



# Personal Savings

## Workbook

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Please check for current regulations, rules and laws.



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# About this Course for Instructors and Students

This workbook is designed to accompany the Personal Savings book. The book and workbook are designed in tandem to allow the student to experience a variety of activities to reinforce the learning objectives and enhance learning the material. The workbook complements the textbook and gives students a copy to complete and turn in to instructors. Personal Savings is a course that teaches the basics of setting goals, the time value of money, savings vehicles, bonds, plus the banking industry and its products and services. Savings returns and evaluating alternative saving vehicles are the focus of this course. This one-credit college course teaches the basics of personal savings and is part of a set of courses that teach financial education. There are some basic skills that are fundamental for all the courses. It is possible the student will have developed these skills in previous classes.

One of the first steps to building a secure financial future is building savings. What are you saving for? Most families have to save for emergencies, vacation, car, education, house, and retirement. In order to save effectively you have to ask how much you need and when. Once you've determined that, you have to look at all the options you have for savings. There are a variety of savings products that can match up with your time horizon and access to your money. Whether you use a bank or credit union you have evaluate and find the right vehicle for you.

The benefit of keeping a portion of your financial assets in savings vehicles is liquidity, preservation of principal and lower risk. It's an important beginning step to achieving your financial goals.

The topics that will be covered in this Personal Savings class are:

- Setting short-term and long-term financial goals
- Net worth statement
- Time value of money
- Banks and credit unions
- Savings vehicles (checking, saving, NOW, money market accounts, certificates of deposit, money market mutual funds, Treasury bills and bonds).
- Bond returns and risks (volatility and inflation)
- The banking industry and its products and services

At the end of this course, the learner will be expected to:

- Discuss and quantify major financial goals education, home, and retirement
- Assess the risk associated with each of these goals (inflation)
- Describe the purpose of banks and credit unions
- Create a net worth statement
- Review several types of savings vehicles
- Evaluate which are the best vehicles for their personal situations

Personal Savings information is very personal and is ever-changing. **Only share what you are comfortable sharing with others.** A student always has the option to “pass” on a question that they feel is too personal. This class is designed to teach you tools for financial planning; to start the process of writing things down, evaluating where you are today, developing plans and strategies for the future, and knowing where to go for information on the web for future questions as you go through your life cycle. Your life is ever-changing and some of your goals may change. The goal is to help you develop the financial knowledge to empower you to take control of your finances by becoming more discerning consumers. The knowledge and tools you develop in this class will serve you well throughout your life.

## Intro Assessment: Current Financial Behaviors

	Check if you do this currently.
Pay all my bills and loan payments on time.	
Have a recordkeeping system for my financial affairs.	
Balance my checkbook and monitor all my financial transactions monthly.	
Track all my expenses.	
Use a spending plan or budget.	
Have an emergency savings fund. If yes, how many months of expenses: 1-3 months ___ 4-6 months ___	
Save or invest money from every paycheck. If yes, percent paycheck saved ___%	
Save for long-term goals. If yes, which goals: (Check any that apply.) Education ___ Car ___ Home ___ Home upgrade ___ Vacation ___	
Plan and set goals for financial future.	
Have money in more than one type of investment. If yes, check any that apply: Individual stocks ___ Mutual Funds ___ Bonds ___ Real Estate ___ Treasury bills or CDs ___ International ___ Commodities ___	
Calculated net worth in the past two years.	
Participate in employer's retirement plan. 401(k) ___ 403 (b) ___ Other: ___	
Have insurance to protect my loved ones. If yes, check any that apply: Health ___ Life ___ Property ___ Auto ___ Disability ___ Umbrella ___	
Put money into other retirement plan: Roth IRA ___ Traditional IRA ___ SEP or SIMPLE IRA ___	
Review my credit report annually.	
Pay credit card balances in full each month.	
Research and compare offers before applying for a credit card or loan.	
Do my own taxes.	
Read about personal money management to improve how I'm doing	

## Activity 1: Needs and Wants

Short form: Think of the last ten items you bought. List them. Classify them as needs or wants. Share your list with the class and discuss what you would do differently. Create an action list and give it to the instructor. Review this action list at the end of the course.

Long form: Bring in your credit card statement for a month. Classify each expense as a need or want. What percent of your purchases were wants? Share this with the class and discuss what you would do differently. Create an action list and give it to the instructor. Review this action list at the end of the course.

## Activity 2: Spending Plan

- Estimate your expenses for a month.
- Classify them as fixed, variable or discretionary.
- Create a monthly spending plan.
- How does it compare to the suggested allocation?
- Where can you save?
- Try the spending plan for the next month.
- Does it work? What would you change?

## Activity 3: Financial Goals

List and quantify all your financial goals and give the year you want to achieve them.

For education, check out the College Board for costs of the college you want to go to:  
<http://www.collegeboard.com/student/pay/add-it-up/482.html>

For retirement, consider the income level for the lifestyle you want to live and divide by 4%.

For home, look at the <http://seattletimes.nwsourc.com/html/homevalues2007/>.  
Classify your goals as long term, intermediate term and short term.

Advanced:

Determine the inflated value of each financial goal.

Determine what you would have to save for each. Use savings calculators on Lum web book at:  
<http://facweb.bcc.ctc.edu/lum/Personal%20Investing%20Book/index.htm>

# The Time Value of Money

Table 1

## Future Value per \$1000 Investment Now

Return	Number of Years								
	5	10	15	20	25	30	35	40	45
2%	\$1,104	\$1,219	\$1,346	\$1,486	\$1,641	\$1,811	\$2,000	\$2,208	\$2,438
3%	\$1,159	\$1,344	\$1,558	\$1,806	\$2,094	\$2,427	\$2,814	\$3,262	\$3,782
4%	\$1,217	\$1,480	\$1,801	\$2,191	\$2,666	\$3,243	\$3,946	\$4,801	\$5,841
5%	\$1,276	\$1,629	\$2,079	\$2,653	\$3,386	\$4,322	\$5,516	\$7,040	\$8,985
6%	\$1,338	\$1,791	\$2,397	\$3,207	\$4,292	\$5,743	\$7,686	\$10,286	\$13,765
7%	\$1,403	\$1,967	\$2,759	\$3,870	\$5,427	\$7,612	\$10,677	\$14,974	\$21,002
8%	\$1,469	\$2,159	\$3,172	\$4,661	\$6,848	\$10,063	\$14,785	\$21,725	\$31,920
9%	\$1,539	\$2,367	\$3,642	\$5,604	\$8,623	\$13,268	\$20,414	\$31,409	\$48,327
10%	\$1,611	\$2,594	\$4,177	\$6,727	\$10,835	\$17,449	\$28,102	\$45,259	\$72,890
11%	\$1,685	\$2,839	\$4,785	\$8,062	\$13,585	\$22,892	\$38,575	\$65,001	\$109,530
12%	\$1,762	\$3,106	\$5,474	\$9,646	\$17,000	\$29,960	\$52,800	\$93,051	\$163,988
13%	\$1,842	\$3,395	\$6,254	\$11,523	\$21,231	\$39,116	\$72,069	\$132,782	\$244,641
14%	\$1,925	\$3,707	\$7,138	\$13,743	\$26,462	\$50,950	\$98,100	\$188,884	\$363,679
15%	\$2,011	\$4,046	\$8,137	\$16,367	\$32,919	\$66,212	\$133,176	\$267,864	\$538,769

### Question 1:

Think of that \$1000 you spent on soda and candy in 1996. If you put your money in the bank for 5% interest per year, calculate what you have after 10 years in 2006. If you purchased \$1000 in a stock index fund, what would you have?

What if you did the following in 1996?	Today's value
Bought \$1000 of soda and candy (that's about \$20 a week)	
Put \$1000 in the bank at 5%	
Bought \$1000 of a stock index. (\$1 in a stock index fund in 1996 would be worth \$1.91 in 2006.	

### Question 2:

You have \$2000 into a 529 plan to save for your kid's college and got 8% return, what would you in 20 years?

### Question 3:

You put \$4000 into an IRA to save for your retirement and got 9% return, what would you have for your retirement in 30 years?

### Question 4:

About 57% of people (especially the younger ones) who leave companies cash out their retirement benefits of \$8445. If you left this money in a retirement plan for 40 years at a return of 8%, calculate what it contributes to your retirement. Look at Table 1 to help you calculate how much you will have at retirement.

**Present Value – What I set aside today for a future goal.**

**Table 2  
Value to set aside for \$10,000 in the future**

Return	Number of Years								
	5	10	15	20	25	30	35	40	45
3%	\$8,626	\$7,441	\$6,419	\$5,537	\$4,776	\$4,120	\$3,554	\$3,066	\$2,644
4%	\$8,219	\$6,756	\$5,553	\$4,564	\$3,751	\$3,083	\$2,534	\$2,083	\$1,712
5%	\$7,835	\$6,139	\$4,810	\$3,769	\$2,953	\$2,314	\$1,813	\$1,420	\$1,113
6%	\$7,473	\$5,584	\$4,173	\$3,118	\$2,330	\$1,741	\$1,301	\$972	\$727
7%	\$7,130	\$5,083	\$3,624	\$2,584	\$1,842	\$1,314	\$937	\$668	\$476
8%	\$6,806	\$4,632	\$3,152	\$2,145	\$1,460	\$994	\$676	\$460	\$313
9%	\$6,499	\$4,224	\$2,745	\$1,784	\$1,160	\$754	\$490	\$318	\$207
10%	\$6,209	\$3,855	\$2,394	\$1,486	\$923	\$573	\$356	\$221	\$137
11%	\$5,935	\$3,522	\$2,090	\$1,240	\$736	\$437	\$259	\$154	\$91
12%	\$5,674	\$3,220	\$1,827	\$1,037	\$588	\$334	\$189	\$107	\$61
13%	\$5,428	\$2,946	\$1,599	\$868	\$471	\$256	\$139	\$75	\$41
14%	\$5,194	\$2,697	\$1,401	\$728	\$378	\$196	\$102	\$53	\$27
15%	\$4,972	\$2,472	\$1,229	\$611	\$304	\$151	\$75	\$37	\$19

**Question 5:**

**Here are some typical goals. Estimate how much each costs:**

- Down payment on house
- Wedding
- Children's college tuition
- Starting your own business
- Retirement

**Question 6:**

**Let's say you want to put \$40,000 down on your first house 10 years from now. You expect an investment rate of 7%. Calculate what you would have to set aside today.**

**Question 7:**

**Let's say you want to start a business with \$50,000 in 15 years. You expect a return rate of 8%. What you would have to set aside today?**

## Future value of an annuity – Value of saving every year

**Table 3**  
**Future Value of Saving \$1000 Every Year**

Return	Number of Years								
	5	10	15	20	25	30	35	40	45
3%	\$5,309	\$11,464	\$18,599	\$26,870	\$36,459	\$47,575	\$60,462	\$75,401	\$92,720
4%	\$5,416	\$12,006	\$20,024	\$29,778	\$41,646	\$56,085	\$73,652	\$95,026	\$121,029
5%	\$5,526	\$12,578	\$21,579	\$33,066	\$47,727	\$66,439	\$90,320	\$120,800	\$159,700
6%	\$5,637	\$13,181	\$23,276	\$36,786	\$54,865	\$79,058	\$111,435	\$154,762	\$212,744
7%	\$5,751	\$13,816	\$25,129	\$40,995	\$63,249	\$94,461	\$138,237	\$199,635	\$285,749
8%	\$5,867	\$14,487	\$27,152	\$45,762	\$73,106	\$113,283	\$172,317	\$259,057	\$386,506
9%	\$5,985	\$15,193	\$29,361	\$51,160	\$84,701	\$136,308	\$215,711	\$337,882	\$525,859
10%	\$6,105	\$15,937	\$31,772	\$57,275	\$98,347	\$164,494	\$271,024	\$442,593	\$718,905
11%	\$6,228	\$16,722	\$34,405	\$64,203	\$114,413	\$199,021	\$341,590	\$581,826	\$986,639
12%	\$6,353	\$17,549	\$37,280	\$72,052	\$133,334	\$241,333	\$431,663	\$767,091	\$1,358,230
13%	\$6,480	\$18,420	\$40,417	\$80,947	\$155,620	\$293,199	\$546,681	\$1,013,704	\$1,874,165
14%	\$6,610	\$19,337	\$43,842	\$91,025	\$181,871	\$356,787	\$693,573	\$1,342,025	\$2,590,565
15%	\$6,742	\$20,304	\$47,580	\$102,444	\$212,793	\$434,745	\$881,170	\$1,779,090	\$3,585,128

Going back to the example presented at the beginning of this section: What if you save \$25 (about the cost of coffee every day) a week? What would that be worth in 20 or 40 years. Well, according to our calculations, \$25 a week can come to **\$42,986** in 20 years. If you scrimp and save a bit more and raise your savings to \$50 a week, the amount in 40 years doubles to over **\$85,971**. Really saving very hard and raising it to \$75 a week makes it very close to a *quarter of a million dollars* in 20 years.

(Assumes daily compounding of interest.)

### Question 8:

You save \$1000 every year at a 10% return. Look at the table and find the amount you will have in 5 years.

### Question 9:

You save \$300 every year at a 5% return. Calculate the amount you will have in 45 years.

## Future value of an annuity – savings needed for future goal.

**Table 4**  
**Savings per year to get \$100,000 in the future**

Return	Number of Years								
	5	10	15	20	25	30	35	40	45
3%	\$18,835	\$8,723	\$5,377	\$3,722	\$2,743	\$2,102	\$1,654	\$1,326	\$1,079
4%	\$18,463	\$8,329	\$4,994	\$3,358	\$2,401	\$1,783	\$1,358	\$1,052	\$826
5%	\$18,097	\$7,950	\$4,634	\$3,024	\$2,095	\$1,505	\$1,107	\$828	\$626
6%	\$17,740	\$7,587	\$4,296	\$2,718	\$1,823	\$1,265	\$897	\$646	\$470
7%	\$17,389	\$7,238	\$3,979	\$2,439	\$1,581	\$1,059	\$723	\$501	\$350
8%	\$17,046	\$6,903	\$3,683	\$2,185	\$1,368	\$883	\$580	\$386	\$259
9%	\$16,709	\$6,582	\$3,406	\$1,955	\$1,181	\$734	\$464	\$296	\$190
10%	\$16,380	\$6,275	\$3,147	\$1,746	\$1,017	\$608	\$369	\$226	\$139
11%	\$16,057	\$5,980	\$2,907	\$1,558	\$874	\$502	\$293	\$172	\$101
12%	\$15,741	\$5,698	\$2,682	\$1,388	\$750	\$414	\$232	\$130	\$74
13%	\$15,431	\$5,429	\$2,474	\$1,235	\$643	\$341	\$183	\$99	\$53
14%	\$15,128	\$5,171	\$2,281	\$1,099	\$550	\$280	\$144	\$75	\$39
15%	\$14,832	\$4,925	\$2,102	\$976	\$470	\$230	\$113	\$56	\$28

**Question 10:**

You are 25 years old and plan to retire at age 65 with \$1 M. Calculate what you have to save every year at 8% return if you start at age 45.

**Question 11:**

Calculate what you have to save every year at 8% return if you start at age 35.

**Question 12:**

Calculate what you have to save every year at 8% return if you start at age 25.

**Question 13:**

Which is more?

At age 25, you save \$4000 a year for 20 years. Then let the money sit for the next 20 years until age 65.

Starting at age 45, you save \$8000 a year for 20 years until age 65.

### Planning For Uncertainty

**Question 14:**

You want to buy a house in 10 years that costs \$200,000 today. You think inflation will be 3% over the next 10 years. How much will the house cost?

**Question 15:**

You want to have a wedding that will cost \$10,000 in 5 years. You think that you'll invest in bonds at 8%. Calculate the annual savings needed.

**Question 16:**

You want to save \$75,000 for your kid's college education in 20 years. You think that you'll invest in stocks at 8%. Calculate the annual savings needed.

# Unit 1: Set Financial Goals

This Values Auction activity will help you understand the impact of values on your financial choices by having you rank what is most important to you and then see how much you are willing to “spend” to get it.

## Values Auction

A **Values Auction** will help us learn about our priorities by:

- Planning how much will be spent on “items” on a list.
- Bidding on items using a set amount of money (pretend money).
- Imagining the words, “Highest bidder wins!”

## Auction Bidding Process

You have \$100,000 to spend on the items. For the auction you must bid in increments of \$100. You cannot resell an item. Before the auction begins, fill in the left hand columns with the Spending Plan amounts you plan to bid on the items that interest you. As the auction proceeds, fill in the appropriate amounts for each item. Of course, the highest bidder “wins” the item.

When you are the highest bidder for an item, circle the item # and description for each item. Keep track of how much money you actually “spend” during the auction and calculate as you go how much you have left to spend on the remaining items. If you don’t get an item, you can reallocate those funds as the auction is taking place. You will have to think and act quickly!

Review the **Values Auction** items below to prioritize and assign Spending Plan bid amounts before the Auction begins. See the *Personal Money Management Workbook* for the **Values Auction** and **Writing Assignment** sheets.

## Activity 4: Values Auction

Fill in the left hand columns of the Values Auction sheet below with the Spending Plan amounts you plan to bid on the items that interest you.

<b>Values Auction</b> <b>(\$100,000 total Spending Plan)</b>	<b>My</b> <b>Spending</b> <b>Plan</b>	<b>My</b> <b>High</b> <b>Bid</b>	<b>Highest</b> <b>Bid =</b> <b>Sold</b>	<b>My</b> <b>\$ Left</b>
1. Financial ability to provide for children or elderly parents.	\$	\$	\$	\$
2. Freedom to do what you want				
3. Three more good friends				
4. World peace				
5. Great musical talent				
6. Tickets to any entertainment or athletic event as often as you wish				
7. Your student loan paid off in full				
8. Beauty makeover including lifetime wardrobe				
9. Being able to retire securely				
10. A satisfying and fulfilling relationship with a lifetime partner				
11. Lifelong financial security				
12. A large and expensive house				
13. Satisfying and fulfilling career				
14. \$50,000 for any charity you choose				
15. Own your home, debt-free				
16. Lifetime college education				
17. Health insurance for life				
18. A contract to play professional sports team of your choice				
19. Unlimited travel around the world				
20. One hundred meals at the best restaurants				

## Activity 5: Values Auction Reflection and Discussion

Answer as many questions as you can on *separate paper*, and then discuss what you learned.

- A. What did you bid on? Why?
- B. What did you buy? Why were you able to do so?
- C. Did you get **everything** you planned for at the **price** you expected to pay?
- D. Did anybody **pay more** than their spending plan? Why?
- E. Did anybody get a **bargain**? Why?
- F. On what did the group bid the highest? Why?
- G. On what did the group bid the lowest? Why?
- H. From this activity, what did you learn about your values?
- I. From this activity, what did you learn about your priorities and spending plans?
- J. How might this activity affect the setting of your financial goals in the future?

## Needs vs. Wants

Can you differentiate between the things you truly **need** to accomplish your goals and the things you merely **want**?

### Multiple Choice Questions on Needs, Wants and Goals

Choose the best answer for the following three questions.

#### Question 1:

**What are *needs*?**

- A. Things that are nice to have and gratify some desire or urge.
- B. Necessities for your everyday living such as food, housing and books for school.
- C. Desires and plans to achieve a specific outcome.
- D. Something you think about but don't accomplish.

#### Question 2:

**What are *wants*?**

- A. Things that are nice to have and gratify some desire or urge.
- B. Necessities for your everyday living such as food, housing and books for school.
- C. Desires and plans to achieve a specific outcome.
- D. Something you think about accomplishing but don't.

#### Question 3:

**What are *goals*?**

- A. Things that are nice to have and gratify some desire or urge.
- B. Necessities for your everyday living such as food, housing and books for school.
- C. Desires and plans to achieve a specific outcome.
- D. Something you think about but don't accomplish.

Your **Needs** include items that are necessary for survival, such as food, clothing, housing and medical care. Your **Wants** are all the things you think you need, but can do without.

Identifying your needs and wants will help you plan for the future. The pressure to obtain **present wants** is often greater than the willingness to provide for **future needs**. If you spend your money to satisfy wants before your needs are met, you will probably experience financial difficulties.

## Activity 6: Needs and Wants

On a sheet of paper, identify and write down **10** of your recent purchases.

- Put an **N** next to the purchases you felt were essential and important to you.
- Put a **W** next to the purchases that were not essential, but things you wanted to have.
- Compare the number of **N**'s and **W**'s.
- Did you spend more money on **needs** or on **wants**?
- How many of your **needs** might be considered **wants**?
- How much of your spending was a function of "retail therapy" (spending money because it makes you feel good)?
- What did you learn about your **needs** and **wants** from this activity?

### Question 4:

**When you retire, Medicare takes care of what portion of your medical expenses when you retire?**

- A. One quarter
- B. One half
- C. Three quarters

### Question 5:

**When you retire, Social Security benefits can cover what portion of your living expenses?**

- A. One quarter
- B. One half
- C. Three quarters

### Question 6:

**Your life expectancy when you reach age 65 is?**

- A. 13 years
- B. 18 years
- C. 23 years

## Activity 7: Check Out Your House Value (or Other Houses)

Although these sites are not totally accurate, check out [www.zillow.com](http://www.zillow.com) which shows the price of a house in a neighborhood that you to live in or want to live in. How much will you have to pay for the house?

## Activity 8: Estimate How Much You Need to Retire?

**Estimate how much you will need when you retire.** Use a simple rule of thumb. Most people will take out 4% of their retirement fund for annual living expenses. Decide what level of lifestyle you want when you retire (e.g. \$40,000, \$60,000, etc.) and divide by 4%. For example,  $\$50,000/4\%=\$1.25$  million. Set realistic goals using the *SMART* approach:

## Activity 9: Identify What You Want to Achieve Financially This Year?

Write your responses to these questions on separate paper.

- A. Over the next year, what ONE occurrence would have to happen for you to feel you've made significant financial progress? \_\_\_\_\_
- B. Write this occurrence as a goal. \_\_\_\_\_
- C. Describe why it is important to you. \_\_\_\_\_
- D. Describe how you will feel when you have accomplished this goal. \_\_\_\_\_

## Activity 10: Personal Financial Goals Worksheet

Name(s): \_\_\_\_\_  
Date: \_\_\_\_\_

Goals for: saving, spending and credit  
Months \_\_\_\_\_

### Non-monetary Goals

Priority	Brief Description	Actions to Be Taken	Target Date for Completion
	Example: Lose weight	Eat less and exercise more	Six months

### Short-Term Money Goals (3-12 months)

Priority	Brief Description	Actions to Be Taken	Target Date for Completion	Cost Estimate	Savings Needed for Month
	Example: save for emergency health, car, college tuition, books, a regular savings/investment program	Set up automatic monthly transfer from checking	3 months	\$1,200	\$400

### Long-Term Money Goals (One year or more)

Priority	Brief Description	Actions to Be Taken	Target Date for Completion	Cost Estimate	Savings Needed for Month
	Example: Save for a wedding, a home by age 30--down payment, a baby, for retirement, other. . .	Increase contribution to savings program by 10% per year	Four years . . .	\$15,000	\$313

[www.bellevuecollege.edu/financialeducation](http://www.bellevuecollege.edu/financialeducation)

## Unit 2: Net Worth Statement—Your Personal Financial Picture

Let's look at a sample **Net Worth** statement for two different people.

**Situation #1:** Taylor Jones is a college student, who has acquired only a few items of value. Notice that Taylor has more liabilities than asset value, which means more debt than assets, or a **negative Net Worth**. After graduation and getting a full-time job Taylor's net worth statement should change dramatically in just a few years.

### Situation #1: Net Worth data for college student, Taylor Jones as of January 1, 2006

Assets		Liabilities	
Cash on hand	\$ 40	Unpaid utilities(gas, elect)	\$100
Checking account	350	Unpaid cell phone(txt mess)	55
Savings account	850	Unpaid medical bills	75
		Unpaid credit card balance	500
Auto (Blue book value)	4,200		
Personal property* household	3,310	Auto loan	3,900
Personal property (jewelry, etc.)	<u>50</u>	College loan	2,500
		Government education loan	<u>2,000</u>
<b>Total Assets</b>	<b>\$8,800</b>		
		<b>Total Liabilities</b>	<b>\$9,130</b>
<b>Net Worth Calculation:</b>			
Total Assets	\$8,800		
--Total Liabilities	-- 9,130		
<b>Net Worth</b>	<b>(\$ 330)</b>		

\*Personal property: at fair market value: clothing, \$500; dresser \$60; TV, \$150; couch and chair, \$250, cooking/dining items, \$100; computer equipment, \$2,250

**Situation #2:** Emilio and Maria Rodriguez are a working, married couple with two children. Their net worth statement shows many more items and is more financially complex after working for several years. They have a positive net worth.

### Situation #2: Net Worth data for a couple with two children, Emilio and Maria Rodriguez-Jan. 1, 2006

Assets:		Liabilities:	
Cash on hand	\$ 300	Unpaid current bills	\$ 1,500
Savings accounts	12,000	Unpaid medical bills	800
Emilio's checking account	500	Unpaid credit card balance	3,200
Maria's checking account	700		
Tax refund due	600	College education loan	4,500
		Auto loans	20,000
Home (market value)	300,000	Mortgage loan	185,000
Personal property	20,000		
Autos (2)	26,500	<b>Total Liabilities</b>	<b>\$215,000</b>
Mutual funds	10,000		
Life insurance cash value	5,400		
IRA	7,000		
<b>Total Assets</b>	<b>\$383,000</b>	:	
		<b>Net Worth Calculation</b>	
		Total Assets	
		--Total Liabilities	-- _____
		<b>Net Worth</b>	<b>\$ _____</b>

#### Question 1:

Calculate Emilio and Maria's Net Worth on the Net Worth Worksheet above \$\_\_\_\_\_.

## Activity 11: Calculate Your Net Worth

To calculate your net worth collect copies of your bank/credit union statements, investment and life insurance statements, and information on the current value of your assets and debts. **Fill in your information on the Net Worth Worksheet.** Here is a sample worksheet.

NET WORTH WORKSHEET			
<b>Name:</b>		<b>Date:</b>	
<b>Assets (What You Own)</b>		<b>Liabilities: (What You Owe)</b>	
<b>Cash:</b>	\$	<b>Current Debt:</b>	\$
Cash on hand		Unpaid Household bills	
Checking accounts		Unpaid Medical bills	
Savings accounts		Insurance premiums	
Money market accounts		Unpaid utility bills	
Other		Unpaid taxes	
<b>Total Cash</b>		Unpaid legal	
		Other unpaid bills.	
		<b>Total Current Debt</b>	
<b>Investments: (Market Value)</b>		<b>Credit/Charge Card Balances</b>	
Savings bonds		Credit cards	
Certificates of deposit		Department Store Cards	
Stocks		Other	
Bonds		Other	
Mutual funds		<b>Total Credit Card Debt</b>	
Cash value of life insurance			
Retirement plans		<b>Loans:</b>	
Pension/profit-sharing		Home mortgage balance	
IRAs		Second mortgage or Home Equity loan balance	
401(K), 403 (B) plans		Other Real Estate loan balances	
Annuities		Bank/Finance Company loan	
Other investments		Bank /Finance Company loan	
<b>Total Investments</b>		Automobile(s) loans	
		Education loans	
<b>Personal Property: (Present Value)</b>		Boat/ RV loans	
Home ((Market Value)		Life insurance loans	
Automobiles (Blue Book value)		Retirement fund loans	
Other property		Personal loans from family or friends	
Furnishings and other Personal property		Other loans	
Boat, RVs (Blue Book value)		Other	
Collections		Other	
Furs, jewelry		<b>Total Loans</b>	
Other			
<b>Total Personal Property</b>			
<b>TOTAL ASSETS</b>		<b>TOTAL LIABILITIES</b>	
= Total Cash + Total Investments		= Total Current Debt	
+ Total Personal Property	\$	+ Total Credit Card Debt + Total Loans	\$
<b>Net Worth Calculation:</b>			
<b>Total Assets</b>			
<b>- Total Liabilities</b>			
<b>NET WORTH</b>	\$		

Once you know your net worth, evaluate where you are. If your liabilities are more than your assets, resolve to control spending and increase investments. Seek credit counseling to see if you can work out a plan to reduce your debt. Keeping *more* of what you make is the key to increasing your net worth. **Evaluate your net worth every year to see if it is growing adequately.**

# Unit 3: Financial Institutions

## Commercial Banks, Savings Banks and Credit Unions

### Activity 12: Compare Financial Institutions

Visit a financial institution or website to get information on different accounts. Complete this worksheet to help you evaluate whether the financial institution's choices to meet your needs:

#### Financial Institution Comparison Worksheet —Banks and Credit Unions

<b>Financial institution name:</b>		
Branch close to home or work?		
Hours open?		
ATMs (cash machines) close to where I live, work or shop?		
Languages— employees available who speak my language?		
If a credit union, am I eligible to join?		
<b>1. Checking Accounts:</b>		
• Name of checking account type?		
• Is checking free?		
• Minimum balance required? How much?		
• Is there a monthly fee? How much?		
• Interest paid on checking accounts? How much?		
• ATM/ debit/ check card?		
• Fees for using at <i>this</i> institution?		
• Fees for using <i>another</i> institutions cash machine, ATM?		
• Overdraft protection available?		
• Fees for bounced checks (NSF)?		
• Other fees?		
<b>2. Savings Accounts:</b>		
• Name of savings account type?		
• Interest rate paid on savings account?		
• Minimum balance required? How much?		
• Interest compounded— daily, monthly or quarterly?		
<b>3. Money Market Accounts:</b>		
• Minimum balance to open? How much?		
• Interest rate?		
<b>4. Certificates of Deposit:</b>		
• Interest rates and the terms?		
<b>Is the institution federally insured?</b>		
Who insures your institution?		
<b>Are there options for online activities?</b>		
<b>Does the institution offer credit cards?</b>		
Interest rate?		
How are the interest charges calculated-- average daily balance, other?		

Late fees? How calculated?		
<b>Other information:</b>		

### Activity 13: Compare ATM/ Debit/ Check Cards

<b>ATM/Debit/Check Card Comparison Worksheet</b>		
Use this Comparison Worksheet to compare the fine print on ATM/debit/check cards you are considering.		
<b>Features:</b>	Card:	Card:
<b>Institution:</b>		
<b>Card Name:</b>		
<b>Card Type:</b>		
<b>Fees:</b>		
ATM surcharges		
Bank-owned ATM fees		
Annual Card Fee		
Annual Rewards Fee		
Late Payment Fee		
NSF fees		
Overdraft fee		
Fees for foreign use		
<b>Perks and rewards:</b>		
Rebates		
Points		
Frequent flier miles		
Cash back		
<b>Other:</b>		

#### QUESTIONS

Questions about debit cards--True or False

1. Your liability on a debit card is the same or less as a credit card \_\_\_\_\_
2. The bank has 10 days to investigate any errors you bring to their attention \_\_\_\_
3. If you don't notify your bank you lost your debit card you could be liable for \$500 \_\_\_\_\_

#### QUESTION 4:

You don't realize you have only \$100 in your bank account and you want to use your debit card to buy a \$200 item. What will happen to your account?

#### QUESTION 5:

You are buying a product from a merchant you haven't dealt with before. Should you use a debit or credit card?

#### QUESTION 6:

**On Monday, John's debit card and PIN were stolen. On Tuesday, the thief withdrew \$250, all the money John had in his checking account. Five days later, the thief withdrew another \$500, triggering John's overdraft line of credit. John did not realize his card was stolen until he received his bank statement, showing withdrawals of \$750 he did not make. He called the bank right away. What is John's liability?**

**QUESTION 7:**

**Now suppose that when John got his bank statement he didn't look at it and didn't call the bank. Seventy days after the statement was mailed to John, the thief withdrew another \$1,000, reaching the limit on John's line of credit. What is John's liability?**

**QUESTION 8:**

**List all actions you should take to safeguard your debit card or any electronic transfers made into and out of your bank account.**

**Activity 14– Solutions for the unbanked.**

Invite an asset-building coalition or low-income credit union speaker to class to talk about strategies for getting the bank services for people who might have trouble getting bank accounts.

# Unit 4: Checking Accounts, Savings Accounts, Money Market Accounts and Money Market Funds

**Question 1:**

How are money market accounts different than money market mutual funds?

**Question 2:**

Why would you keep money in a savings or money market accounts?

**Activity 15: Ask a banker**

Prepare a list of questions and ask a banker to come to class to answer them. Focus on what types of accounts you should open. How can you reduce bank fees? How should you protect your wealth?

# Unit 5: Certificates of Deposit

**Question 1:**  
Why invest in CDs?

**Question 2:**  
Which CD allows you to increase the interest rate during the term of the CD?  
 A. Traditional CD  
 B. Bump-up CD  
 C. Liquid CD  
 D. Zero-coupon CD

**Question 3:**  
Why would you invest in a CD?

**Activity 16: Class contest for highest CD rate:**

Competitive, higher rate CD interest rates are offered by many financial institutions to attract money to their institution. Check out your local banks, brokerage firms, the online banks or Bankrate.com's survey for the list of the highest CD rates offered by financial institutions, [www.bankrate.com](http://www.bankrate.com).

Go online into any banks or credit unions, websites, or [www.bankrate.com](http://www.bankrate.com) to find what CD types, minimums and rates they offer. **Print out information about the CDs information for two financial institutions, and highlight the type of information listed below to compare CDs at different financial institutions.**

Bank/Credit Union	CD Type	Minimum Deposit	CD Rate	Term	Compounding Method	Annual Percentage Yield	Comments/Description

Present your findings to the class and judge who found the highest rate.

# Unit 6: Bonds

## True or False

### Question 1:

If you buy a 12-month Treasury bill (T-bill), you will be paid interest twice a year. \_\_\_\_\_

### Question 2:

Treasury bills, notes or bonds are not as safe as other types of bonds because you never know when the government will start overspending again. \_\_\_\_\_

## Activity 17: Compare Current Treasury Issue Rates

Compare the rates, terms and minimum purchase of T-Bills, or TIPS, T-Notes—print out and highlight the information to compare the 3-month T-bill with the 3-year Treasury Note or TIPS:

Go to TreasuryDirect to check out the latest Treasury rates, terms and price per \$100 of purchase.

[http://www.treasurydirect.gov/indiv/products/prod\\_auctions\\_glance.htm](http://www.treasurydirect.gov/indiv/products/prod_auctions_glance.htm)

Treasury Security Watch at Bankrate.com <http://www.bankrate.com/gookeyword/ratewatch/treasury.asp> or any other website where you can find this information.

Explain the difference in interest rates using your knowledge about Treasuries.

<b>Treasury Issue Rate Worksheet</b>				
<b>Type</b>	<b>Maturity Term</b>	<b>Minimum Purchase \$</b>	<b>Rate</b>	<b>Interest Paid</b>
T-Bills				
T-Notes				
TIPS				

### Question 3:

What is difference in the interest if you had invested \$100,000 lump sum versus laddering \$20,000 in 5-year Treasuries for each year for the beginning of the 1970s? Try starting your ladder on different years. Your interest is the rate times your investment times 5 years.

<b>Year</b>	<b>Rate</b>
1970	8.2%
1971	5.9%
1972	5.6%
1973	6.3%
1974	7.0%
1975	7.4%
1976	7.5%
1977	6.6%
1978	7.8%
1979	9.2%
1980	10.7%

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**Activity 18-Create a Bond Ladder:**

Go to [www.fidelity.com](http://www.fidelity.com). Click on Investment Products, then Fixed Income and finally Individual **Bonds**. Select bonds from the Secondary Market. Click on a *corporate bond*. This will bring up a query functionality. Just click Search and a chart will come up with all the corporate bond offerings. If you mouse over any one of the points, you will see the bond issuer. Click on the point and all the details will come up for the bond. Check out **corporate, mortgage, and zero coupon bonds** to see how they work.

Choose **5 corporate bonds with AAA ratings, 5-20 year maturities-spread out about every 5 years, at \$1,000 each for a total of \$5,000 to create a Bond Ladder below.**

Bond Ladder				
Bond Issuer	Bond maturity (year)	Coupon (Interest) Rate	Bond Price	Moody's Rating

# Unit 7: Tax-Advantaged Savings

## Activity 19: Maximize your tax savings.

Go to: <http://www.byggpub.com/finance/TaxFixedAmtCalc.htm> Use *the Tax and Non-Taxed Compounding Calculator* to identify which savings vehicles would be best for your financial situation.

1. Assume you will have accumulated 3-6 months of emergency money, list the savings vehicles you would use for this.
2. If you have a 401K plan, list the details of your employer match and list what funds you can contribute to. Even if you do not have a 401K at work, assume you make \$45,000 and make 401K contributions—How much will you contribute per year?
  - a. Calculate what you save in taxes now and how much return you get from the employer match (50% for every \$1 you contribute). Make sure you maximize your employer match, i.e., if your employer matches 3% then take action to contribute the full 3% match level.
3. Are you eligible to start a Roth IRA? Give reasons why or why not. If you are eligible, investigate where you can start one. Take action to contribute to your Roth IRA.