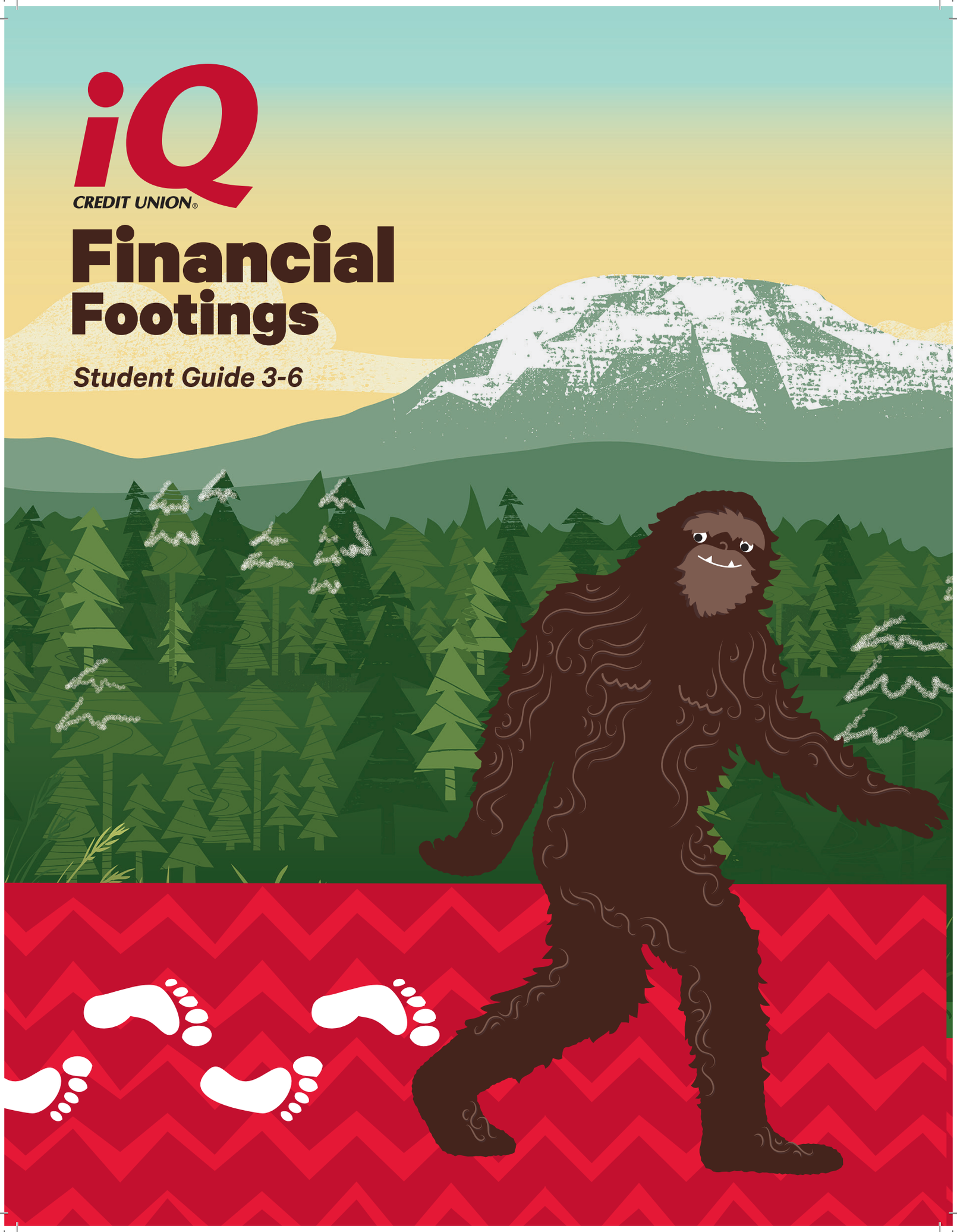
iQ CREDIT UNION®

Financial Footings

Student Guide 3-6



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STEP 1 : Money Matters

Key Concepts

Money is what we use to obtain the things we need. Money is our currency of exchange and comes in the form of coins and bills.

Trading & Bartering is what people did before money existed. It is a way of getting something we need by trading it for something we have. For example, you could trade your apple for your friend's banana.

Producers are people who make things that others need and want. For example, someone produced the pencil that you are using today.

Consumers are people who use the things others produce. You are the consumer of the pencil you are using today.

Supply is how much of something is available.

Demand is how much of something people want.

Supply & Demand work together. For example, if you have 3 hats and your friends want 2 of them the supply is 3 and the demand is 2. But it works the other way as well. Sometimes the demand is greater than the supply, meaning sometimes people want more of a product than what is available.

Did You Know?

- Before the days of paper money, Americans traded animal skins, including buckskins, for goods and services. Hence the word "buck" to describe money.

- In 1916, you could get your money laundered for free! If your money was in good enough shape, you could take it to Washington, D.C., where it would be washed, ironed and reissued.

- A dollar bill can be folded forward and back 4,000 times before it will tear.

- Paper currency is made of 25 percent linen and 75 percent cotton.

Draw a Dollar Bill

You have seen a one-dollar bill many times, you may have even used one today. But do you remember what it looks like? I mean what it really looks like? Here is our chance to take a closer look.

1. You will be given 10 minutes to draw the front and back of a one-dollar bill.
2. You cannot look at one; you must work off of your memory.
3. Try to include as many details as possible.
4. Start drawing when your presenter gives you the go ahead.

It Cost You What?

A take home activity

Take this activity home and work on it with your parent or guardian.

Did you know that the value of our money changes over time? No, we don't change the actual number on the coins or bills, but what that coin or bill can buy changes. This is called inflation. You can learn about inflation firsthand through this fun take home activity.

1. Ask a grandparent, if possible, how much the various items listed below cost when they were your age. You can ask a grandparent over the phone or in-person.
2. Then, ask a parent or guardian how much the same items cost when they were your age.
3. Now, research how much these same items cost today.
4. Use the chart below to fill in this information and then answer the questions that follow.

Item	Grandparent	Parent/Guardian	You
Gallon of Milk			
Candy Bar			
Movie Ticket			
Loaf of Bread			
Postage Stamp			
Gallon of Gas			
Cup of Coffee			

Did the cost of items go up or down over the years?

What item went up or down the most? By how much did it go up or down?

Did You Know?

That one dollar in 1900 was worth about $27.03 in today's money. That means you could get a lot more than a candy bar for $1 back then.

STEP 2 : Manage it

Key Concepts

A **Need** is something that we must have in order to survive. Water, food, shelter and clothing are examples of needs.

A **Want** is something that we desire, but do not need in order to live. A new bicycle is an example of a want.

A **Goal** is something specific that you work towards. For example, you might have a goal to get A's in all of your classes this year.

A **Short-Term Goal** is a goal you wish to achieve within one year or less.

A **Long-Term Goal** is a goal you wish to achieve in more than one year.

A **Budget** is a plan for your money.

Income is all of the money that you are given or earn. Gross Income is the amount of money your boss pays to you. Net Income is the amount of money that you receive after taxes have been taken out.

Expenses are money that you spend and are subtracted from your budget. **Fixed Expenses** are expenses that are the same each month and **Variable Expenses** vary from month to month.

Taxes are the money that people pay to the government for public services such as roads, schools, police and fire departments.

Did You Know?

Almost 300,000 trees are cut down each year to make the paper for all the forms and instructions relating to taxes.

Goal Setting

Goals are important. They help us plan for and get the things we want and need. Below you will find a simple chart to list your short-term goals and long-term goals.

List three short-term goals you have for yourself.

List three long-term goals you have for yourself.

Using the chart below, create plans for how you will reach your short-term goals.

Short-Term Goals	When	Cost	Savings Plan

Using the chart below, create plans for how you will reach your long-term goals.

Long-Term Goals	When	Cost	Savings Plan

Draw a picture of one of your goals.

Budget Game

Now that you know how to create a budget to plan for your money, let's see if you can stay within your budget.

1. You will be given a card with your career/job and your monthly net salary (the amount you can spend per month).
2. Write your income in the correct box in the budget below.
3. When your presenter says to go, you will visit the five expenses posters that are displayed around the room.
4. Choose one expense option per poster and write that amount in the correct box in the budget below.
5. Choose your own amount to put into savings each month and write it in the correct box in the budget below.
6. Once you have all five expenses and your savings, add up your total to see if you stayed within your budget.
7. Write down how much money you have left over in the bottom right box under "Balance".

Description	Expense	Income	Balance
Job:		$	
Food	$		
Clothing	$		
Housing	$		
Transportation	$		
Entertainment	$		
Saving	$		
TOTAL	$	$	$

Was this game easy or difficult? Why?

A Plan for Success

A take home activity

Take this activity home and work on it with your parent or guardian.

There is nothing more important for money management than a budget. Have a parent or guardian help you create your own budget.

1. Together, write down all the ways you receive money (income).
2. Then, write down all the things you typically buy (expenses).
3. Choose something that you want, but do not have enough money to buy.
4. Together, work out a plan (budget) on how you will save for this item and when you will be able to buy it.
5. Use the questions and budget chart below.

- What is the item you are saving for?

- How much does the item cost?

- How much money do you earn each week?

- Are there additional ways you can earn more money to put towards your goal?

- How much are you able to save for this item each week?

- Fill in the amounts and do the math below.

Amount of the item		Amount you save per week		How many weeks until you reach your goal?
_____	/	_____	=	_____

Description	Expenses	Income	Balance

STEP 3 : Banking

Key Concepts

A **Bank** is a financial institution that provides accounts and services to help people manage their money. A Bank is a for-profit business that pays taxes.

A **Credit Union** is similar to a bank with accounts and services to help their members manage their money, but Credit Unions are a not-for-profit organizations.

A **Savings Account** can be opened at a bank or credit union and used to store the money that you want to save for something in the future. Most savings accounts earn interest.

Interest is the fee to borrow money. If you borrow money, *you* pay interest. If someone borrows money from you, *they* pay interest.

A **Checking Account** can be opened at a bank or credit union and used to store the money that you use on a regular basis for things such as groceries, gas and bills.

You **Deposit** money when you put it into your bank or credit union account.

You **Withdrawal** money when you take it out of your bank or credit union account.

Account Balance is how much money you have in your account. It is very important to keep track of this.

Did You Know?

The first bank in the world opened in Siena, Italy in 1472.

Banks and Credit Unions

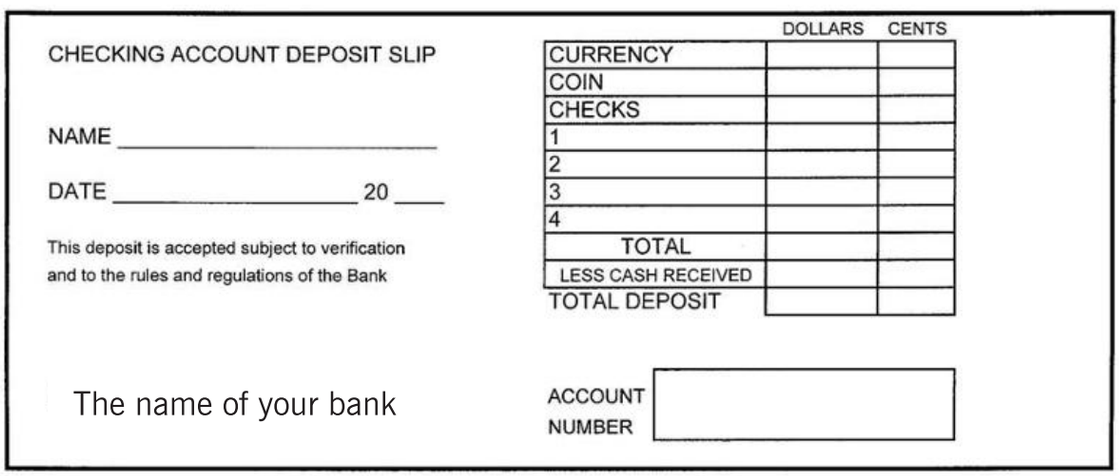
Do you know the differences between banks and credit unions? Put an X in the correct space for each item on the left.

	Bank	Credit Union	Both
Checking Account			
Savings Account			
Credit Card			
Loan			
For-Profit			
Not-For-Profit			

Make a Deposit

Let's put some money into our bank account! As a class, fill out the deposit slip with the following amounts:

Cash = $13.17
Check = $27.29
Check = $43.55



CHECKING ACCOUNT DEPOSIT SLIP

NAME _____

DATE _____ 20 ____

This deposit is accepted subject to verification and to the rules and regulations of the Bank

	DOLLARS	CENTS
CURRENCY		
COIN		
CHECKS		
1		
2		
3		
4		
TOTAL		
LESS CASH RECEIVED		
TOTAL DEPOSIT		

The name of your bank

ACCOUNT NUMBER

Banking Bingo!

Let's see how well you remember the things we have covered so far.

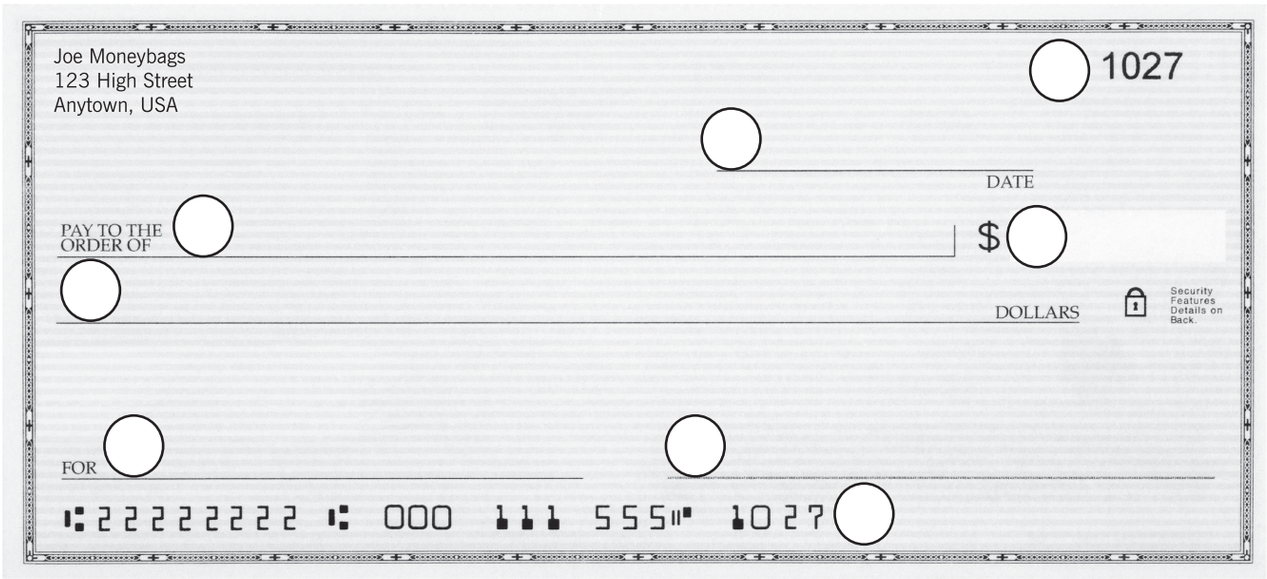
1. Randomly place the numbers 1-25 in the boxes below.
2. Answer the questions the presenter asks with the answers listed below.
3. Mark off the box with the number of the correct answer if anyone in your class gets the question right.
4. Be the first to mark off all of the boxes in a row to win. The row can be straight across (horizontal), up and down (vertical), or diagonal.

1. ATM
2. Withdrawal
3. Savings Account
4. Credit Union
5. Bank
6. Balance
7. Gross Income
8. Deposit
9. Interest
10. Need
11. Producer
12. Taxes
13. Coin
14. Supply
15. Budget
16. Income
17. Want
18. Demand
19. Consumer
20. Expenses
21. Checking Account
22. Trade
23. Goal
24. Net Income
25. Bill

Check It Out

Do you know the different parts of a check?

1. Place the correct number from the key below in the circles of the check.

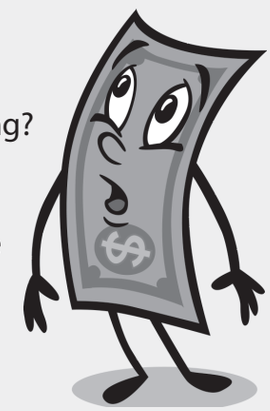


Key:

1. Check number
2. Date
3. Who you are paying the check to
4. Amount in numbers
5. Amount in words
6. Memo (note to remind you of the reason for the check)
7. Signature
8. Account number
9. Routing number

Did You Know?

- That you can legally write a check on almost anything? There are stories of people trying to use checks written on shirts and socks.
- Checks are printed with magnetic ink so they can be easily read by machines.



Do Your Research

Take this activity home and work on it with your parent or guardian.

Choosing a bank or credit union is a big deal. You want to make sure that the bank or credit union will fit your needs and your personality. With your parent or a guardian, practice doing some research.

1. Go to a bank or credit union's website or give them a call to answer the following questions:

The name of the bank or credit union: _____

Question	Answer
Do you offer free checking accounts?	
What are the requirements for a free checking account?	
Do you offer free savings accounts?	
What are the requirements for a free savings account?	
Does an ATM/Debit Card come with the account?	
Are there any other banks where I can use the ATM without a fee?	
What is the fee for using another bank's ATM?	
What is the interest earned on a savings account?	
Do you have any special accounts for students?	

Draw the logo of the bank or credit union you researched here.

STEP 4 : Smart Future

Key Concepts

A **Credit Report** is your financial report card. Instead of letter grades you are given a score between 300 and 850, this is your Credit Score. Instead of measuring how well you do in school, it measures how well you do at paying back money you borrow and how well you manage your money. If you pay your bills on time and do not borrow more than you can pay back you will have a good credit score.

A **Debit Card** looks like a credit card, but it actually accesses your own money. If you use your debit card the money is taken right out of your checking account.

A **Credit Card** allows you to borrow money from the bank or lending institution whenever you want, but you have to pay it back. If you don't pay it back fast you will be charged extra money we call interest. The interest rate you are charged per year is called Annual Percentage Rate (APR). With a credit card you have a limit as to how much you can spend.

A **Loan** is when you borrow money from a bank, credit union or other financial institution. Loans are usually used for larger purchases such as college, a car, or a house. With a loan you must pay it back within a certain time and pay a certain interest rate. You should know what the interest rate and the terms (how long you have to pay it back) are before getting the loan.

Interest is the fee to borrow money. If you borrow money you pay interest as with a credit card or loan. If someone borrows money from you they pay interest. This is similar to the interest you receive on your savings account. You are essentially lending your money to the bank or credit union so they can offer others loans and they, in return, pay you interest.

Compounding Interest can work for you or against you depending on whether you are saving or borrowing money. Compounding interest is when interest grows on interest. For example, you put $100 into an investment that earns 10% interest per year. $100 x 10% = $110. At the end of the first year you have $110. But in year 2 you will earn 10% on the entire $110 (not just the original $100). $110 x 10% = $121.

The **Rule of 72** shows you roughly how long it will take for your investment to double. Let us say that you saved $1,000 to invest. You invest this money in an account that pays you 8% interest. Here is how you calculate the Rule of 72: $72 \div 8 = 9$ years. That means that your $1,000 will double every 9 years.

Let's Buy a Car

You may not be old enough to drive a car, but let's pretend that you are 18 years old. You really need a car to drive to work, but you do not have enough money to pay for it completely. You will need to get a loan. Let's see how getting a loan works for someone with good credit and someone with bad credit.

1. Everyone is going to buy the same car.
2. Every student has good credit, but the presenter has bad credit.

$10,000 Car – 3 Year Loan			
Students	790 Credit Score	3.5% APR	$293 per month
Presenter	550 Credit Score	17% APR	$357 per month

Questions

1. How much money do the students save per month by having good credit?

Monthly Payment for Presenter _____ - Monthly Payment for Students _____ = Saved Per Month _____

2. How much money do the students save per year by having good credit?

Saved Per Month _____ x Months Per Year _____ = Saved Per Year _____

3. How much money do the students save total?

Saved Per Year _____ x Years For Loan _____ = Total Saved _____

4. Why is it better to have good credit?

Did You Know?

A credit card and debit card may look the same, but they are very different.

- A debit card is a way of accessing your own money usually in your checking account.
- A credit card is a way to borrow money from a bank or lending institution. If you borrow money you have to pay it back.

Rule of 72

Now that you have worked so hard for your money, it is time to let your money work for you. Let's see how the money you have invested can grow.

1. You have saved $1,000 to place into an investment.
2. The investment grows by 8% every year.
3. Calculate how fast your money will double using the Rule of 72.
4. Place the average age of the class in the first box on the left (your presenter will help you with this).
5. Add your answer to The Rule of 72 (below) to the average age of the class and put that amount in the second box on the left.
6. Keep doing this until you have ages in all of the boxes on the left.
7. Now calculate how much money you have for each age knowing that your money doubles each time and place that number in the correct box to the right.

The Rule of 72

72 ÷ 8 = _____

Your Investments Working For You	
Average age of the class _____	$1,000
	$
	$
	$
	$
	$
	$

1. How much money did you originally invest?

2. How much money did you end up with (bottom right box)?

3. How much interest did you earn (use the formula below)?

Amount in bottom right box - Amount you originally invested = Amount you earned

_____ - _____ = _____

Why Wait?

Take this activity home and work on it with your parent or guardian.

It is never too late to start saving your money for the future, but it sure does help if you start early. Complete the following activity with a parent or a guardian to see how much better it is to start saving early.

1. Assume both you and your parent/guardian invest money in an investment account earning 9% interest.
2. The Rule of 72 tells you how many years it will take for your money to double in an investment.
3. Answer the questions and fill out the chart using the Rule of 72, which has already been completed below.

Rule of 72
72 ÷ 9 = 8 years to double

1. Looking at the chart below, who do you think will have more money at around 65 years old?

2. Fill in the amounts at each age for you and your parent/guardian.

You		
Now	__ years old	$3,000
In 8 Years	__ years old	
In 16 years	__ years old	
In 24 years	__ years old	
In 32 years	__ years old	
In 40 years	__ years old	
In 48 years	__ years old	

Your Parent/Guardian		
Now	__ years old	$3,000
In 8 years	__ years old	
In 16 years	__ years old	
In 24 years	__ years old	
In 32 years	__ years old	
In 40 years	__ years old	
In 48 years	__ years old	

3. How old are you when you reach $48,000? How about your parent/guardian? How old are you when you reach $188,000?

4. How much do you have when you are in your forties? How about your parent/guardian?

5. Is it better to start young with less money or older with more?

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