.

Research Activity

Directions Using the information from Activity 5, answer the questions and complete the activity.

1. Have you participated in a student organization? What did you do and did you provide a service to your community?

2. What kinds of skills are needed when developing and implementing activities?

Research a local or national environmental issue. Create a plan for a campaign that raises awareness of the environmental issue. Present your plan.

Activity 6 Choosing a Career

AS YOU READ, learn the *Vocabulary*. **AFTER YOU READ**, check your understanding through *Fact and Idea Review*, *Critical Thinking Questions*, an *Extension Activity*, and a *Research Activity*.

Researching Careers

When you were young you may have wanted to grow up to be a firefighter or animal trainer. Today your **career** goals have likely changed along with your interests. There are personality tests and inventories you can take to assess your **aptitudes** and to help you narrow your areas of interest. Once you have established your interests, skills, and aptitudes you should consider careers and salaries. The U.S. Labor Department tracks hundreds of occupations. It tracks how many people are in these jobs and their annual average salaries.

	Employed	Average Salary
Animal Trainers	9,740	\$31,110
Athletes	12,660	\$87,340
Cashiers	3,354,170	\$19,810
Computer programmers	333, 620	\$74,900
Civil Engineers	249,120	\$82,280
Dieticians and Nutritionists	53,510	\$54,340
Forest and Conservation Technicians	32,290	\$36,860
Firefighters	302,400	\$47,730
Floral Designers	47,850	\$25,030
Food Scientists	10,480	\$65,380
Lawyers	561,350	\$129,440
Librarians	148,240	\$56,360
Occupational Health and Safety Specialists	54,680	\$65,610
Pharmacy Aides	49,580	\$22,830

As you can see, often the average annual salaries correspond with the amount of education and experience required. Within each of these jobs there are differences in what each business offers its employees in the way of benefits. One job may have a great salary but no health insurance, while another may pay less but has health insurance and a great training program for advancement.

(Continued)

When assessing a company’s health insurance, consider what you think health coverage should cover at a minimum for you and for a family. For example, you might expect coverage to

- cover hospital, surgery, and doctors’ expenses.
- provide full room and board for a hospital stay.
- limit out of pocket expense to \$3,000 per year.
- pay 80 percent after a yearly \$500 deductible amount has been met.
- have no unreasonable exclusions.

Some companies supplement their employee benefits with educational reimbursement and offers of stock purchases. Most businesses offer retirement plans like pension plans or 401(k) plans that build up retirement savings for you.

Here are two offers for a sales manager position at two different companies. Company A is located in the Midwest and Company B is located on the west coast.

	Company A	Company B
Annual salary	\$100,000	\$114,000
Signing bonus	\$500	\$0
Periodic bonuses	Yes	Yes
Phone allowance	Yes	No
Commission	5%	7%
Vacation	2 weeks	3 weeks
Personal/sick days	5	5
Stock Purchase	Yes	No
401(k) match (percent)	5%	3%
Medical coverage	Yes	No
Dental coverage	Yes	Yes
Vision coverage	No	No
Tuition reimbursement	Yes	No

Vocabulary

career a series of related jobs or achievements through which a person progresses in a particular field

aptitudes natural talents

Fact and Idea Review

1. What is the relationship between income and careers?

2. What jobs from the table are related to family and consumer sciences?

3. What are some types of employer benefits available to employees?

Critical Thinking

4. How might your career goals relate to your family goals? How might this impact whether or not you accept a job?

5. Consider demographic trends and geographic trends. What is the significance of each in terms of career planning?

6. After reviewing the two employer job options from the article, which job offer would you choose and why?

Extension Activity

Interest inventories are designed to give you feedback on your career preferences based on the skills you have. Go online and complete a free career interest inventory. Be sure the inventory assesses your hard skills such as what computer programs you can use, soft skills such as your ability to work and meet deadlines, and transferable skills such as good telephone communication skills that can be used in a number of different jobs. Summarize your interest inventory results.

Activity 7 Career Paths

AS YOU READ, learn the *Vocabulary*. **AFTER YOU READ**, check your understanding through *Fact and Idea Review*, *Critical Thinking Questions*, and an *Extension Activity*.

Factors that Affect Career Choices

The career decisions you make now will have an effect on your future and the quality of life for you and your family. It will also impact the community you live in and society at large. As technology advances the need for certain jobs also changes. If you see that there are fewer manufacturing jobs you may decide to pursue a career in software programming.

Many people find it helpful to write out their goals along with their skills, abilities, personal and professional goals, short-term and long-term goals, and core values. By reviewing this list, they can then see how their career goals align with their skills and values. For example, if you decide to start your own business, you should be self motivated. You will likely be on-call 24 hours, seven days a week as the primary contact for your business. Or if you decide to go into medicine, you should like helping people and be willing to work long hours. These kinds of career decisions also will impact your personal life. Can you take that expensive family vacation, or would you have to work a few more years to afford it?

You should factor in time to learn and grow within your chosen career. You may enjoy the idea of being a salesperson now, however, later you may want to start your own business.

So, an **apprenticeship** or **accredited** business classes may be in your future. By setting life-long learning goals, you will increase the career opportunities available to you.

Technology dramatically impacts how people work. Non-human resources such as computers, e-mail, the Internet, and fax machines increase the amount of work people can accomplish. They make it easier to accomplish tasks. However, technology has also reduced the number of people needed in certain areas of the workforce as one person can do the tasks usually done by several people. In addition to a reduced workforce, technology also allows workers to always be in constant contact with work through email and cell phones. This can disrupt the work and life balance.

Other external forces impact work and family life. The economy can have years of job growth and increasing pay, as well as years of jobs loss and decreasing pay. On another level, social changes impact the workplace as well. During World War II, women entered the workforce in a large number to replace the men sent to war. Today, women account for half of the workforce. Remember, employees add value to a company. Your skills, abilities, and potential are considered a resource, or human capital.

Vocabulary

apprenticeship a training program that combines classroom instruction with paid on-the-job experience under the guidance of a skilled worker

accredited officially recognized as maintaining standards that will qualify students for additional education or for work in their chosen profession

Fact and Idea Review

- 1. What is the difference between human and non-human resources?

- 2. How has technology affected a person's work and personal life?

Critical Thinking

- 3. What are the possible impacts of individual career decisions on work and life?

- 4. How do social, economic, and technological changes impact work and family dynamics?

5. How can individual career goals help others in your family meet their goals?

6. How do your career decisions affect the quality of life of others?

Extension Activity

You know many people who work. Ask family members and friends about their career choices and what impact their choices have had on their family, and how they balance work and family life. Summarize your findings. Make a list of your goals for life-long learning and leisure opportunities for you and your family.

Activity 8 Best Practices in the Workplace

AS YOU READ, learn the *Vocabulary*. **AFTER YOU READ**, check your understanding through *Fact and Idea Review*, *Critical Thinking Questions*, and an *Extension Activity*.

Employer Expectations

Interviewing Inevitably, you will sit down face to face with a possible employer for a job interview. Stay calm, sit up straight, and pretend you are just having a conversation with a regular person. This is the time for you to highlight your skills, abilities, and accomplishments related to the position. Keep your answers positive. The interviewer wants to know if you are a good fit for the position. He or she also wants to know what kind of **work ethic** you have and what your future career goals are.

It is good to have a question or two to ask the prospective employer at the end of the interview. You can ask about the position or the workplace. How would you describe the workplace culture here? Why did the last person leave the job? Do your employees feel they have a good work life balance? These answers will give you a more complete picture of the kind of place where you may be working. You can discuss pay and benefits at a later time. Get a business card and ask when you might expect a decision. Use the contact information to send a thank you letter after the interview. Thank the interviewer for taking time to speak with you. You should express your continued interest in the position and restate your relevant skills. Your letter will help the interviewer remember you. This is also a chance to tell the interviewer anything you may have forgotten to bring up during the interview.

In the Workplace In addition to interview best practice, you should also be aware of some of some **management** practices as these will eventually affect you when you are working.

Best practices related to human resources means having effective new employee training, providing opportunities for current employees to develop their skills, and productive performance appraisals. Best practices related to economic resources means having good compensation in the form of salaries and benefits. Best practices related to environmental resources means minimizing the amount of resources wasted.

As an employee, you will deal with a lot of different people at different levels. How you integrate the roles and responsibilities you must juggle as an employee, with your family and in your community will be an ongoing task. But having good communication skills and having a good support network will help. Listening to coworkers, customers, and your managers shows you respect what they have to say and allows you to consider their needs. Learn to be able to speak in groups. One day you will have to present or speak in an important meeting. When issues arise, rely on your communication skills to talk through problems, and remember to be respectful toward the other person.

Vocabulary

work ethic a sense of responsibility to do a job well

management the process of using resources effectively to reach goals

Fact and Idea Review

- 1. What are some examples of management best practices?

- 2. What does an interviewer want to know about a prospective employee?

- 3. What information should you ask about during an interview? What information should you bring up at a later time?

Critical Thinking

- 4. How can a person effectively integrate multiple life roles and responsibilities in family, work, and community settings?

Name _____ Date _____ Class _____

5. How can you demonstrate respectful and caring relationships in your family, school, workplace, and community?

Extension Activity

Research interview questions and write a script of how an effective interview might be conducted. Role play it with a classmate.

Activity 9 Your Personal Finances

AS YOU READ, learn the *Vocabulary*. **AFTER YOU READ**, check your understanding through *Fact and Idea Review*, *Critical Thinking Questions*, and an *Extension Activity*.

Factors that Impact Your Budget

Fuel Economy In 1975, two years after a severe shortage of oil in the United States, the U.S. Congress enacted regulations to improve the average fuel efficiency of cars and trucks and to help conserve energy. In 1978, these Corporate Average Fuel Economy standards, called CAFE standards required passenger cars to get 18 miles per gallon (mpg). In 2010, passenger cars were required to get 27.5 mpg, and by 2016 they will have to get 39 mpg. Automakers that do not meet the standards must pay a penalty.

Health Insurance In 2010, the Patient Protection and Affordable Care Act was passed. One of the provisions lets young adults remain on their parents' health plans until the age of 26. For a young person in school or entering the workforce, this can save money.

These types of public policies directly impact your personal financial decisions. When prices at the gas pump are high, consumers will drive less and purchase more fuel efficient cars. This is good for the environment and consumers' wallets. For a person in his or her early to mid twenties, he or she may be able to go to college or find a job without the stress of finding cost-effective health insurance.

Your Budget The kinds of personal financial decisions you make is something that employers consider, too. By making good personal financial decisions you demonstrate that you can be trusted to do the same for your employer. When you set your long- and short-term financial goals, prioritize them, plan how you can budget and save to fulfill them, and balance your resources, you are establishing the kind of skills employers want.

Not making good financial decisions can negatively affect your future. Checking your personal financial history is a requirement for some jobs. An employer may refuse employment to someone with a bad financial history, even if the person is capable of doing the job well.

Say you are offered a job with a higher wage than your last job. If you have been tracking your budget and expenses then you will know how much of a **budget surplus** you will have to set aside for a special purchase or to set aside for savings. A **budget deficit**, on the other hand, should be a wake-up call to reorder your financial house. Reviewing your financial goals, reducing your spending, and sticking to your budget can help you reorganize your finances. Making good personal financial decisions will positively affect your future.

Vocabulary

budget surplus an amount by which revenue exceeds spending

budget deficit an amount by which spending exceeds revenue

Fact and Idea Review

- 1. What are some examples of public policy issues that impact personal financial decisions?

- 2. What financial skills might an employer want you to have or exhibit?

Critical Thinking

- 3. Explain how public policy issues might impact your budget and financial decisions.

- 4. Why is it important to set financial goals and create a personal budget?

5. Why would good personal financial skills appeal to an employer?

Extension Activity

Create a personal budget. Make a list identifying your financial goals, and then narrow that list to three primary goals. Be sure you estimate income and expenses realistically and then balance the two for your budget. Do you have a surplus or deficit? Will you be able to achieve your goals with your current budget? What changes can you make to your budget to achieve your goals?

Activity 10 Needs, Wants, and Values

AS YOU READ, learn the *Vocabulary*. **AFTER YOU READ**, check your understanding through *Fact and Idea Review*, *Critical Thinking Questions*, and an *Extension Activity*.

Managing Your Purchases

If you are a well-organized person who makes lists and allots time for grocery shopping and cooking, then you are likely to save more money. If you do not plan meals or make time to shop, and tend to eat out frequently, then you are likely to spend more money. Time, and how you utilize your time, influences what you purchase.

Resources also influence what you eat. How much money you and your family have will determine what you purchase. Being a knowledgeable consumer will also impact what you buy. If you are a good cook or creative with ingredients, you can buy in bulk and make recipes from scratch rather than buying processed **convenience foods**.

In addition, food choices can be influenced by personal preferences and outside factors. Think of some of your favorite foods. Why do you like them? Factors such as family, culture, religion, region, friends, and the media can impact what choices you make as a consumer.

Your choices can also be impacted by personal factors. What you purchase says something about you. Every time you purchase meat, vegetables, or fruit at the grocery store you are indicating something about your needs, wants, and values. What types of food does your family need to eat? What kinds of food does your family want to eat? Remember, needs and wants can be different things.

How do your values impact the food you buy? For example, do you only buy locally grown, in-season produce and grass-fed meats or do you buy whatever is on sale? Do you read the **Daily Values** on the food labels to maximize what vitamins and minerals you are getting? Or do you compare the **unit price** to find the best deal? These are the sorts of questions you answer with each purchase.

Besides food, another purchase your family makes based on need and personal values is gasoline. For some people the environment is a priority, so they will try to reduce their fuel consumption. That means they drive fuel efficient cars, hybrids, carpool, use public transportation, bike or walk to the store or the office. Others may try to conserve fuel because the high price of gasoline cuts into their budget, and any benefit to the environment is secondary.

By being aware of what you are purchasing and why, you are taking a step toward being a responsible consumer and using your resources wisely.

Vocabulary

Daily Values nutrient reference amounts set by the U.S. Food and Drug Administration for use on food labels

unit price the cost per unit of measurement

convenience foods foods processed in ways that make them easier to use

Fact and Idea Review

1. What is the difference between a need and a want?

2. What is an example of making a purchase based on a personal value?

Critical Thinking

3. What factors influence purchases? Explain.

4. What is the relationship between the environment and consumer resources?

5. Why is it important to take responsibility for personal and family financial decisions based on needs, wants, and values?

Extension Activity

It is important to take responsibility for your financial decisions. Make a list identifying your needs, wants and values, then identifying your family’s needs, wants and values. What financial decisions have you and your family made that were based on one or more of these? How might your needs, wants, and values influence your future financial decisions? Summarize your results.

Activity 11 Power of Persuasion

AS YOU READ, learn the *Vocabulary*. **AFTER YOU READ**, check your understanding through *Fact and Idea Review*, *Critical Thinking Questions*, and an *Extension Activity*.

Influencing Consumers

All advertising is designed to grab your attention and to encourage you to part with your money. Signs that say “Two for One!” or “Buy One, Get One!” are trying to catch your attention by appearing to be a bargain. You may be convinced that you really do need two of something when, in reality, you may not need it in the first place.

The affects of advertising can be blatant or subtle. For example, an ad or commercial may not even mention the product until the end. By drawing you in this way, you may not notice immediately that a product is for sale.

The more forms of media you use the more forms of advertising you are exposed to. **Direct mail advertising** arrives at your home in your mailbox, **infomercials** and commercials reach you through your television or radio, and pop-up ads through your computer. Even your outside environment has billboards and signs to grab your attention.

By repeatedly seeing an ad the repetition may convince you that the brand is well established and good quality. As a consumer you need to be skeptical. Why is this brand familiar? Is it the best brand as it claims? Who decided that?

When considering buying a big ticket item, you will probably do your research. But for the smaller daily items you buy, like toothpaste or granola bars, you will

think less about them. This is when ads can influence you to buy one brand of toothpaste over another or buy the more expensive pet food.

If you tried to recall all the ads you saw in a day and what products they promoted you probably would not be able to. In the supermarket, instead of recalling the options you are prompted by displays. However, the brands you notice and the order in which you notice them can be influenced by more than just the display. Advertisers use cues or images to get you to associate certain things with an item. What brand do you think of when you see a silhouette dunking a basketball?

Perhaps the most recent granola bar ad you saw had images of people hiking. Did those images appeal to you? The next time you see that brand you may think of that ad and identify with that lifestyle and buy the item.

With so many choices you may not care which one you buy. But what you think you are just grabbing, may be influenced by the display stand or the most recent ad you saw. People take an average of 12 seconds to choose a brand and more than half of all their buying is simply locating the brand purchased the last time. Little or no attention is given to consider alternatives.

Think about the influence of advertisements the next time you reach for an item. Did you decide you wanted it or did an ad decide for you?

Vocabulary

direct mail advertising printed advertising sent through the mail to consumers' homes

infomercials television or radio ads that run 30 minutes or longer and are designed to resemble programming

Fact and Idea Review

- 1. What are some different forms of advertising?

- 2. How long do people take to choose a brand?

Critical Thinking

- 3. Describe the effects of advertising on consumer purchases.

- 4. Do you think advertising is useful to consumers? Why or why not?

5. Why do you think it is challenging to resist impulse purchases? What can you do to help resist these types of purchases? Why is it important to limit impulse purchases?

Extension Activity

As a consumer you are exposed to commercials, online advertising, and printed advertising. Tally how many ads you see, read, and hear in one day. Were most of the ads subtle or blatant attempts to attract your attention? Which ads were effective and which were not? Why? What influence did these ads have on you? Summarize your results.

Activity 12 Managing Your Resources

AS YOU READ, learn the *Vocabulary*. **AFTER YOU READ**, check your understanding through *Fact and Idea Review*, *Critical Thinking Questions*, and an *Extension Activity*.

Activity 12

Budgeting to Meet Your Financial Goals

A **budget** is just a plan for controlling spending and encouraging **saving**. The purpose of a budget is to help you see what your income and spending looks like. Having a clear picture of how much money you have and what you spend it on, will allow you to evaluate your habits and make better choices with your money.

A budget also lets you decide how much money you can afford to set aside for an emergency fund, and toward your future goals like school, buying a car or home, or taking a trip. To create a budget you need to estimate your income. This should be income after taxes, health insurance, and other deductions have been taken out. Then, estimate your expenses based on past spending or averages. Creating a line in your budget for saving may sound strange when your budget is mostly about spending. If you consider saving as another budget line item that needs paid, then you will guarantee that you will have money saved for your future.

Most Americans spend the bulk of their budgets on housing, followed by transportation, and food. Health care, life insurance, retirement, clothing, and entertainment make up smaller amounts of the total budget.

Discretionary expenses, such as vacations, concert tickets, and sporting events, are often the first and easiest to cut from a bloated budget. Reducing food costs requires more creativity as you can certainly live without seeing your favorite band play live, but you cannot live without food. Cutting coupons, buying generic brands, starting a garden, or not eating out, are all ways to manage your money. Fixed costs like auto or health insurance can be harder to reduce but you can shop for cheaper car insurance or drive a less expensive car or use your bike or public transportation. To add money to your budget, you or your family can work additional hours, work toward a promotion, or take on a second job.

A good budget can be adapted to your circumstances. If there is a life-changing event in your family, such as a loss or a transfer to another state, your budget should be able to accommodate that. You may have to temporarily dip into your emergency fund, and once it passes, you can go back to your revised budget and rebuild your savings.

Your budget should also address long-term goals, not just what you spend money on now but also in five even twenty years. As an individual and family you have goals like school or retirement. You have to plan for these events by setting aside realistic amounts of money in your budget.

Vocabulary

saving setting aside money for future use

budget a plan for spending and saving based on income and expenses

discretionary expenses expense categories that are not absolutely necessary, such as vacations or entertainment

Fact and Idea Review

- 1. What are some examples of individual and family resources?

- 2. What is the purpose and benefit of a budget?

- 3. What is the importance of having a savings plan?

Critical Thinking

- 4. Explain how budgeting is critical to meeting financial goals. How does a budget and a person's financial goals impact other life goals?

5. How would you suggest a person should manage resources to meet his or her financial goals over a lifetime?

Activity 12

Extension Activity

Come up with two short-term and two long-term financial goals. Research to find how much money you will need to reach these goals. Create a table to show the goals and what is needed to meet these goals. Now create a family budget to help you meet these financial goals. For your budget, you may use your family's expenses or research to find the average cost of typical budget expenses in your area. What are some areas you can improve? Summarize how a person can better manage resources in a family budget.

Activity 13 The Impact of Technology

AS YOU READ, learn the *Vocabulary*. **AFTER YOU READ**, check your understanding through *Fact and Idea Review*, *Critical Thinking Questions*, and an *Extension Activity*.

Using Technology Effectively

With technology, the only thing certain is that things will change. Just think of what your life would be like without the Internet, your cell phone, texting, email, or a digital camera that takes pictures and videos. Computer technology has advanced so rapidly in the past several years that a cell phone that does not send texts, or take photos is **obsolete**.

Technology has certainly improved people's quality of life by making it easier to research and send information, or contact a friend or the office. It can even bring a family together through a shared game, online research for school, or planning a vacation. But it can also creep into all aspects of your life and steal time away. The technology makes it easy to check texts from friends or emails from work while at the dinner table, perhaps too easy to do.

You can maximize technology to meet your family's needs though, rather than letting it take over your life. You can create a family calendar or keep a log of appointments with deadlines and information for the family and individual activities. You can check off items when they are done and send reminders to each member in the family to get them done. You can create and organize paperless documents and files for a household budget, meal plans, grocery lists, chores, and 'to do' lists.

You can use TV-based devices for indoor exercises. You can even get the whole family involved in a virtual sporting game.

It is important to set some limits on the use of technology. Too much computer time and not enough personal face time can erode relationships. It is good to actually talk to one another, instead of just sending a text. You can be distracted from the people right in front of you while you answer a text.

The cost of new technologies can be prohibitive. You should consider how you will use the item, how it will improve your life, and what are the pros and cons of purchasing it. Do you just want it because your friends all have one or because you saw a really neat advertisement for it? Companies will create a lot of hype and energy around the release of a new product which can influence people to make uninformed decisions. Wait and do your research and the price will come down.

Some companies create products using a strategy called **planned obsolescence**. A company may create a product and then, in a few years, drop technical support or stop updating the program to force customers to buy a newer version or new product.

Technology has improved our lives in many ways. We are able to learn more more quickly than ever before. It is important to use that information to help you meet your short- and long-term goals.

Vocabulary

obsolete out- of-date and no longer useful

planned obsolescence the practice of purposely designing products to have a short life so that consumers will be forced to replace them

Fact and Idea Review

- 1. What types of technology have had the greatest impact on family and consumer decision making?

- 2. List ways to maximize technology to meet family goals.

- 3. How can you determine if you are ready for a new product? What are some possible advantages for waiting a few months before buying new technology?

Critical Thinking

- 4. How has technology affected individual and family resources and the management of these resources?

5. What affect has technology had on people's quality of life? What are the positive and negative impacts?

6. What are a few examples of possible research sources to use before buying a new technology product? What are the advantages and disadvantages of each source?

Extension Activity

Describe the influence technology has on the environment. How would your life be different without technology? Do you think you are better off with technology? Summarize your responses.

Activity 14 Taxes and the Consumer

AS YOU READ, learn the *Vocabulary*. **AFTER YOU READ**, check your understanding through *Fact and Idea Review*, *Critical Thinking Questions*, and an *Extension Activity*.

Managing Taxes on Consumer Purchases

At some point, you will need to buy a car. You will need to decide what you can afford and what you need in a car. You should consider what you plan on using the car for, how much you will drive it, and how long will you keep it. When buying a car it is important to do your homework and research the price, reviews, recalls, and automotive problems.

A good place to start is with the price. New car prices can cause “sticker shock” especially if you are a first-time buyer. Used cars prices will be much lower because of **depreciation**. The Kelley Blue Book reports market value prices for new and used cars. It factors in depreciation into the price, which can drop 10 percent as soon as you drive that new car off the lot, to a 50 percent price drop for a car that is five years old. *Consumer Reports* is a good resource to research new or used cars, too. *Consumer Reports* is a monthly magazine printed by the Consumers Union, a nonprofit group that does not accept advertising, so its opinions are independent. The company publishes product and car reviews based on its own testing. Edmunds provides similar services as a private company.

A sales **tax** is collected only once by the seller at the time of sale. A used car can actually be taxed multiple times as it is sold and resold multiple times.

The sales tax rates imposed by cities and counties on the retail sale of goods vary from 1 percent to 10 percent. The sales tax on your new car can be calculated on the total purchase price, the purchase price after a trade-in is deducted, or the purchase price after a cash incentive is deducted.

With this in mind, each of these calculations can alter your monthly car payment. For a \$25,000 new car, \$10,000 trade-in, and a \$2,000 cash incentive, the vehicle sales tax could be anywhere from \$1,200 to \$2,000 (based on 8% automobile sales tax) depending on the tax basis. These factors can affect what kind of car you end up driving.

The sales tax is a state and local tax assessment collected as general revenue, which can then be used to pay for city and state services. There is no federal sales tax.

There are other taxes collected at the local level, such as property taxes, which are generally used to support public schools. Income taxes are collected at the local, state and federal levels. The money collected from these taxes supports everything from repaving roads, to libraries, to national defense. Additionally, payroll taxes are imposed by the federal and all state governments, which cover Social Security and Medicare taxes imposed on both employers and employees.

Vocabulary

tax a required payment to a local, state, or national government

depreciation loss in value over time

Fact and Idea Review

- 1. What is sales tax?

- 2. What are examples of local, state, and federal tax assessments?

Critical Thinking

- 3. Research to find taxes in your state and local area. What items are taxed? How can taxes in your area impact how you manage your finances? How can local and state taxes impact your financial goals?

- 4. How might state and local taxes impact your career goals?

5. Why do we have taxes? What is tax money used for at the federal level, your state level, and your local level?

Extension Activity

Compare two new vehicles using the Kelley Blue Book and Edmunds. What did you find on these sites? Now, find out what the sales tax is in your city and county. What would the automobile sales tax be on the two vehicles you looked up based on their total purchase price? What is the difference between a sales tax on a new and used car? Summarize your results.

Activity 15 Being Green

AS YOU READ, learn the *Vocabulary*. **AFTER YOU READ**, check your understanding through *Fact and Idea Review*, *Critical Thinking Questions*, and an *Extension Activity*.

Environmental Issues and the Consumer

Reducing the amount of paper, plastic, and electricity you use, and recycling the trash you create, makes sense financially and environmentally.

To conserve electricity look for high-efficiency appliances. When purchasing appliances, look for the labels that tell you how energy efficient they are. The **EnergyGuide label** shows you the estimated yearly energy consumption and estimated yearly operating cost. This is helpful when comparison shopping.

The **Energy Star label** is awarded to items that have outstanding energy efficiency. It is found on refrigerators, dishwashers, televisions, computers, and even new homes and buildings.

There are many strategies to employ to use environmental resources wisely. For example, trees are used for building and making paper using plantation timber. By planting trees and waiting for them to grow to maturity before they are cut down, practices sustainability. Other practices such as using wind, solar, and thermal energy show respect for the environment through the wise use of resources. Iceland relies on geothermal and hydropower energy for all of its energy needs. California has the largest group of geothermal power plants in the world, which provide 60 percent of the electricity demand for five counties.

There are specific practices you can follow to manage waste properly, namely, recycling. Of course, plastic, glass, and paper can be recycled, but other things like food waste can be turned into compost and can help your garden grow instead of expensive soil additives. Rainwater from your roof can be captured in rain barrels and used to water your landscaping or garden saving on your water bill. On a larger scale, some cities and countries incinerate trash and create electricity and heat as a by-product.

Another way to contribute to conservation efforts is to purchase carbon offsets. If you plan on flying somewhere or you drive a lot, then you can purchase a carbon offset and your money will fund a reforestation project or help build a wind turbine.

The media can play a role in bringing attention to an environmental issue as well. In 2010, the Gulf of Mexico was polluted with oil when an off-shore wellhead burst and could not be capped for three months. Images of the burning oil platform, and beaches and animals slick with oil moved people to donate money to the clean up. It also alerted people to the dangers of deepwater drilling and they called for more oversight so this would not happen again.

All of these practices as well as awareness can be great for the environment and great for your wallet.

Vocabulary

EnergyGuide label a black and yellow label, found on major appliances, that gives information about energy consumption

Energy Star label a green and blue label awarded by the environmental Protection Agency and the Department of Energy to products with outstanding energy efficiency

Fact and Idea Review

- 1. What are some strategies to employ to use environmental resources wisely?

- 2. What are some strategies to manage waste?

Critical Thinking

- 3. How can conservation and recycling efforts help you save money?

- 4. Why is it important to consider the environment when making consumer decisions?

5. How can employing these strategies impact your short-term and long-term financial goals?

Extension Activity

Being green is often easier said than done. Describe a time you had to strike a balance between your personal and environmental commitments. Summarize how a person makes decisions that weigh the personal financial costs and the environmental costs.

Activity 16 The Environment

AS YOU READ, learn the *Vocabulary*. **AFTER YOU READ**, check your understanding through *Fact and Idea Review*, *Critical Thinking Questions*, and an *Extension Activity*.

Environmental Literacy

Saving Energy Most homes most likely have many small and large appliances all using electricity. Do you know that cell phones, televisions, and computers all draw energy even when turned off? The clock on your microwave or cable box is drawing energy even though you are not using it. You have to unplug or disconnect items so you can really turn them off. Recently, one school district saved \$350,000 a year on electricity bills when it simply placed notes above lights switches, computers, and printers to remind people “When not in use, turn off the juice.”

You can do a lot of other things to conserve some of this electricity, which is good for the environment as well as your electricity and gas bills. Set the thermostat a little cooler in the winter and warmer in the summer. Turn your water heater temperature down and use less hot water by washing your clothes in warm or cold water. Use fluorescent bulbs and turn off lights when you are not in the room. If your family is shopping for new appliances, buy the energy efficient appliances.

Recycling There are many ways to reduce waste. Recycle trash and buy products that are made of recycled materials. Reuse items more than once to reduce the need to replace items. You can wash out that plastic container and reuse it, or better yet, reuse a glass jar instead. Bring cloth bags to the grocery store. Repurpose the comics section of your newspaper as gift wrapping paper.

Pesticide-Free As far back as 1962, Rachel Carson’s research made the connection that pesticides negatively affect the environment. People’s reaction to her book, *Silent Spring*, led to a ban on a pesticide called DDT, which was originally intended to kill mosquitoes but also killed birds. **Ecology** is the study of relationship between living things and the environment. Her book helped people realize that pollution can seriously affect our environment. To help, you can buy local food to reduce the carbon footprint and buy food grown without pesticides to reduce chemical pollution in the soil and water.

One new trend is to create guerrilla gardens. People drop seeds where one would least expect to find any plant life, such as near a bus stop. In a few weeks some flowers or a tomato plant may bloom. It awakens people to the idea that we live in a natural world not just concrete and roads.

These trends are in response to some serious environmental issues. As a nation, we produce tons of trash daily. Landfills are filling up and some items are leaching out of landfills and into our soil and drinking water. In addition the air is polluted by exhaust fumes, factories that produce chemicals, and power plants that burn coal to produce electricity to meet our demands.

Our demands for electricity and convenience have a price that can cause polluted water, land, and air. The power to affect change is in our hands.

Vocabulary

ecology a science that deals with the relationships between living things and the environment

Fact and Idea Review

- 1. What are some ways to conserve, reuse, and recycle resources?

- 2. What are some environmental trends and solutions?

Critical Thinking

- 3. What conservation practice do you think would impact the environment the most if everyone did it?

- 4. How is a concern for the environment linked to family and consumer resources?

Name _____ Date _____ Class _____

5. What responsibility do people have to address environmental trends and issues?

6. Do you think one person can make a difference with global issues?

Extension Activity

Take a look around your community. What environmental issues do you notice? Is there an old factory lot that needs cleaned up, a sewer run-off that needs reported, or a community garden that needs tilled? What are the environmental trends and issues in your community? What can you do to help address these issues? Summarize your responses.

Activity 17 The Impact of the Consumer

AS YOU READ, learn the *Vocabulary*. **AFTER YOU READ**, check your understanding through *Fact and Idea Review*, *Critical Thinking Questions*, and an *Extension Activity*.

How Do Consumers Affect the Market?

The food on your plate arrived there through the efforts of many people, including suppliers, farmers, retailers, policymakers, and finally the consumer. What you buy sends a strong message to producers and retailers about what you think is important.

Cost and the nutritional quality of food have always influenced consumer choices. As an informed consumer, you shop and compare prices and the quality of food. When you evaluate your options, keep in mind the source of the information and the credibility of that source. Government agencies are usually some of the most reliable agencies to use for information. Nonprofit organizations are also reliable. If a company is providing information in order to sell a product, the information may be biased. Always check the credibility and reliability of your sources.

When evaluating food options you must also consider your values and what is important to you. For example, you may value using organic foods or buying from local farms. However, when evaluating your budget, you may find that organic vegetables are more expensive. Organic vegetables are often more expensive because they are handpicked and do not use pesticides. If that is a cost you are willing to pay, you will be supporting a local farmer, and, on a larger scale, helping to increase the global demand for organic vegetables.

Sometimes an external event like a drought can affect large sections of our food system and increase the cost of all food due to a lack of **supply**. You will see the price of corn increase. But corn is also used in feed for cattle, chicken, and pigs. Corn syrup is also an ingredient in many processed foods, so meat, cereal, or juice prices will increase. To offset these increases, the government will pay farmers money, or subsidies, to stabilize costs.

There are regulations that protect both farmers and consumers. As our population increases and the need for more housing increases, farmland is threatened. There are public policies, the Farmland Preservation Policy Act, to protect prime farmland and regulate housing development so there will not be a shortage of land or food. At the same time, there are already housing developments built near farmland and existing developments next to working farms. Local and state regulations require environmentally safe farming practices to protect homeowners. For example, a farmer can be required to reduce pesticide spraying because it will drift onto nearby homes and yards.

The consumer, the economy, and environment are all connected. Good environmental farming practices like rotating crops annually, and using natural fertilizers, preserve farmland for future use and benefit the environment and consumers. The entire economy is affected by these practices and policies.

Vocabulary

supply the quantity of a particular product that producers are able and willing to make available for sale at a given price

Fact and Idea Review

- 1. What is a public policy that addresses environmental concerns and consumer rights?

- 2. What is an example of an external influence and how can it influence the economy?

Critical Thinking

- 3. What is the relationship among the environment, the economy, and consumers? How are they connected?

- 4. How can choices consumers make impact the global economy?

5. The food you eat may be impacted by the region of the world in which you live. Every region in the world has its own unique way of preparing food. Research another culture or region of the world. Compare and contrast the food they prepare for their meals with your own. Give examples.

Extension Activity

Research other policies that balance consumer and environmental interests. Explain how you would craft a public policy to balance both the economy and the environment. Summarize your results.

Activity 18 Credit Cards

AS YOU READ, learn the *Vocabulary*. **AFTER YOU READ**, check your understanding through *Fact and Idea Review*, *Critical Thinking Questions*, an *Extension Activity*, and a *Concept Application*.

Understanding Consumer Credit

Before credit cards were commonplace, people would put an item on layaway that they wanted to buy but could not afford immediately. The store would keep the item until the customer paid for it in full. Now people rely on credit cards to pay for many items.

The typical credit card account is also called a revolving agreement because you make a full or partial monthly payment to your creditor. Other types of credit include a charge card, or interest free plan, which is an agreement between you and a small business to pay the monthly balance in full with no interest charged to you. An installment agreement is a signed contract to repay a fixed amount in equal payments over a specific period of time, such as 90 days. Automobiles or large appliances are often funded this way.

All credit cards have something called a Schumer box. It was named after New York Congressman Charles Schumer who sponsored legislation in 1988 mandating all credit cards to display clearly the basic terms of the agreement. All boxes look similar and contain information about the annual fee, the Annual Percentage Rate (APR), other APRs (balance transfer, cash advances, default APRs), the grace period, finance calculation method, and other transaction fees (balance transfers, late payments, over-the-limit fee.)

Some credit cards come with annual fees, which are fixed fees paid each year. The APR is the cost of credit as a yearly interest rate, essentially a charge for using the credit card. Low interest credit cards are the better choice if you do not plan to pay the full amount each month. All credit cards come with a credit limit, which is the maximum balance the card can hold at any time. Even if you do not intend to pay off a credit card in full each billing statement, you will have to send a minimum payment. The minimum payment amount is calculated as a percentage of your balance.

Many cards allow a grace period of 20 to 25 days before your additional interest rates are applied. Other cards have a double billing cycle. If you pay the balance in full one month but only partially the following month, you will be charge interest on both months. If you are reported late by another creditor, your APR can be raised with your other creditors under the universal default clause. Some credit cards charge fees for credit limit increases and other services.

Be careful of credit card offers with no annual fee; the APR interest rate could be higher. Credit cards that offer rewards or free airplane tickets can have other fees. Some cards offer promotional rates that expire after six months or a year; know when it does and what the new APR will be. Read the Schumer box closely to protect your finances and your future.

Vocabulary

credit the supplying of money, goods, or services at present in exchange for the promise of future payment

creditor a business or organization that extends credit

credit limit the maximum amount of credit that a creditor will extend to a borrower

Fact and Idea Review

- 1. What are some forms of credit?

- 2. What are the differences among credit plans such as revolving charge, 90-day and installment accounts, and interest free credit plans?

Critical Thinking

- 3. What are the responsibilities involved with having a credit card? Why is it important to use your credit card responsibly? What are the consequences of not using credit responsibly?

- 4. What should you be wary of when shopping for credit cards

5. Why do you need to understand the terms of a credit card?

Extension Activity

Review the sample credit card statement. Locate the billing period for this statement, the annual percentage rate, and the current amount due. Use the information in the Schumer box in on page X and find two other credit card offers online to compare the annual fees, APR rates (including balance transfers), grace periods, and other transaction fees (including late payments, minimum finance charge, and cash advances). Create a spreadsheet showing your findings.

Statement Date
02/03/--

Payment Date
02/28/--

CREDIT CARD STATEMENT

Summary of Account Activity

Previous Balance	Payments	Purchases	Balance Transfers	Cash Advances	Past Due Amount	Fees Charged	Interest Charged	New Balance	Credit Limit	Available Credit	Statement Closing Date	Days in Billing Cycle
\$535.07	\$450.00	\$240.60	\$0.00	\$0.00	\$0.00	\$0.00	\$1.13	\$332.80	\$1,000.00	\$667.20	2/28/20XX	30

Questions?
 Call Customer Service 1-XXX-XXX-XXXX
 Lost or Stolen Credit Card 1-XXX-XXX-XXXX

Payment Information

New Balance	Minimum Payment Due	Payment Due Date
\$332.80	\$15.00	2/20/2010

Late Payment Warning If we do not receive your minimum payment by the date listed above, you may have to pay a \$35 late fee and your APRs may be increased up to the Penalty APR of 28.99%.

Minimum Payment Warning If you make only the minimum payment each period, you will pay more in interest and it will take you longer to pay off your balance.

If you make no additional charges using this card and each month you pay ...	You will pay off the balance shown on this statement in about ...	And you will end up paying an estimated total of ...
Only the minimum payment	6 months	\$89.04
\$40	3 months	\$86.91 (Savings=\$2.13)

SEND PAYMENTS TO: BANKCENTER P.O. BOX 6575 GOLDEN, NEVADA 88777

Sale Date	Post Date	Reference Number	Type of Activity	Location	Amount
01/05	01/07	24036215006661	Daisy Market	Clover, IL	104.30
01/08	01/10	24692165008000	Chloe's Coffee	Fielding, CT	2.30
01/13	01/13	74046585013013	PAYMENT RECEIVED--THANK YOU		450.00
01/18	01/20	24036215019664	Real Music	Clover, IL	115.50
02/02	02/03	242753050337531	Books 'n' News	Montclair, MO	13.90
02/01	02/03	242753950329000	Nick's Candy	Montclair, MO	4.60

DAYS IN BILLING PERIOD: 25				2012 Totals Year-to-Date	
Balance Subject to Interest Charge	>	Purchases	Cash Advance	Total fees charged in 20XX	\$0.00
ANNUAL PERCENTAGE RATE	>	85.07%	.00	Total interest charged in 20XX	\$1.13
		16.00%	27.00%		

Concept Application

Opening a credit card account is one way to start building your credit history. Many of these credit card applications can be completed online. When completing a credit card application, you must provide the following: your name, social security number, address, how long you have lived at that address, any previous addresses, if you own or rent, your date of birth, marital status, gross (pre-tax) annual income(s), employer, and length of employment. Credit card companies will then use this information and research your credit history to create a credit profile.

Credit card companies want to know what types of credit you use, and how much credit you have used, the length of time your accounts have been open, and whether you paid your bills on time. Two of the most important factors that credit card companies consider are timeliness of payments and the amount of debt you have compared to your credit limit. If you paid a bill late once, that will be noted. If you already have a credit card, and your credit limit is \$5,000 with a balance of \$4,889.32 you may not receive a credit card. If this is your first credit card, then paying your bills on time and carrying a low monthly balance will be critical to establish a good credit history for the rest of your life. A Schumer box is included with all credit card applications.

Critical Thinking

1. What is the default Annual Percentage Rate (APR) in the Schumer box? How can you cause the APR to default to a higher percentage? Why is a high APR bad?

2. What other fees do you need to be aware of before you accept the terms of this credit card?

3. Why is it critical to review the terms in the Schumer box before applying for a credit card?

Bank Disclosures	
Annual Percentage Rate (APR) for purchases	11.99% variable.
Other APRs	Balance transfer APR: As long as first balance transfer is completed within 9 months from date of account opening, 0.00% for 9 months from date of first balance transfer. After that, 11.99% variable. Cash advance APR: 20.99% variable. Default APR: 29.99% variable. See explanation below.*
Variable rate information	Your APRs may vary each billing period. ** The purchase and balance transfer APR equals the Prime Rate plus 5.99%. The cash advance APR equals the Prime Rate plus 14.99% (never lower than 19.99%). The default APR equals the U.S. Prime Rate plus up to 23.99%.
Grace period for repayment of the balance for purchases	At least 20 days if you pay the total balance in full by the due date every billing period. If you do not, you will not get a grace period.
Method of computing the balance for purchases	Average daily balance. This includes new purchases.
Minimum finance charge	50 cents.
Annual fees	None.
Fee for purchases made in a foreign currency	3% of each purchase after it is converted into US dollars.
Other fees	Balance transfer fee: 3% of each balance transfer; \$5 minimum. There is no fee with the 0.00% APR balance transfer offer described above. Cash advance fee: 3% of each cash advance; \$5 minimum. Late fee: \$15 on balances up to \$100 \$29 on balances of \$100 up to \$250 \$39 on balances of \$250 and over Over-the-credit-line fee:\$35

(Continued)

* How can your actions trigger the default APR? If you default under any card agreement you have with us because you

- 1) do not make the minimum payment when due,
- 2) go over the credit line, or
- 3) make a payment to us that is not honored,

all your APRs may automatically increase to the default APR. We set your default APR by reviewing (1) the seriousness of your default with us and (2) your credit history.

** How do we calculate variable rates? For each billing period we use the Prime Rate published in The Wall Street Journal two business days before the Statement/Closing Date.

How do we apply your payments? We apply your payments to low APR balances first. You cannot pay off higher APR balances until you pay off lower APR balances. That means your savings from any promotional APR offer will be reduced if you make purchases or cash advances that have higher APRs.

Rates, fees, and terms may change: We have the right to change the rates, fees, and terms at any time, for any reason, in accordance with the cardmember agreement and applicable law. These reasons may be based on information in your credit report, such as your failure to make payments to another creditor when due, amounts owed to other creditors, the number of credit accounts outstanding, or the number of credit inquiries. These reasons may also include competitive or market-related factors. If we make a change for any of these reasons, you will receive advance notice and a right to opt out in accordance with applicable law.

Signature _____ Date _____

Activity 19 Loans

AS YOU READ, learn the *Vocabulary*. **AFTER YOU READ**, check your understanding through *Fact and Idea Review*, *Critical Thinking Questions*, and an *Extension Activity*.

Understanding Your Loan Options

Some day you will need to borrow money for a car, for school, or a house. It is important to understand your loan options. You should consider what type of loan you need for your situation and what you feel comfortable paying. As an informed consumer, always shop around with several lenders to compare loan options. This is not a formal loan application step. If you provide basic financial information, such as income, assets, and debt, then lenders can provide you with a rate.

Most loans are structured with a set number of payments scheduled for a set time frame anywhere from three months to 30 years; these are installment loans. A mortgage is a type of installment loan.

Home loans are closed-end installment loans, and the home serves as security for the loan. Closed-end means you cannot change the number or amount of payments, the maturity date or other terms. One kind of mortgage loan requires an oversized payment due at the end of the life of the loan, hence the name balloon payment. It can be a shock to your finances to have to pay \$1,000 for your last payment when you were paying \$100 a month. These kinds of loans are more common in commercial real estate.

Once you have been approved for a loan and you pledge your home as security for the loan, you have the right to cancel the loan in writing within three business days of signing it. This is called

your right of rescission, provided by the Truth in Lending Act of 1968 to promote accurate disclosures about the loan.

When shopping for loans you will be offered many options. One option for the loan is buying different points. Points are fees you are willing to pay in order to get a lower interest rate. The number of points refers to the percentage of the loan amount that you would pay. For example, "2 points" means a charge of 2% of the loan amount. You will need to consider the immediate cost of points with the long-term benefits of a lower interest rate to decide if buying points is right for you. You should research and carefully consider all options presented to you during the process to make sure you get the best loan for your needs. Some other loan types include:

- Home improvement loans are closed-end installment loans. Home equity loans can be closed- or open-end loans.
- Vehicle loans are closed-end installment loans and can be for new or used vehicles.
- A personal line of credit is an open-end loan with a preset limit.
- Student loans cover the cost of technical training, college, or post-secondary school. You generally do not have to start paying this loan back until six to twelve months after you leave school. These loans have flexible repayment schedules.

Take your time while loan shopping and compare offers from many lenders to get the best deal for you.

Vocabulary

balloon payment a final loan payment that is much larger than the other installments

right of rescission the right provided by the Truth in Lending Act, that gives borrowers up to three business days to cancel a loan or other credit transaction for which their home is pledged as security

Fact and Idea Review

1. How do student loans differ from personal loans?

2. How does the balloon loan differ from the installment loan?

Critical Thinking

3. Why is it important to compare loans and get offers from several lenders? What might happen if a person accepted the first offer they received?

4. How is researching loans, lenders, and loan options a critical component to managing your finances and helping you to meet your financial goals? Explain and provide examples.

5. Research various loan options and describe each. For example, mortgage points are one option to lower your interest rate. Why is it important to know all your options before selecting a loan?

Extension Activity

Some day you will need to borrow money. Research loan rates online to see what kind of interest rates and terms are available for a new and used vehicle loan, a 30-year fixed home loan, or a student loan. Create a table or spreadsheet to present your findings along with an explanation.

Activity 20 Debt

AS YOU READ, learn the *Vocabulary*. **AFTER YOU READ**, check your understanding through *Fact and Idea Review*, *Critical Thinking Questions*, and an *Extension Activity*.

Managing Debt

Debt can be caused by overspending, job loss, illness, and family issues. Spiraling debt can be overwhelming as late fees and interest rates pile up. Debt can cause serious stress and serious damage to your **credit history**. Saving money or reaching your financial goals is impossible when your money is going to pay down debt. In some cases, filing **bankruptcy** is the last resort for people to reorganize their finances.

However, you can climb out of debt. Your creditors will work to try to keep you in affordable payments. You should stop using your credit cards immediately so as not to incur more debt. Your number one priority should be to pay down your debt. Debt credit counselors can help by combining all your debt into one loan with manageable payments. This way you only have to pay the loan instead of several different creditors at several different interest rates.

You can avoid debt in the first place by maintaining good credit. Credit scores range from 300 to 850. The higher the debt load, the lower your score; the lower the debt load, the higher your score. This is one aspect of your score. Good credit is established when you enter into an agreement with a lender, and pay the money back as agreed or sooner.

Having a good or excellent **credit rating** can benefit you in many ways. It qualifies you for credit cards with lower interest rates, higher credit limits, more

rewards, and lower fees; basically you are getting more money at a lower cost. Car, home, and personal loans will have lower interest rates, which mean lower monthly payments for you. Your insurance rates will decrease. You will be rewarded.

Many jobs will check your credit history to see how you organize your finances, which might indicate how you would be as an employee. Government jobs may require a security clearance, and people with poor credit are not given clearance for the job. Financial jobs will require good credit so you are not at risk of taking money to cover your own debt. Paying yourself first is a useful strategy to meet your goals. The Pareto Principle or 10-10-80 rule is a simple concept that sets aside 10 percent of your money for savings, 10 percent for charity, and 80 percent to living expenses. This works well if your income is steady. Another similar concept with different percentage splits is the 10-10-10-70 rule which states you should save 10 percent, invest 10 percent, give 10 percent and live off the remaining 70 percent. Both of these plans have a giving, saving, and spending aspect, which is the basis of any budget.

To avoid debt and maintain good credit as an individual or as a family, the same rules apply. It is critical to set goals, establish a budget, and stick to your budget. You need to be disciplined, have self control, and a willingness to sacrifice when appropriate.

Vocabulary

credit rating an evaluation of a consumer's credit history

credit history a pattern of past behavior in regard to repaying debt

bankruptcy legal relief from repaying certain debts

Fact and Idea Review

- 1. What are the 10-10-80 or 10-10-10-70 rules?

- 2. How can a good or excellent credit rating benefit you?

Critical Thinking

- 3. What can you do to address credit and debt issues?

- 4. What skills are necessary to address credit and debt issues?

5. Why do you think people fall so easily into the credit card trap?

Extension Activity

Consider what you need to do to establish and maintain good credit. What are your personal and family goals in relation to credit and debt? Create a table or spreadsheet to illustrate the steps needed to meet your goals and maintain your credit.

Activity 21 Savings

AS YOU READ, learn the *Vocabulary*. **AFTER YOU READ**, check your understanding through *Fact and Idea Review*, *Critical Thinking Questions*, and an *Extension Activity*.

Understanding Your Savings Options

It is never too soon to start saving. You can start now by saving for your education using an education savings plan. Every state sponsors 529 savings plans, which are mutual funds that allow a yearly contribution to grow tax free. Each state determines the allowed yearly maximum contribution. About half of the states also allow a tax deduction on contributions to 529 plans. Anyone can contribute - parents, grandparents, aunts, uncles, and friends. It takes as little as \$25 to start one. Because the 529 saving plans are mutual funds, there is a fee to manage the growth of the money which ranges from 0%–2.5%. For example, if you invest \$10,000 and the expense ratio is 1.5%, then you pay \$150 that year. The 529 prepaid plan allows you to prepay some or all of the tuition costs, at today's price, and you cash the plan in later when you are ready to start school. The prepaid plan has restrictions if you use the plan for an out-of-state college.

Another option for saving for college is the Coverdell Education Savings Account. This account can be used to pay for college and graduate school, but also for elementary and high school. The maximum yearly contribution is \$2,000, which can grow tax free; it is not tax deductible. Parents, family members, and you can contribute to it. The money is invested in stocks, bonds, and mutual funds.

Another way to save money is to use a savings account. If you are only saving money for a short period of time or for emergency purposes for your budget, then a savings account will allow you easy access to your money. Savings accounts usually require a minimum balance and charge a fee if you go below it. The interest rates are usually low, under 2 percent.

When your goals are long term, it is best to save your money in places that are not easy to access, especially when the main reason is to save it. Long-term savings options include:

- A **money market account** is good for long-term goals because it has a much higher interest rate compared to a savings account. Once you build up enough saving, you might want to consider a money market account. The rate is higher if your balance is larger.
- A **certificate of deposit (CD)**, places your money “on loan” to the bank ranging from one month to five years, while it earns interest for you. You cannot access it until the time frame is up without paying a stiff penalty.
- **Savings bonds** are backed by the United States Treasury and the interest you earn is tax-deferred. This means you will not pay taxes on it until you cash it out.

(Continued)

Most financial institutions use compounding interest to calculate earnings. Few use **simple interest**. Most banks pay compound interest. Compound interest is interest calculated on deposits you make and on the interest you have already earned. The more frequently interest is compounded, and if you leave your money in the account, the more you gain. When comparing interest rates from several banks, make sure to take note of the annual percentage yield (APY). The APY tells you how much you earn including the impact of compound interest. An example of compounding interest in action is if you deposit \$1,000 at 10 percent compounding interest then the interest earned in the first month is \$100. This interest is added to your original amount to equal \$1,100. Next month's 10 percent interest earned will be on the new total of \$1,100, which will increase to \$1,210.

If you are evaluating investments for your money, the Rule of 72 is a quick and simple method to help you estimate the time it will take for an investment to double. You divide the interest rate into 72 to determine the number of years in which money will double. For example, \$1 invested at a rate of 10 percent will take 7.2 years to double to \$2. This is why exploring several banks and their rates is so important.

The SMART method (Specific, Measurable, **Attainable**, Relevant, Timely) is another way to help you create a plan for achievable results. You can use this method to set personal financial goals, such as planning for a large purchase, saving for college, or saving for

retirement. **Specific** refers to setting clear goals. A specific goal is more likely to be accomplished. For example, your goal should not be "save for a new car." Instead, the goal should be "save \$500 a month for five months." **Measurable** refers to establishing an outcome for your goals. You should be able to measure the progress of your goal. You should set target dates and keep track of your progress. **Attainable** means you should set your goals within reach. Identify goals that are most important to you. If the goal is important to you, you are more likely to achieve this goal. **Relevant** means that the goal should make sense to you. This step also stresses making your goals realistic. Only you know if a goal is realistic for you, but you should make sure to set realistic time frames for your goals. **Timely** means you should set a deadline to achieve your goal. It is critical to set a deadline for your goal. A deadline will help to keep you focused and on track. An example of a SMART goal is as follows: you want to save to purchase a new computer. It will cost \$600. You plan to save \$150 a month for four months from your summer job. Your deadline is the last day of summer, when your job ends.

No matter how you save money, saving money is critical to meeting your short- and long-term financial goals. People today are living longer. It is more important than ever to save and invest to prepare for your future and retirement. The choices you make now can impact your financial future. The options described in the article are just a few of the savings options available to you.

Vocabulary

simple interest interest calculated only on money deposited, not on prior interest earned

compound interest interest calculated on both deposits made and prior interest earned

money market account a type of savings account in which deposits are invested by the financial institution to yield higher earnings

certificate of deposit (CD) a certificate issued by a financial institution to indicate that money has been deposited for a certain term

savings bonds nontransferable debt certificates issued by the U.S. Treasury

Fact and Idea Review

- 1. What are some long-term savings options? What are the benefits and drawbacks of long-term options?

- 2. What are some ways to save money for education? What are the drawbacks of each?

- 3. What is the rule of 72?

- 4. Why is it important to save money?

Critical Thinking

- 5. Use the SMART method to set a short and long-term goal. Remember to use the steps: Specific, Measurable, Attainable, Relevant, and Timely.

- 6. Evaluate the methods of saving money that are relevant to your goals. Which options would work best for you and your goals?

Extension Activity

Research the characteristics of the savings options from the article in your area or state. Include any additional options you discover. Create a chart displaying the characteristics of each savings option. Make sure to include specific details, such as term, interest rate, and fees, as well as benefits and drawbacks of each. Finally, explain how each savings option relates to your short- and long-term financial goals.

Activity 22 Investing

AS YOU READ, learn the *Vocabulary*. **AFTER YOU READ**, check your understanding through *Fact and Idea Review*, *Critical Thinking Questions*, and an *Extension Activity*.

Activity 22

Understanding Your Investment Options

Life is full of risks such as illness, theft of property, and accidents that can negatively impact your finances. You can manage risk and protect your finances by avoiding risk, reducing it, accepting it, or transferring the risk to someone else.

For example, if you stop rock climbing, then your risk of injury drops to zero, and you are effectively avoiding that risk. The risk of a car accident can be transferred to the insurance company when you buy auto insurance. The risk of a fire in the home can be reduced by installing smoke detectors.

Some risks you learn to accept because the risk level is so low. For example, if you live in Florida, you will not bother to put snow tires on your car in the winter because the risk is so small that it will snow in Florida. By using these strategies, you can minimize your financial losses.

When you invest money you want to maximize your **return**. If you buy a stock for \$5 a share and sell it at \$15 a share, your return is \$10 on your original \$5 investment. Some stocks may have a lot of **volatility**. You may buy a stock for \$5 hoping it will increase to \$20 over the next six months, but you watch nervously as the share prices spike, \$3 one day, and then drop \$5 the next. Some stocks have a lot of **risk** associated with them for that reason.

The level of risk, return, and **liquidity** you are comfortable with will dictate what investment and savings options you will use. Public utilities stocks, such as a power company, are an example of a liquid investment. Homes, cars, and retirement accounts are not liquid as they take time to be turned into cash. Having investments that are liquid allows you to access cash quickly. Of course, having some investments that are not easily turned into cash is good since you will not be tempted to cash them out.

Some examples of investments and their level of liquidity include:

- Certificates of Deposit (CD) have a low risk and low return and their liquidity can vary depending on the term of the CD, from 3 months, moderately liquid, to 5 years, low liquid.
- Savings accounts have low returns and low risks but are highly liquid as you can access your money instantly.
- U.S. savings bonds and Treasury Bills or T-Bills for short, are liquid but have a low return and low risk.
- Money market accounts have a low risk, moderate return, and they are also highly liquid.
- Stocks in companies that are small and new will have a higher risk and return associated with them, whereas older, large companies may have a lower risk and more moderate returns.

(Continued)

No matter what your preference is, it is good to have varying levels of risk, return, and liquidity in your financial **portfolio** to protect you from large losses. You do not want to rely solely on high-risk, volatile stocks to meet your financial goals.

Inflation is another consideration when evaluating investments. Have you ever heard someone lament “I remember when a loaf of bread only cost a quarter”? Inflation is the rise in prices of items over time and deflation is the decrease in prices. Inflation erodes your purchasing power and can hurt your investments’ rate of return.

Cash investments like stocks, bonds, mutual funds, real estate, and CDs are affected by inflation because fluctuating interest rates and prices are directly tied to their rate of return. If you spend \$1,000 on a stock with a rate of return of 5 percent but inflation increases by 6 percent, then you have lost \$60 not gained \$50 as would have been expected with no change in inflation. This is how

inflation can chip away at your money. The U.S. Treasury sells special bonds called a Treasury Inflation Protected Securities (TIPS) and I Bonds that are adjusted to protect them from the effects of inflation. Having these in your portfolio will protect you from the corrosive effects of inflation.

You may need some help with creating a diversified portfolio. A financial planner or advisor can help, but it is important to choose the right one. Here are some ways to verify and evaluate their credentials:

- The certified financial planner (CFP) should be certified through the CFP Board of Standards, Inc. which you can verify at their Web site www.cfp.net.
- Advisors should be registered with Securities and Exchange Commission at www.adviserinfo.sec.gov.
- Planners and advisors should also be registered with the Financial Industry Regulatory Authority (FINRA) at www.finra.org.

Vocabulary

return the income that an investment produces

volatility the degree to which an investment's return or value may change

risk the possibility of variation in the return on an investment

liquidity the ease with which savings or investments can be turned into cash to be spent

portfolio collection of investments

inflation a general, prolonged rise in the price of goods and services

Activity 22

Fact and Idea Review

1. How does inflation affect different types of investments?

2. What should you look for in a financial advisor's credentials?

3. How do risk, return, and liquidity affect savings and investment options?

Critical Thinking

4. What are some risk-management strategies? How do they protect against financial loss?

5. What is your risk tolerance? What investment options would you prefer? How did risk tolerance impact your decisions, and how would you manage risk?

Extension Activity

Compare and contrast the risk, return, and liquidity of savings and investment options by creating a chart showing the investments, and another chart showing the savings options. Research the investment options and savings accounts online.

Activity 23 Tax Forms

AS YOU READ, learn the *Vocabulary*. **AFTER YOU READ**, check your understanding through *Fact and Idea Review*, *Critical Thinking Questions*, an *Extension Activity*, and the *Concept Application*.

Understanding Taxes

Taxes pay for many services that could not be paid for by any one individual or group. The federal government uses tax dollars to support Social Security, healthcare, national defense and social services such as food stamps and housing. States, cities, and counties use tax dollars for public schools, roads, prisons, garbage service, police and fire protection, and social services.

By paying taxes, you are contributing to the greater good of your community and country. If you knowingly do not file your tax returns, it is a criminal violation of the law. The Internal Revenue Service or IRS will audit your filings and compare your W-4 forms. They can collect the taxes owed, interest, and penalties.

Tax policies provide benefits to families and individuals to offset costs like child care, education, and economic development. The child and dependent care tax credit gives a maximum \$3,000 credit per child for working parents. The Hope Credit provides a maximum \$2,500 tax credit for tuition costs to help pay for college. Businesses that invest in low-income communities receive tax credits to encourage them to build or start a business, or hire more people.

Most states also collect a state income tax. The states that do not collect an income tax will tend to have higher sales tax or property tax rates. A tax year runs from January 1 to December 31 and you are required to file your federal income tax returns by April 15.

	Amount*
Gross pay	\$1,923.08
Federal income tax	\$191.06
Social security tax	\$80.77
Medicare tax	\$27.88
State income tax	\$89.00
City income tax	\$57.00
Final pay check	\$1477.37

* Twice weekly pay based on 26 pay periods, annual income of \$50,000.00

An employer is required to withhold federal, state and, in some cases, local income taxes from your paycheck. An employer will also have you complete a W-4 form which lets the employer know how many deductions you can take. A deduction can be a **standard deduction**, which deducts a flat rate per person claimed, or **itemized deductions** for interest on loans and charitable donations. For every deduction claimed, you deduct an amount of your income from being taxed. You can claim one deduction for yourself, one for a non-working spouse, and one for each child under the age of 18.

States raise revenue in other ways including sales taxes, excise taxes, license taxes, intangible taxes, property taxes, estate taxes, and inheritance taxes. Depending on where you live, you may end up paying all of them or just a few. Property taxes are used to finance local schools, police, road repair, and other services. They are usually calculated by taking the assessed value of the home and multiplying that by the local tax rate. Applicable exemptions are then subtracted.

Vocabulary

itemized deductions on a tax return, a listing of the amounts actually spent on tax-deductible expenses during the year

standard deduction on a tax return, a set amount that the IRS allows as a tax deduction without the need to list actual expenses

Fact and Idea Review

- 1. What are examples of local tax assessments?

- 2. Refer to the chart in the article to compute the local, state and federal income taxes that the person in the chart pays a year.

Critical Thinking

- 3. Why is it important to pay taxes? What are the consequences of not paying?

- 4. How do federal, state, and local government tax policies affect individuals, families, and communities?

Extension Activity

Research your local tax assessments. Create a chart or table showing how taxes collected in your community and state are allocated.

Concept Application

Review and complete the sample W-4 form.

Form W-4 (2011)

Purpose. Complete Form W-4 so that your employer can withhold the correct federal income tax from your pay. Consider completing a new Form W-4 each year and when your personal or financial situation changes.

Exemption from withholding. If you are exempt, complete **only** lines 1, 2, 3, 4, and 7 and sign the form to validate it. Your exemption for 2011 expires February 16, 2012. See Pub. 505, Tax Withholding and Estimated Tax.

Note. If another person can claim you as a dependent on his or her tax return, you cannot claim exemption from withholding if your income exceeds \$950 and includes more than \$300 of unearned income (for example, interest and dividends).

Basic instructions. If you are not exempt, complete the **Personal Allowances Worksheet** below. The worksheets on page 2 further adjust your withholding allowances based on itemized deductions, certain credits, adjustments to income, or two-earners/multiple jobs situations.

Complete all worksheets that apply. However, you may claim fewer (or zero) allowances. For regular wages, withholding must be based on allowances you claimed and may not be a flat amount or percentage of wages.

Head of household. Generally, you may claim head of household filing status on your tax return only if you are unmarried and pay more than 50% of the costs of keeping up a home for yourself and your dependent(s) or other qualifying individuals. See Pub. 501, Exemptions, Standard Deduction, and Filing Information, for information.

Tax credits. You can take projected tax credits into account in figuring your allowable number of withholding allowances. Credits for child or dependent care expenses and the child tax credit may be claimed using the **Personal Allowances Worksheet** below. See Pub. 919, How Do I Adjust My Tax Withholding, for information on converting your other credits into withholding allowances.

Nonwage income. If you have a large amount of nonwage income, such as interest or dividends, consider making estimated tax payments using

Form 1040-ES, Estimated Tax for Individuals. Otherwise, you may owe additional tax. If you have pension or annuity income, see Pub. 919 to find out if you should adjust your withholding on Form W-4 or W-4P.

Two earners or multiple jobs. If you have a working spouse or more than one job, figure the total number of allowances you are entitled to claim on all jobs using worksheets from only one Form W-4. Your withholding usually will be most accurate when all allowances are claimed on the Form W-4 for the highest paying job and zero allowances are claimed on the others. See Pub. 919 for details.

Nonresident alien. If you are a nonresident alien, see Notice 1392, Supplemental Form W-4 Instructions for Nonresident Aliens, before completing this form.

Check your withholding. After your Form W-4 takes effect, use Pub. 919 to see how the amount you are having withheld compares to your projected total tax for 2011. See Pub. 919, especially if your earnings exceed \$130,000 (Single) or \$180,000 (Married).

Personal Allowances Worksheet (Keep for your records.)

A	Enter "1" for yourself if no one else can claim you as a dependent	A _____
B	Enter "1" if: <ul style="list-style-type: none"> • You are single and have only one job; or • You are married, have only one job, and your spouse does not work; or • Your wages from a second job or your spouse's wages (or the total of both) are \$1,500 or less. 	B _____
C	Enter "1" for your spouse . But, you may choose to enter "-0-" if you are married and have either a working spouse or more than one job. (Entering "-0-" may help you avoid having too little tax withheld.)	C _____
D	Enter number of dependents (other than your spouse or yourself) you will claim on your tax return	D _____
E	Enter "1" if you will file as head of household on your tax return (see conditions under Head of household above)	E _____
F	Enter "1" if you have at least \$1,900 of child or dependent care expenses for which you plan to claim a credit	F _____
G	Child Tax Credit (including additional child tax credit). See Pub. 972, Child Tax Credit, for more information. <ul style="list-style-type: none"> • If your total income will be less than \$61,000 (\$90,000 if married), enter "2" for each eligible child; then less "1" if you have three or more eligible children. • If your total income will be between \$61,000 and \$84,000 (\$90,000 and \$119,000 if married), enter "1" for each eligible child plus "1" additional if you have six or more eligible children 	G _____
H	Add lines A through G and enter total here. (Note. This may be different from the number of exemptions you claim on your tax return.) ► H _____ For accuracy, complete all worksheets that apply. <ul style="list-style-type: none"> • If you plan to itemize or claim adjustments to income and want to reduce your withholding, see the Deductions and Adjustments Worksheet on page 2. • If you have more than one job or are married and you and your spouse both work and the combined earnings from all jobs exceed \$40,000 (\$10,000 if married), see the Two-Earners/Multiple Jobs Worksheet on page 2 to avoid having too little tax withheld. • If neither of the above situations applies, stop here and enter the number from line H on line 5 of Form W-4 below. 	

Cut here and give Form W-4 to your employer. Keep the top part for your records.

Form W-4 Department of the Treasury Internal Revenue Service	Employee's Withholding Allowance Certificate ► Whether you are entitled to claim a certain number of allowances or exemption from withholding is subject to review by the IRS. Your employer may be required to send a copy of this form to the IRS.	OMB No. 1545-0074 2011
1 Type or print your first name and middle initial. Last name		2 Your social security number
Home address (number and street or rural route)		3 <input type="checkbox"/> Single <input type="checkbox"/> Married <input type="checkbox"/> Married, but withhold at higher Single rate. Note. If married, but legally separated, or spouse is a nonresident alien, check the "Single" box.
City or town, state, and ZIP code		4 If your last name differs from that shown on your social security card, check here. You must call 1-800-772-1213 for a replacement card. ► <input type="checkbox"/>
5 Total number of allowances you are claiming (from line H above or from the applicable worksheet on page 2)		5 _____
6 Additional amount, if any, you want withheld from each paycheck		6 \$ _____
7 I claim exemption from withholding for 2011, and I certify that I meet both of the following conditions for exemption. <ul style="list-style-type: none"> • Last year I had a refund of all federal income tax withheld because I had no tax liability and • This year I expect a refund of all federal income tax withheld because I expect to have no tax liability. If you meet both conditions, write "Exempt" here		7 _____
Under penalties of perjury, I declare that I have examined this certificate and to the best of my knowledge and belief, it is true, correct, and complete.		
Employee's signature (This form is not valid unless you sign it.) ►		Date ►
8 Employer's name and address (Employer: Complete lines 8 and 10 only if sending to the IRS.)		9 Office code (optional)
		10 Employer identification number (EIN)

Deductions and Adjustments Worksheet

Note. Use this worksheet *only* if you plan to itemize deductions or claim certain credits or adjustments to income.

1	Enter an estimate of your 2011 itemized deductions. These include qualifying home mortgage interest, charitable contributions, state and local taxes, medical expenses in excess of 7.5% of your income, and miscellaneous deductions	1	\$ _____
2	Enter: $\left\{ \begin{array}{l} \$11,600 \text{ if married filing jointly or qualifying widow(er)} \\ \$8,500 \text{ if head of household} \\ \$5,800 \text{ if single or married filing separately} \end{array} \right\}$	2	\$ _____
3	Subtract line 2 from line 1. If zero or less, enter “-0-”	3	\$ _____
4	Enter an estimate of your 2011 adjustments to income and any additional standard deduction (see Pub. 919)	4	\$ _____
5	Add lines 3 and 4 and enter the total. (Include any amount for credits from the <i>Converting Credits to Withholding Allowances for 2011 Form W-4 Worksheet</i> in Pub. 919.)	5	\$ _____
6	Enter an estimate of your 2011 nonwage income (such as dividends or interest)	6	\$ _____
7	Subtract line 6 from line 5. If zero or less, enter “-0-”	7	\$ _____
8	Divide the amount on line 7 by \$3,700 and enter the result here. Drop any fraction	8	_____
9	Enter the number from the Personal Allowances Worksheet , line H, page 1	9	_____
10	Add lines 8 and 9 and enter the total here. If you plan to use the Two-Earners/Multiple Jobs Worksheet , also enter this total on line 1 below. Otherwise, stop here and enter this total on Form W-4, line 5, page 1	10	_____

Two-Earners/Multiple Jobs Worksheet (See *Two earners or multiple jobs* on page 1.)

Note. Use this worksheet *only* if the instructions under line H on page 1 direct you here.

1	Enter the number from line H, page 1 (or from line 10 above if you used the Deductions and Adjustments Worksheet)	1	_____
2	Find the number in Table 1 below that applies to the LOWEST paying job and enter it here. However , if you are married filing jointly and wages from the highest paying job are \$65,000 or less, do not enter more than “3”	2	_____
3	If line 1 is more than or equal to line 2, subtract line 2 from line 1. Enter the result here (if zero, enter “-0-”) and on Form W-4, line 5, page 1. Do not use the rest of this worksheet	3	_____

Note. If line 1 is **less than** line 2, enter “-0-” on Form W-4, line 5, page 1. Complete lines 4 through 9 below to figure the additional withholding amount necessary to avoid a year-end tax bill.

4	Enter the number from line 2 of this worksheet	4	_____
5	Enter the number from line 1 of this worksheet	5	_____
6	Subtract line 5 from line 4	6	_____
7	Find the amount in Table 2 below that applies to the HIGHEST paying job and enter it here	7	\$ _____
8	Multiply line 7 by line 6 and enter the result here. This is the additional annual withholding needed	8	\$ _____
9	Divide line 8 by the number of pay periods remaining in 2011. For example, divide by 26 if you are paid every two weeks and you complete this form in December 2010. Enter the result here and on Form W-4, line 6, page 1. This is the additional amount to be withheld from each paycheck	9	\$ _____

Table 1

Table 2

Married Filing Jointly		All Others		Married Filing Jointly		All Others	
If wages from LOWEST paying job are—	Enter on line 2 above	If wages from LOWEST paying job are—	Enter on line 2 above	If wages from HIGHEST paying job are—	Enter on line 7 above	If wages from HIGHEST paying job are—	Enter on line 7 above
\$0 - \$5,000 -	0	\$0 - \$8,000 -	0	\$0 - \$65,000	\$560	\$0 - \$35,000	\$560
5,001 - 12,000 -	1	8,001 - 15,000 -	1	65,001 - 125,000	930	35,001 - 90,000	930
12,001 - 22,000 -	2	15,001 - 25,000 -	2	125,001 - 185,000	1,040	90,001 - 165,000	1,040
22,001 - 25,000 -	3	25,001 - 30,000 -	3	185,001 - 335,000	1,220	165,001 - 370,000	1,220
25,001 - 30,000 -	4	30,001 - 40,000 -	4	335,001 and over	1,300	370,001 and over	1,300
30,001 - 40,000 -	5	40,001 - 50,000 -	5				
40,001 - 48,000 -	6	50,001 - 65,000 -	6				
48,001 - 55,000 -	7	65,001 - 80,000 -	7				
55,001 - 65,000 -	8	80,001 - 95,000 -	8				
65,001 - 72,000 -	9	95,001 -120,000 -	9				
72,001 - 85,000 -	10	120,001 and over	10				
85,001 - 97,000 -	11						
97,001 -110,000 -	12						
110,001 -120,000 -	13						
120,001 -135,000 -	14						
135,001 and over	15						

Privacy Act and Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. Internal Revenue Code sections 3402(f)(2) and 6109 and their regulations require you to provide this information; your employer uses it to determine your federal income tax withholding. Failure to provide a properly completed form will result in your being treated as a single person who claims no withholding allowances; providing fraudulent information may subject you to penalties. Routine uses of this information include giving it to the Department of Justice for civil and criminal litigation, to cities, states, the District of Columbia, and U.S. commonwealths and possessions for use in administering their tax laws; and to the Department of Health and Human Services for use in the National Directory of New Hires. We may also disclose this information to other countries under a tax treaty, to federal and state agencies to enforce federal nontax criminal laws, or to federal law enforcement and intelligence agencies to combat terrorism.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by Code section 6103.

The average time and expenses required to complete and file this form will vary depending on individual circumstances. For estimated averages, see the instructions for your income tax return.

If you have suggestions for making this form simpler, we would be happy to hear from you. See the instructions for your income tax return.

Review and complete the sample form I-9, which all United States employers must complete and retain for each citizen and noncitizen they hire for employment.

OMB No. 1615-0047; Expires 08/31/12

Department of Homeland Security
U.S. Citizenship and Immigration Services

Form I-9, Employment Eligibility Verification

Read instructions carefully before completing this form. The instructions must be available during completion of this form.

ANTI-DISCRIMINATION NOTICE: It is illegal to discriminate against work-authorized individuals. Employers CANNOT specify which document(s) they will accept from an employee. The refusal to hire an individual because the documents have a future expiration date may also constitute illegal discrimination.

Section 1. Employee Information and Verification (To be completed and signed by employee at the time employment begins.)

Print Name: Last _____	First _____	Middle Initial _____	Maiden Name _____
Address (Street Name and Number) _____		Apt. # _____	Date of Birth (month/day/year) _____
City _____	State _____	Zip Code _____	Social Security # _____

I am aware that federal law provides for imprisonment and/or fines for false statements or use of false documents in connection with the completion of this form.

I attest, under penalty of perjury, that I am (check one of the following):

- A citizen of the United States
- A noncitizen national of the United States (see instructions)
- A lawful permanent resident (Alien #) _____
- An alien authorized to work (Alien # or Admission #) _____ until (expiration date, if applicable - month/day/year)

Employee's Signature _____

Date (month/day/year) _____

Preparer and/or Translator Certification (To be completed and signed if Section 1 is prepared by a person other than the employee.) I attest, under penalty of perjury, that I have assisted in the completion of this form and that to the best of my knowledge the information is true and correct.

Preparer's/Translator's Signature _____

Print Name _____

Address (Street Name and Number, City, State, Zip Code) _____

Date (month/day/year) _____

Section 2. Employer Review and Verification (To be completed and signed by employer. Examine one document from List A OR examine one document from List B and one from List C, as listed on the reverse of this form, and record the title, number, and expiration date, if any, of the document(s).)

List A	OR	List B	AND	List C
Document title: _____		_____		_____
Issuing authority: _____		_____		_____
Document #: _____		_____		_____
Expiration Date (if any): _____		_____		_____
Document #: _____		_____		_____
Expiration Date (if any): _____		_____		_____

CERTIFICATION: I attest, under penalty of perjury, that I have examined the document(s) presented by the above-named employee, that the above-listed document(s) appear to be genuine and to relate to the employee named, that the employee began employment on (month/day/year) _____ and that to the best of my knowledge the employee is authorized to work in the United States. (State employment agencies may omit the date the employee began employment.)

Signature of Employer or Authorized Representative _____

Print Name _____

Title _____

Business or Organization Name and Address (Street Name and Number, City, State, Zip Code) _____

Date (month/day/year) _____

Section 3. Updating and Reverification (To be completed and signed by employer.)

A. New Name (if applicable) _____

B. Date of Rehire (month/day/year) (if applicable) _____

C. If employee's previous grant of work authorization has expired, provide the information below for the document that establishes current employment authorization.

Document Title: _____

Document #: _____

Expiration Date (if any): _____

I attest, under penalty of perjury, that to the best of my knowledge, this employee is authorized to work in the United States, and if the employee presented document(s), the document(s) I have examined appear to be genuine and to relate to the individual.

Signature of Employer or Authorized Representative _____

Date (month/day/year) _____

Activity 24 Working Families

AS YOU READ, learn the *Vocabulary*. **AFTER YOU READ**, check your understanding through *Fact and Idea Review*, *Critical Thinking Questions*, and an *Extension Activity*.

Work-Life Benefits

Working families have several programs and opportunities available for them at work through their employers.

Flex Scheduling One example is flexible work scheduling. This allows employees to shift their start and end time to hours other than the standard 9-5. An employee could start at 6:00 a.m. and end at 2:00 p.m. to be home in time for his or her child returning from school. This can benefit the employer if the company works in different time zones. It also allows a company to share desks, computers, and telephones if the schedules of flex-time employees do not overlap. Another option is to work four ten-hour days which reduces commuting time and cost.

Telecommuting Employees can **telecommute** to reduce commuting time and cost, too. Employers can benefit by reducing their overhead costs like saving on heating and cooling of office spaces while employees work from home. Employers can also offer job sharing where two part-time employees split the duties of one full-time job.

Child Care Employer-sponsored child care is another way to help balance work and life. An employer can make full or partial payments for the cost of child care services, regardless of location. An employer may also offer on-site child care, which the employer manages. Employers can establish accounts that the employee funds with pre-tax contributions.

Insurance Coverage Employers also offer free or low-cost assistance programs to employees usually connected with health insurance plans. Employees and their family members can use these programs to work through personal issues like substance abuse, emotional counseling, financial issues, aging parent issues, and grief counseling.

FMLA The 1993 Family and Medical Leave Act (FMLA) requires employers with more than 50 employees to provide unpaid leave when employees have a serious health issue, or when they need to care for a newborn, adopted or foster child, or to care for a sick family member. Employers are also required to give employees their job back when they return, or if it is unavailable then one that is identical in pay, responsibility, and benefits. Employees can take up to 12 weeks of unpaid leave a year. Prior to this federal law, employers could decide if they would hold an employee's job or replace them. Under FLMA, an employer cannot seek retaliation, such as termination, against an employee for using 12 weeks for a family issue. The FMLA does not apply to part-time employees or to companies smaller than 50 employees. The federal FMLA only applies to immediate family - parent, spouse, and child. However, in 2008, amendments were made to the FMLA for military family members to include next of kin and adult children. Other states have added additional reasons for FMLA time, such as, being an organ or bone marrow donor.

Vocabulary

telecommute to work from home using communication links to the workplace

Fact and Idea Review

1. What options are available with flexible work scheduling?

2. What options are available with employer-assistance programs and health insurance?

Critical Thinking

3. What influence do families have on the workplace?

4. How does FMLA positively impact families?

5. Why do you think employers offer these programs and benefits? Explain.

Extension Activity

There are various employer plans to assist employees. Research the nature and scope of several employer benefits for families such as the Family and Medical Leave Act (FMLA) and employer-sponsored child care. Identify what benefits each provides to employees. Summarize your findings.

Activity 25 The Decision-Making Process

AS YOU READ, learn the *Vocabulary*. **AFTER YOU READ**, check your understanding through *Fact and Idea Review*, *Critical Thinking Questions*, and an *Extension Activity*.

Making Decisions

When you have to consider a problem it is helpful to be aware of the positive and negative factors influencing your decision-making process. Each decision you make will have consequences. These consequences will be negative, positive, or a combination. In addition, the results may only affect you, or they may affect others. Before you make a decision, consider the impact it will have on you as well as others. **Critical thinking** is about applying reasoning strategies in order to make sound decisions. Evaluating information, discerning fact from opinion, and drawing conclusions based on relevant criteria are strategies that can help you make good judgments.

The decision-making process consists of six steps. This process will help you to make decisions effectively. The first step in the process is to identify the decision. You need to know what your goal is and what the desired outcome will be.

Next you should list possible options. You need to gather information to work and develop alternative solutions to see which one is best. You should think of as many options as possible.

The third step is to consider the pros and cons of each option. Listing the pros and cons for each alternative will let you see very clearly which alternative is not going to work and which might work. Also remember to keep in mind how each alternative might impact others.

Once you have done this, you are ready for the next step: choosing the decision. You are now able to make your decision. You should select the option that will have the most positive outcome. The fifth step is to act on your decision. Identify what you need to do and carry out your decision.

The final step is to evaluate your decision. Ask yourself: Did I make the best choice? How did my decision impact others? You should allow a moment of reflection to reinforce how you arrived at your particular decision to learn from what you have done.

The factors that influence your decision-making process are past experiences, biases, age, and personal relevance. If you have lost money buying a risky stock, then in the future, you may not choose a risky stock. **Bias** is a preference that might prevent impartial judgment and may influence your decision.

Your age can also affect your decision-making process. Older people may be more confident in their decision-making abilities. Older people prefer to have fewer choices than young adults.

Personal relevance refers to the fact that when you believe what you decide matters, then you are more likely to make a decision. Take voting for an example, if you really believe it matters who wins, then you are more likely to vote. Once you make your decision, you may regret it or be pleased with it; either of these feelings will influence you the next time you use the decision-making process.

Vocabulary

critical thinking applying reasoning strategies in order to make sound decisions

bias a preference that might prevent impartial judgment

Fact and Idea Review

- 1. What are some factors that influence the decision-making process?

- 2. What are the six steps in the decision-making process?

Critical Thinking

- 3. How do the factors influencing the decision-making process have a positive and/or negative influence on decisions?

- 4. How might values of different cultures in other parts of the world impact the decision-making process? Provide examples.

5. How might two people choose different paths in the decision-making process? What are some possible reasons for their decisions?

6. What do you think would happen if a person did not consider the impact of his or her decisions on others or did not consider alternative courses of action?

Extension Activity

Recall a time you had to make a big decision. Apply the steps of the decision-making process. How did factors have a positive or negative influence on your decision? Summarize your experience.

Activity 26 Insurance

AS YOU READ, learn the *Vocabulary*. **AFTER YOU READ**, check your understanding through *Fact and Idea Review*, *Critical Thinking Questions*, and an *Extension Activity*.

Risk Management

Having **insurance** protection as a part of your financial planning will minimize financial losses from accidents. Some types of insurance include homeowners, health, and life.

Homeowners insurance protects property from fires, theft, or damage from weather. It provides coverage for damages to the home, or loss of contents of the homeowner. Homeowners insurance also provides **liability** coverage for accidents that may occur at the home. For example, if someone falls off a ladder while working on your roof, your home insurance will pay for his or her hospital bill. The standard amount for liability coverage is around \$300,000. Insurance has two ways to compensate you for your losses. They can provide you with the actual cash value of the lost items, or they can replace the items with comparable new ones. The replacement coverage is more expensive.

Another important type of insurance is health insurance. Medical costs can overwhelm you if you do not have coverage. Coverage for hospital stays, routine doctor's visits, and prescription drugs is a minimum requirement. Major medical coverage is for major illnesses when longer hospital stays, treatments, and medicine are required. Most people are insured through their employer, although a self-employed person can obtain individual health insurance policies. Plans generally fall under two categories; fee-for-service or managed care plans.

A fee-for-service plan allows you to have your choice of doctors and hospitals. You must keep good records of your paperwork. You are charged for each medical service and your insurance pays a portion of that fee. The plans have a yearly deductible such as \$500 for an individual, and \$1,000 for a family. Generally, the insurance company will pay 80 percent and you will have to pay the remaining 20 percent after you have paid your deductible. Fee-for-service plans cost a little more for the freedom to choose doctors lost.

Managed care plans can vary but they are similar in that they involve a network of selected doctors and hospitals who agree to provide care for predetermined fees. Managed care plans emphasize preventive care. Managed care plans require a **co-payment** to be paid by the patient to the doctor or hospital for the visit. Co-payments vary but generally are round \$20 for a doctor's visit and \$100 for an emergency room visit.

Life insurance should also be a part of your financial plan. When someone dies, his or her life insurance will provide money to the survivors. How much life insurance you need is correlated to how many people depend on you to support them. Someone who is married with children would need more life insurance coverage than someone who is 25 years and single. The cost of life insurance is based on your age, gender, health, family's health history, your occupation, and hobbies. To qualify for life insurance you are required to fill out a form that details your health history, age, and other factors.

Vocabulary

insurance purchased protection that guarantees to pay you in the event of certain specified losses

co-payment a flat fee given to a health care provider at the time of service

liability legal responsibility to pay someone who has suffered an injury or loss caused by another

Fact and Idea Review

- 1. What is liability and homeowners insurance?

- 2. What is health and life insurance?

Critical Thinking

- 3. Why is it important to have property and liability insurance as a part of individual and family financial plans?

- 4. Why is it important to have health and life insurance as a part of individual and family financial plans?

5. Which type of insurance would be most important for you now and in the future? Explain your choices.

Extension Activity

Select one type of insurance from the article. Research consumer options for this insurance type. What is needed to apply? What factors influence costs? What choices do you have to make for the policy and which would you choose? Where can you buy this insurance? Who would you select as your provider and seller? Summarize your findings.

Activity 27 Communication

AS YOU READ, learn the *Vocabulary*. **AFTER YOU READ**, check your understanding through *Fact and Idea Review*, *Critical Thinking Questions*, and an *Extension Activity*.

Activity 27

Effective Communication

Being able to communicate clearly to other people is important for good relationships whether you are communicating with family, or friends, at school, or work.

There are different types of communication. It can be verbal, which refers to oral language, or nonverbal, which refers to body language such as posture, facial reactions, or hand gestures. Communication can be formal or informal depending on the situation or the person you are addressing. Formal communication can be used with work or school and informal communication can be used with your friends and family.

Some techniques to enhance communications skills are listening, asking questions, and being respectful of other people's perspective and contributions. Not being understood can be frustrating. People like to have their ideas heard and considered, and other people often provide different and interesting perspectives.

How you say something is just as important as what you say. "I" messages show you are taking responsibility for your own actions, such as "I need to learn this program." "You" messages can be perceived as accusatory or blaming, such as "You always sleep in." "We" messages show inclusiveness and an ability to work together, such as "We can rework the budget here and save some money."

Being able to listen and communicate effectively to convey your message to other people at school or work will also help you balance your personal and family life.

Here is an example of using communication in the workplace. A new employee is asked to work **overtime** tonight. She has plans that night to volunteer at the animal shelter. Because she is new, she may find it hard to say no. She has options to communicate her concerns though. She can say yes and just cancel her plans without mentioning it to her boss. Or she can say yes to working late tonight, but say that she has to reschedule her commitment.

From a **management** perspective, her boss has to get an amount of work done tonight which is why she asked her to stay late. The manager has options to communicate also. She can tell her employee she has to work late. Or she can listen and provide a solution to the scheduling issue by offering to let her employee return to work after she finishes volunteering or to come in earlier the next morning.

Both employee and manager have something that needs done but by talking and listening they can resolve the scheduling problem.

How you communicate with people and how you handle conflicts can impact the relationships you have and how you live your life.

Vocabulary

overtime work in excess of 40 hours per week

management the process of using resources effectively to reach goals

Fact and Idea Review

- 1. What are some types of communication?

- 2. What are some techniques to enhance communications skills?

Critical Thinking

- 3. What kind of message do you send when you speak using “I,” “you,” and “we” statements?

- 4. How is communication related to problem solving?

5. How can nonverbal communication such as body language impact your ability to communicate a message? How can you correct this?

Activity 27

Extension Activity

Create a script to demonstrate a communication technique to deal with a problem, then role play the scenario. Evaluate if the communication process was effective. What are some other forms of effective communication? Summarize your findings.

Activity 28 Stress

AS YOU READ, learn the *Vocabulary*. **AFTER YOU READ**, check your understanding through *Fact and Idea Review*, *Critical Thinking Questions*, and an *Extension Activity*.

Identifying Causes and Managing Stress

School, activities, sports, friends, family, and work all make your life interesting and busy. But sometimes these things mean reports, tests, practices, games, and arguments, which can lead to **stress**. Often when you try to do too much you feel stress. Positive and negative experiences can cause stress. For example, performing in a play can cause stress even if you enjoy performing.

Sometimes stress can motivate you to meet a deadline and help you meet your goals. However, too much stress can have a negative impact even causing you to get sick. Effectively managing your time and other items in your life will help reduce stress. Learning to cope with stress is a good skill to have as you will use it your entire life.

There are many methods to help manage stress. Eating well and exercising are two ways to alleviate stress and maintain your mental and physical **wellness**. Walking outside is simple and can refresh your outlook on whatever was bothering you. Sleeping well is also important. Being well rested, fed, and exercised will give you a better perspective on your problem.

Another way to reduce stress is through time management skills. Time management helps you feel less overwhelmed.

Like creating a budget, you need to set goals, prioritize your tasks, and schedule time to accomplish your tasks. At a minimum you can write a to-do list and set your priorities for the day or week.

Talking is another great way to alleviate stress. Talk to your friends or family about what is bothering you. They may have a solution to help you or you may just feel better once you talk about it. Sometimes you can fixate on your problems and lose perspective. Talking to someone helps you regain your perspective.

Sometimes just doing nothing helps relieve stress. Breathing deeply and relaxing can make stress dissipate. Having a hobby you enjoy can also take your mind off the things in your life that are stressing you. You can also try doing something for someone else. Volunteer with a local food bank or organization and help others. This will often give you a feeling of pride and satisfaction and often alleviate stress.

It is important to avoid substances and behaviors that will harm your health. Alcohol, tobacco, and drugs harm your health and can endanger your life. Engaging in risky behavior to alleviate stress will only harm you. Stay positive and remind yourself that stress is a part of life, and you can work through it.

Vocabulary

stress physical or mental tension caused by events or situations

wellness the practice of a making a conscious effort to achieve an overall state of well-being

Fact and Idea Review

- 1. What are positive stress relievers?

- 2. What are tips and options for managing stress?

Critical Thinking

- 3. What are some factors that contribute to stress among your age group?

- 4. How can time management be an effective stress reliever? How can you implement this skill?

5. How can stress be a positive influence in your life? Provide examples of when stress had a positive influence and explain how stress impacted the situation and what the outcome was.

Extension Activity

Evaluate the nature and scope of stress from a positive and negative standpoint. Research to find the effects of long-term stress. What impact can stress have on a person's health? What are the effects of long-term and chronic stress? How can you manage and prevent long-term stress? Summarize your findings and your responses.

Activity 29 Conflict

AS YOU READ, learn the *Vocabulary*. **AFTER YOU READ**, check your understanding through *Fact and Idea Review*, *Critical Thinking Questions*, and an *Extension Activity*.

Dealing with and Resolving Conflict

You probably encounter numerous opportunities for conflict to arise through the course of your day, so it is important to learn strategies to deal with it. Some people avoid conflict altogether, but conflict can also be an opportunity to share diverse points of views, to resolve an issue, and to create relationships.

Conflict is not unusual and can be started by many things including

- misunderstandings
- differing opinions
- gossip
- jealously
- prejudice

There are as many ways to diffuse conflict as there are to start conflict. Some conflicts are pointless, and you are better off not wasting your energy. If a conflict arises you can

- use humor to diffuse a situation.
- steer clear of conflict to allow people to calm down, or avoid it completely.
- delay or postpone the conflict.
- get help from someone else. He or she can act as a neutral third party and listen to both sides. Mediation is helpful when one of you is at a distinct disadvantage, or extremely emotional.

Conflict is often caused by poor communication. Good communication skills are helpful in not only preventing conflict but also resolving conflicts. Being able to truly listen to the other person and being able to talk clearly and calmly about your own concerns is critical to having a productive discussion rather than an argument. Asking questions to try to get a better understanding of why someone behaves a certain way or does something can be helpful to you too.

When dealing with conflict it is important to be rational and objective about the situation. Becoming emotional, angry, or upset will not help the situation get resolved. It may even escalate the conflict. Being tolerant of other people can also prevent conflict. There is a variety of opinions in the world. If you are tolerant of other people's opinions you can learn to understand their side and make it more likely that you will resolve the conflict or not have a conflict with them at all.

Sometimes conflict may seem only negative but once you work through it calmly you realize the result is positive. If you manage the conflict well you can improve relationships, build trust, and solve problems.

Vocabulary

mediation a process in which two parties try to resolve a dispute with the help of a neutral third party

Fact and Idea Review

1. What are some positive results of conflict?

2. What are some negative actions that lead to conflict?

3. How can mediation resolve conflict?

Critical Thinking

4. How can you demonstrate approaches to resolving conflict?

5. What are some strategies for preventing conflict?

6. What role does communication play in both creating conflict and resolving conflict?

Extension Activity

Most people avoid confrontations and conflict, but sometimes it is inevitable. Summarize what factors contribute to conflict, strategies to prevent it, and positive and negative methods for dealing with conflict. Think of a recent conflict you experienced. Summarize both sides of the issue and describe how the conflict was resolved.

Activity 30 Life and Career Changes

AS YOU READ, learn the *Vocabulary*. **AFTER YOU READ**, check your understanding through *Fact and Idea Review*, *Critical Thinking Questions*, and an *Extension Activity*.

Dealing with Change

There is a saying that change is the only constant, which means that things are never stagnant; they will change. In your lifetime you will experience a great deal of change. You may live in different places due to family, school, or work. During your career, you may have many employers. You may resign for better opportunities or because your job was not a good fit for you, or you may be laid off from a job. Layoffs can be temporary or permanent staff reductions. You may receive a **severance package** to help with the transition to unemployment. A severance package may include bonus pay or other benefits.

However, you can plan for the change. Even if you do not know if the change is coming, you can still prepare for a job layoff for example by having your resume updated and a savings account with enough money for food, bills, and house and car payments for six to twelve months. Being aware of how things may change will also help you anticipate it rather than be caught unaware or off guard. Being prepared for change can go a long way to helping you respond to change when it happens.

How you deal with change will affect your quality of life. Your perspective on change is important. An event such as the loss of a job, income, home, or family will obviously have negative emotions associated with it. Anger, sadness, frustration are normal responses to these changes.

But at a certain point, your response will shift to acceptance, adaptation, and you will want to deal with your new situation. The sooner you can see the opportunity in your new situation, the sooner you will embrace the change.

Many dislike change because it pushes them out of their comfort zone of what they like to do. You can respond to change by fearing it or avoiding it (temporarily), or you can embrace it and have a positive outlook.

Change can also create new opportunities. If you move to a new city, you have new places to explore and new people to meet. Visiting your new area can help to reduce anxiety. You can also research the new area to learn more about the community. If you are friendly and show interest in others in your new community, you will soon feel right at home.

Change may take you outside of your comfort zone, but it can be a chance to grow as a person and see what you are capable of, which is probably a lot more than you thought.

Imagine how much has changed already. When telephones were invented, no one could have imagined us today carrying cell phones around without wires and cords. Change can be exciting and transformative. Embrace change and see where it takes you.

Vocabulary

severance package bonus pay or special benefits offered to laid-off workers

Fact and Idea Review

1. What are some situations that can lead to change?

2. What are some techniques for responding to change?

Critical Thinking

3. What role does change have in balancing work and family concerns?

4. How can you help a family member or friend deal with change?

5. Think about new students who just moved to your community and are starting at your school. What could you do to help them cope with this change? What information would be helpful to them?

Extension Activity

Consider what effect change can have on how you manage your finances and how it impacts your quality of life. What steps can you take to prepare for change? How will this impact your personal, financial, and career goals? Summarize your results.