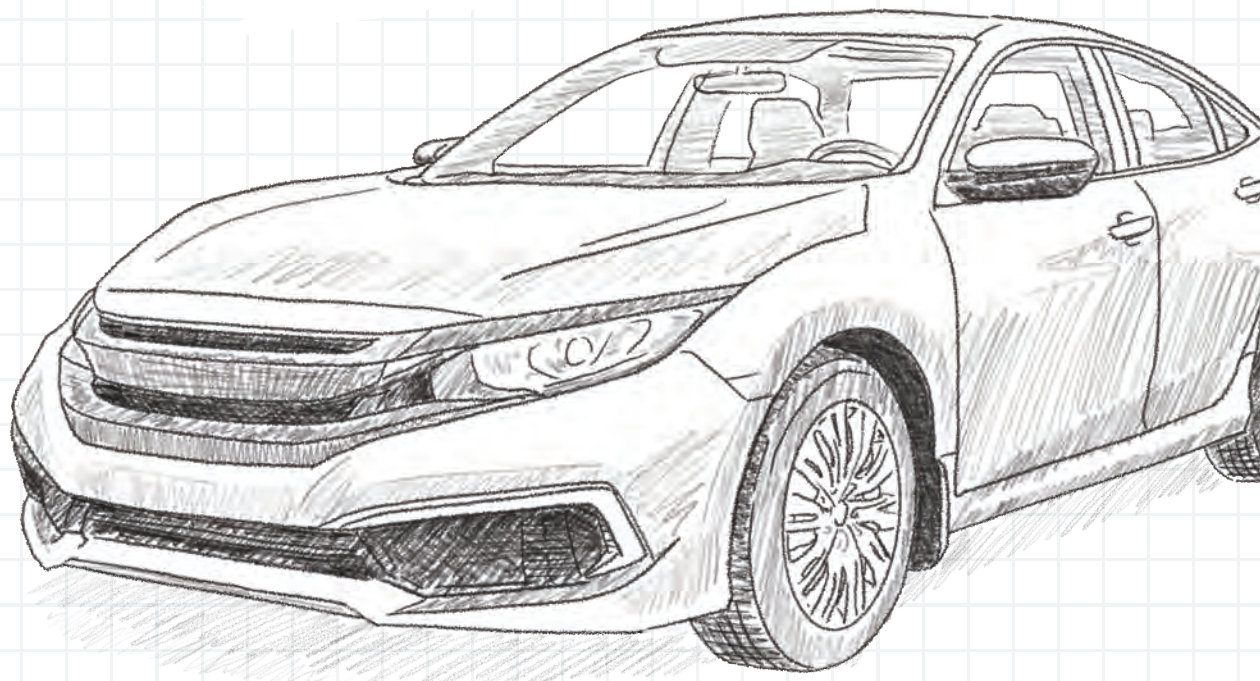


# consumer **MATH** *for Real Life*



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consumer  
**MATH**  
*for Real Life*

*#NotConsumedHomeschool*  
AN INDEPENDENT LEARNING CURRICULUM

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# Welcome!

Welcome! I'm so glad you are here and ready to learn. As you will quickly see, math is not just equations on a page or formulas to learn. Math is involved in the smallest things from measuring ingredients for a recipe to helping you decide whether or not to buy a car. It helps us in so many areas of our everyday life! Whether you are in high school, attending college, learning a trade, getting married, or buying a house, a good understanding of math will help you make wise choices as you set goals in order to be a good steward of what God has given you.

This project-based Consumer Math curriculum aims to provide you with the information and tools you need to tackle the math of life. Through completing daily lessons, researching, and completing multi-day projects, you will learn basic math principles, build knowledge, and then practice using what you have learned in real-life scenarios.

Before diving into this course, be sure to read the information below! These tips will help you be successful in your study.

## How to Use This Study

- Each unit begins with a Biblical Worldview lesson and ends with a project that will require 2-7 days to complete (a recommended time frame will be listed for each project). The recommended number of days for each project will be noted by a badge like the one in the margin.
- Due to the nature of the information addressed in a unit, some units will include more than one project. Each project included in a unit gives you the opportunity to apply the concepts you have learned by putting them into action! Be sure to complete all projects in a unit before moving on. They are a learning journey for you and are absolutely essential to complete in order for this course to be effective.
- The project-based nature of this book requires independent research and exploration. You may complete this research at a library or, with a parent's permission, on the Internet. Though many lessons suggest using online resources, always be sure to receive a parent's permission before accessing the Internet.
- Unless specifically noted, you may use a calculator to complete the computations in lessons and projects.



# A Biblical View of this Journey Called Life

What is the point of this life? Maybe you have thought about this question as you look forward to getting a job or going to college. Perhaps you've even had a hard time knowing what comes next once you graduate high school. There are so many professions and possibilities! How could you ever choose?

Read *Matthew 28:19-20*. What does this say about the purpose of a Christian's life?

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All Christians are united by one purpose—sharing the gospel and discipling one another! The amazing thing is that we can share the gospel and push each other closer to Christ no matter where we are. We can share the gospel in a secular job or go to the mission field. We can encourage our brothers and sisters in Christ to pursue our Savior whether we are attending classes with them, having them over for dinner, or meeting them in a park.

This purpose of our lives should guide all the decisions we make. Since there are many ways to share the gospel and encourage other Christians, how do we know what college, job, or house to choose? How do we know when we are making wise decisions?

Read *James 1:5-8*. What do these verses tell us about wisdom?

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When we don't know for sure what the best decision to make is, we should ask God! He promises to give us wisdom when we ask in faith. As long as we have taken our decisions to God and asked for wisdom, we can trust that He is leading us in the right way. At this point, we have to make the best decision possible in that moment and trust that God has, as He promises to in His Word, given us wisdom to make that decision.

ideas:

- whether or not to get a job
- whether or not to buy a car
- whether or not to go to college or pursue learning a trade
- what college to attend
- what career to pursue



What decisions are you looking at needing to make right now or very soon? Write out a prayer asking God for wisdom to make the best decision you can.

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Because of God's promises and good purpose for our lives, life decisions don't need to be scary or stressful. Instead, we can confidently make decisions using the knowledge we have and the wisdom God promises to give us when we ask!

# How To Get Where You're Going:

## Setting Goals and Tracking Progress

Something you will encounter many times as you work through this book is setting goals, estimating the amount of work and/or money needed to meet those goals, and then tracking your progress as you work towards them.

In order to meet a goal, we have to take intentional, smaller steps towards that goal on a regular basis. Division and multiplication can help us decide what those smaller steps are! First, though, we need to answer some specific questions that will help us know how many and what kind of smaller steps you need to take.

### Questions to Ask When Setting a Goal

- How soon do I want/need to meet this goal? (Example: 4 weeks or 6 months?)
- Is this time frame reasonable and doable? (Example: Saving for college in 2 weeks is NOT a reasonable timeframe.)
- How can this time frame be divided into smaller units of time in which to meet smaller goals that will add up to my ultimate goal? (Example: I can divide 4 weeks by 4 in order to get 1 week as a smaller unit of time in which to meet a part of the goal.)
- What needs to be accomplished in each smaller unit of time in order to reach my ultimate goal? (Example: How much money do I need to save each week in order to have \$150 at the end of 4 weeks?)

Depending on the magnitude or difficulty of your goal, you may need days, weeks, months, or even years to reach it. But by evaluating it honestly and breaking it up into smaller steps, just about any goal is achievable!

### Practical Application

→ For example, imagine you want to save \$150 for a nice pair of running shoes. How could you go about determining a reasonable period of time in which to save this amount of money?

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→ Let's say you can set aside \$25 per week. You know you want to end up with \$150, so the information you do not have is the number of weeks it will take to get to \$150. This can be written as a multiplication equation.

*weekly amount* × *number of weeks* = *total amount*

*You know the weekly amount (\$25) and the total amount (\$150).*

*so the equation now looks like* → \_\_\_\_\_ × 25 = 150



Anytime we know the solution and at least one of the multipliers in an equation, we can use algebra to turn the equation into a division equation. If you want to know how many weeks it will take you to save \$150, divide \$150 by \$25.

If you save \$25 a week, how many weeks will it take to save \$150? \_\_\_\_\_

→ You can also determine how much money per week you would need to save in order to meet the \$150 goal in a specific amount of time. If you need \$150 for running shoes in 4 weeks, how much would you need to save per week in order to meet that goal?

$$4 \times \underline{\hspace{2cm}} = 150 \text{ so, } \$ \underline{\hspace{2cm}} \text{ per week}$$

If you have a job and are making a steady amount of money, you could simply set aside a certain amount each week in order to save \$150 in 4 weeks. If you do not have a job, you would need to look for opportunities that will make enough money (babysitting, mowing lawns, cleaning houses, etc.) to cover the goal you are shooting for—\$150 for running shoes.

→ How much money would you need to save each week in order to have a total of \$150 at the end of 5 weeks?

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→ If you can make \$20 an hour cleaning houses, how many hours of work would be required to save \$150 for running shoes?

---

Tracking your progress will let you know if you are going to reach your goal. Sometimes you will need to adjust either the time needed or the amount you are saving. For example, if you have only saved \$10 in 1 week towards your goal to save \$150 in 4 weeks, you will need to adjust the amount you save in the remaining 3 weeks. Your adjustment will need to be based on the total amount you still need to save ( $\$150 - \$10 = \$140$ ) divided by the number of weeks you have left to save it ( $4 - 1 = 3$ ).

→ Write out and solve an equation to find the adjusted weekly amount you will need to save. (Hint: round up to the nearest hundredths place if necessary.)

---

Rather than saving \$37.50 each week for 4 weeks, you will now need to save a little more than \$46 a week in order to meet your \$150 goal.

Sometimes you will need to be flexible with your goals. Situations change, we use our money for other things, or we split up our savings. Maybe you can't save up \$150 in 4 weeks. In this case, you can evaluate what you are able to do and adjust your goal to fit your capabilities.

→ Based on how much you know you can save in a week, how long would it take you to save \$150?

---

Setting goals and determining small steps to meet those goals is not an incredibly complicated or difficult thing to do. However, it does take time, intentionality, and an understanding of the simple math involved to do it well.

Some goals may be small, like trying to save up for a pair of running shoes. However, other goals may be much larger, like saving up for a car, college, engagement ring, or a downpayment on a house. Of course, there are also learning, skill, and fitness goals. Any time you want to change something about yourself or your life, setting a goal and making a plan to achieve that goal can help you make smaller, gradual changes that finally add up to that larger goal.

One goal we have set up for you to reach in this course is to determine what you could expect your life to look like if you chose a particular career. In our next lesson we will discuss this further!



# Big Decisions:

Life After High School

As I explained in the previous lesson, part of the goal of this course is for you to get practical life experience and gain accurate expectations for various career and life choices. For many of the exercises in this course, you will need to have an idea of what career you would like to pursue. So today, let's talk about what might come next for you after high school!

The first thing you may be thinking is "college obviously comes after high school!" This may be the case for many people—lots of careers do require a college degree. However, college might not be necessary for you. Some careers require a certification or apprenticeship rather than a college degree, while other careers require no specific education or training at all. So, in order to figure out what your next steps should be, you actually need to know what career you are aiming for!

What have you dreamed of doing or becoming?

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What talents and abilities has God gifted you with? What are you really good at?

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What strengths and weaknesses do you have?

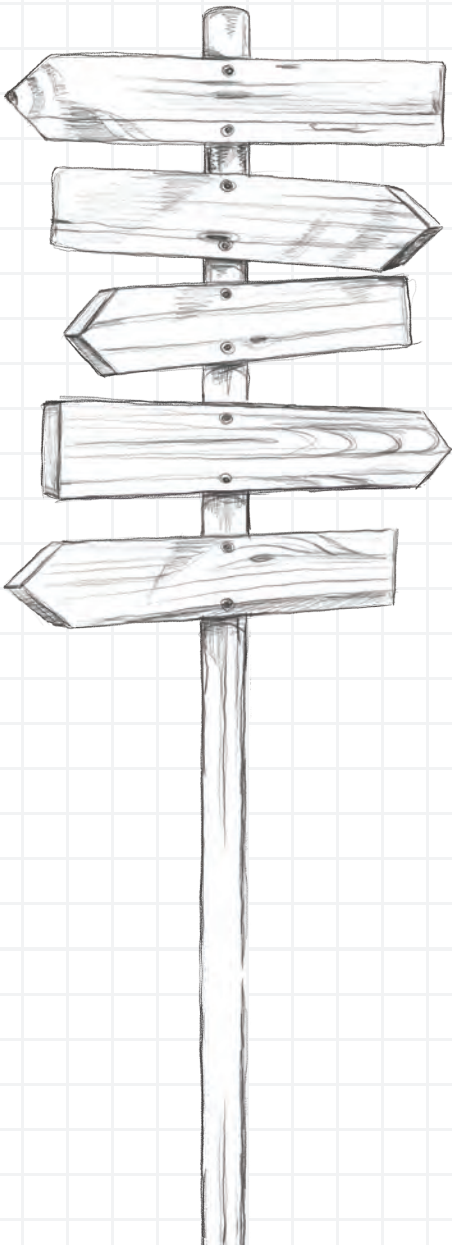
<i>Strengths</i>	<i>Weaknesses</i>

What do you want your life to look like someday?

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Who are some people whose lifestyle and family you appreciate and admire? What do they do for a living?

Name:	Occupation:	What I admire about them:
_____	_____	_____
_____	_____	_____
_____	_____	_____

What things are you interested in? List as many as you can think of.

.....

.....

.....

Careers I would dislike	Careers that fit my interests
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

(Pick your top three and number them.)

You may find this resource helpful as you think through what career you might like to pursue.



Do some quick research on your top 3 careers and then fill out the chart.

Career	Specific Education Required?	Major or Area of Study	Degree Type/Certification
_____	_____	_____	<input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> M <input type="checkbox"/> D <input type="checkbox"/> C
_____	_____	_____	<input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> M <input type="checkbox"/> D <input type="checkbox"/> C
_____	_____	_____	<input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> M <input type="checkbox"/> D <input type="checkbox"/> C

(A = associate's, B = bachelor's, M = master's, D = doctorate, C = certification)

Throughout this course, having a career goal to shoot for will help you learn and complete projects. Of the careers you wrote above, choose one to use as your goal for this course. Don't worry—your choice doesn't mean you have to actually pursue that career! However, you WILL get to research and explore a lot of things connected to it. So choose the one you are most interested in or the one you believe you are most likely to pursue.

My choice:

\_\_\_\_\_

# Pursuing Your Path

Whether you plan to attend college or not, the pros and cons of attending college are valuable information to explore and consider.

Remember to ask a parent before accessing the Internet!

Research the average total cost of college per year including tuition, living expenses, books, and supplies. If you can find it, record the specific average for your state as well.

Average total cost of college per year:

**Average** refers to the sum of all the numbers in a set divided by the numerical amount of numbers in the set. For example, to find the average total cost of college per year, all the yearly total costs of college are added together and then that sum is divided by the number of colleges from which this data was collected.

In your state:

Since this is an average, college could cost less than this amount, but it could also cost significantly more. Some factors that affect this total cost can be location, reputation of the college, choice of college major, length of degree (2 years, 4 years, or more), ability to live off campus, as well as many other considerations.

My parents' yearly income / median U.S. income in 2023:

In order to get context for how much money this is, ask your parents if they would tell you their yearly income, or you can use \$80,000 which is the **median** income for a United States household in 2023.

The **median** is the middle point in any set of data, meaning half the numbers in the set are smaller than the median and half are larger. Note: the median is NOT the same as the average.

To understand this a bit more, let's compare these numbers by finding what **percentage** of your parents' income the cost of one year of college is. You can do this by dividing the cost of one year of college by your parents' yearly income.

A **percentage** (%) is a fraction expressed as part of 100 where 100% is equal to 1. For example, 50% is equal to 50/100 and 0.50 because it is exactly half of 1.

$$\text{yearly college cost} \div \text{parents' yearly income} = \text{percentage of your parents' income}$$

Remember, in equations, percentages are written as **decimals** because they are values equal to less than 1 (example: 0.45 = 45% or 45/100).

**Decimals** are numbers that use a decimal point followed by digits to show a value less than 1.

Does the yearly cost of college surprise you? Depending on what school and degree you choose to pursue, higher education can be quite expensive. This doesn't make college a bad choice. In fact, it may be an absolute necessity if you want to pursue a certain profession. However, because of the cost, this is something to consider very seriously and prayerfully. In addition, you will want to begin preparing now if you think college is in your future!



## Practical Application

→ Continue researching online, and notice the many different options for college: in-state, out-of-state, online, private, community. Look for 3 college choices that you would consider. Complete the chart to summarize your research.

College #1: \_\_\_\_\_

Type of School: \_\_\_\_\_

Major/Discipline: \_\_\_\_\_ Yearly Cost: \_\_\_\_\_

College #2: \_\_\_\_\_

Type of School: \_\_\_\_\_

Major/Discipline: \_\_\_\_\_ Yearly Cost: \_\_\_\_\_

College #3: \_\_\_\_\_

Type of School: \_\_\_\_\_

Major/Discipline: \_\_\_\_\_ Yearly Cost: \_\_\_\_\_

In addition to the type of college you may choose to attend, your ability to earn scholarships, your qualification for federal grants, and other financial assistance programs can help you handle the cost of higher education.

While taking out loans may seem like the easiest way to cover the cost of college, this should also be approached with prayer and under the counsel of your parents or other trusted adults. Going into debt for a degree is often not the wisest or best choice. You will learn more about borrowing money and debt later in this course.

Don't make the mistake of assuming college only means one thing. There are so many factors when it comes to the kind of college education you can get. You don't have to move out of state and get a 4-year bachelor's degree. You may choose to do some online schooling, commute to a community college each day, get an associate's degree, or a combination of these choices. Except for some very specific cases, the institution from which you earned your degree will not affect the job opportunities available to you or the amount of money you can make in your chosen profession.



# Project—Which Path?

It's time for your first project! For each project you do, you will need to do some research as well as compile and organize that research in a helpful way.

*Is the career field growing or declining?*



Use the U.S. Bureau of Labor Statistics website or other resources to find the answers to the questions in the margin. Use the career path you chose in Lesson 1.3 as the object of your research.

Now, based on the information you have gathered, **complete ONE of the options.**

*What type of pay can you expect to receive?*

## Option #1: College Path

Develop a plan for how to save the amount you need for one full year of college expenses. Remember the strategy for planning that we discussed in 1.2. In order to do this, you will need to research colleges that offer the majors and kind of degree you need for your intended career.

*Does the job require a college degree? If not, what type of training will you need?*

Take a look at 3 colleges you are interested in attending to achieve this goal. At least one of these colleges should be in your state. Find out what degree programs they offer in your chosen career field, what the requirements for admission are, the yearly costs (don't forget to add housing and a meal plan!), and the scholarships and grants offered by your state and the school. Record this information in the chart below to compare all three colleges.

Degree Program Available	Admission Requirements	Yearly Cost	Scholarships/ Grants Available
#1			
#2			
#3			

## Option #2: Apprenticeship/Non-traditional Education Path

Develop a plan for entering the career field you have chosen. In order to do this, you will need to research the training needed for this field. Use the questions below to guide your research.

Will you need to take any courses or earn any certifications? Describe them.

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Will you need to receive training from someone in the field? What will this training look like?

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Are there opportunities for advancement within this field of employment? Explain.

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In addition to researching, interview at least one person in this field OR listen to a podcast/watch a video created by someone in that field in order to learn about their life in that career. Be sure to pay attention to and record what is needed in order to get started and be successful in that field.

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What is the average starting pay in your chosen field?

What can you expect to make when you are fully trained, licensed, and certified in this field?

How much could you expect to be making in this field ... after 2 years?

after 5 years?

after 10 years?

## A Biblical View of Making Money

It's time to talk about making money! This topic can be tricky—we obviously need money to live, but we also know that idolizing money can lead to a very wrong way of living. So how do we develop and maintain a godly perspective on making money where we view it as a gift from God instead of becoming greedy or miserly?

Read *Ecclesiastes 4:7–8*. What do these verses say about wealth and riches?

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These verses tell us that working and toiling just to get more and more wealth is empty and vain. In fact, it mentions the endless grind many people get caught up in as they seek to “just get that promotion” or make a certain amount of money. No amount of work will provide enough money to satisfy greed and an insatiable desire for more. So is work bad? Is it just a pointless effort that only brings trouble?

Read *2 Thessalonians 3:10–12*. What do these verses say about work?

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These verses teach us about one of the three biblical reasons to work and build wealth that we will examine. First of all, while God has promised to supply our needs, His primary method of doing that is through our work. His plan is that we work in order to provide for our needs and make a living! It is NOT His plan that we are lazy or unconcerned about work. He created work and He created us to work—this is God's good plan for how we earn money and provide for our needs.

Read *1 Timothy 5:8*. What other needs should we be concerned about?

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When we work, our wealth is not just for us to use as we please. We must provide for our own needs but also, the second reason we work to build wealth is so that we can care for the needs of those in our families. God's plan helps us be selfless and avoid greed by turning our focus to others. It is our responsibility, within our family, to be concerned about the needs we see and work to help meet them.

Read *1 John 3:17–18*. According to these verses, how else should we use the riches we gain from our work?

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A third reason we should work and build wealth is so that we can help those around us! 1 John 3:17-18 describes the miserly, selfish action of withholding help from those in need as being completely opposite from what a child of God should do. As Christians who have received love from God, we should seek to show His love to others by helping them when God gives us opportunities to do so.

### *Reasons to Work*

- to participate in God's plan for providing our daily needs*
- to provide for the needs of those in our families*
- to care for the needs of those outside our families as we are able*

Is this view of work and wealth different from the view you have had up to this point? Explain your answer.

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As you work through this unit, keep these three principles in mind. Our work is not just to provide wealth we hoard for ourselves. Our work is meant to provide money and resources we can use in line with God's plan of providing our needs, the needs in our family, and the needs of those around us.



# Your First Job

For most of us, our first job won't become our career. While some people do make a career out of their first job, this is the exception and not the rule. First jobs often look like earning minimum wage in a non-specialized field. In many ways, this is a blessing. These jobs teach us A LOT and prepare us to be good workers in later jobs.

What was your first job? If you don't have one, ask a parent what their first job was.

→ \_\_\_\_\_

Would you want to have a career in this field? (If you asked a parent, do they still work in this field?) Why or why not?

\_\_\_\_\_  
 \_\_\_\_\_

Some first jobs might be dog sitting, cleaning houses, doing yard work, babysitting, working at a grocery store, or maybe in retail or food service. It's important to see the value in these jobs. Many of them contribute to the basic needs of people every single day. Work is valuable and honorable when viewed as a blessing from God and an opportunity to provide.

Your first job might give you the opportunity to provide the money you need to pursue a college degree or certain career path!

## Practical Application

→ Do some research and networking in your community to discover what job opportunities might be open to you. Record possible job opportunities, the amount of hours you would be able to work, and the pay you could receive.

Job	Hours Available	Compensation

Which of these jobs might be a good option for you? Explain your reasoning.

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

→ You can also gain a better understanding of how beneficial a job would be by calculating how much money you will earn per week, month, or year. Let's say you get a job dog sitting where you can work 2 hours a day, 5 days a week for \$8 an hour.

How many hours would you be working per week? → \_\_\_\_\_

$$\text{number of daily hours} \times \text{number of days worked} = \text{total hours worked}$$

Now, multiply the total hours by \$8 to find the amount you would be paid for one week of dog sitting.

$$\rightarrow \text{_____} \quad \text{total hours} \times \$8 = \text{amount earned per week}$$

→ Now, choose one of the jobs you recorded in the chart on page 20 and calculate the amount you could make at this job in one week. Use the dog sitting example we just talked through to help you through this process.

To get an estimate of how much you could make in a month or a year, simply multiply the amount you can earn in one week by 4 (since there are roughly four weeks in each month) or by 52 (since there are about 52 weeks in a year). Of course, these calculations will result in rough estimates since you are not considering longer and shorter months or considering weeks in a year that are holidays. However, you will get an idea of about how much money you could expect to make in the long term.

Though a job can be a huge blessing, do not forget that the decision to get a job includes a lot of factors. If you are not able to drive, your schedule will need to coincide with the availability of someone who is willing to drive you to and from work. Working will also decrease the time you can spend on school, hobbies, other interests, and with family and friends. You may even have to give up playing sports or other extracurricular activities in order to work.

Talk to your parents about the pros and cons of having a job right now. Is it something your family can handle? Is it something your parents want you to start in high school, or do they prefer that you wait until college? Write your notes about this conversation.

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Total hours per week:

Amount earned in one week:

\$

Total approximate monthly income:

\$

Total approximate yearly income:

\$

# Compensation

If you decide to look for a job in high school, you will likely receive an hourly pay for that work. Depending on the kind of career you choose, however, you may be compensated (paid) for your work in various ways. The two main compensation methods, however, are hourly wages and salary wages.

An hourly employee may receive compensation weekly, bi-weekly (every two weeks), or even monthly. These regular intervals where an employee receives compensation for their work are called **pay periods**.

**Hourly pay** refers to a mode of compensation where employees are paid for the number of hours they work. When an employee is paid hourly, their income may vary from week to week depending on whether or not they work 40-hours a week, which is considered “full-time.” The hourly pay an employee agrees to work for is their **gross pay**, the total amount they earn before taxes are taken out. The paycheck the employee ultimately receives is for **net pay**, the amount of their earnings after taxes have been deducted.

In order to report the hours they work to their employer, hourly employees are required to track their time or use a time clock system. Usually, they are not required to work more than 40 hours a week and may even choose to work less. When they do work over 40 hours, this is referred to as “overtime” and is usually compensated time and a half (1.5×) the employees’ normal hourly rate.

Hourly employees are usually assigned specific hours to work based on their availability and the needs of the company. Some hourly employees may be able to hold more than one job, and they are not expected to be available when they are clocked out. However, they usually do not receive any paid vacation days.

**Salaried** employees usually receive compensation bi-weekly (every two weeks), or semi-monthly (twice a month). Though these two pay periods may seem to refer to the same period of time, remember, some months have more than four weeks or fewer than four weeks. A semi-monthly pay period means the employee will be paid twice a month, no matter how many weeks occur in the month.

**Salaried** employees are paid a set amount yearly (called a salary), and therefore, receive a consistent amount of compensation each time they are paid (usually bi-weekly or monthly). Just like with hourly employees, the yearly income salaried employees agree to work for is gross income, the total amount they will earn pre-tax. Unlike with hourly employees, this gross pay (and then their net pay that remains after taxes) is not determined by the number of hours they work in a week.

Usually, salaried employees are not required to track the hours they work, but other expectations ensure they are earning their pay. Some salaried employees may be required to be available outside normal work hours if needed. Unless their employer offers it, salaried employees are not entitled to overtime pay, but may receive bonuses or pay raises based on their performance.

Salaried employees are generally offered benefits such as health insurance, bonuses, paid time off and company-sponsored retirement accounts. They are seen as more accountable to the company and also more valuable which can assure greater job security as well as opportunities for promotions.



Using the chart, summarize what you have learned about hourly and salaried work.

Hourly Employee	Salaried Employee

Questions to Consider

- Are there any benefits offered in addition to compensation?
- Will this position support the lifestyle I want to lead?
- Does this position provide a clearly defined career path?
- Does this position offer the pay I need for basic living expenses?

If you ever find yourself having to choose between a salary or an hourly wage, there are some questions you can consider to help you choose which position would be most beneficial to you.

Sometimes, even if a salaried position comes with benefits, a higher-paying hourly position may be more desirable. Sometimes the lack of benefits or regularity in pay can be made up for by higher pay or more hours in an hourly position. For these reasons, comparing pay is a valuable step in deciding between multiple job offers or career paths.

In order to compare the yearly compensation of a salaried position to the yearly compensation of an hourly position, we just need to perform some simple calculations. If you divide the total yearly salary by 52 (the approximate number of weeks in a year), you can determine the weekly pay amount. Then, divide the weekly pay by 40 (the standard number of hours per week for a full-time employee) to determine the hourly pay. Now that you know the "hourly pay" you'd be getting at the salaried job, you can compare it to the hourly pay you would make at another job.

Examples:

$$\begin{aligned} \text{yearly salary} \div 52 &= \text{weekly pay} \\ \text{weekly pay} \div 40 &= \text{hourly pay} \end{aligned}$$

Practical Application

→ Determine the approximate hourly pay for a salaried position that pays \$60,000 a year.

\$ \_\_\_\_\_

In order to compare the compensation at two different jobs, you may also wish to determine how much an hourly position would provide in a year. To do this, you must multiply the hourly pay by the number of hours you would plan to work in a week to determine the amount you would make in a week. Then, multiply that weekly pay by 52 in order to determine the approximate pay you would make in a year.

→ \_\_\_\_\_

Examples:

$$\begin{array}{r} \text{hourly pay} \\ \times \text{ number of hours per week} \\ \hline \text{weekly pay} \end{array}$$

Practical Application

→ Determine the approximate yearly pay you would receive if you planned to work 40 hours a week at a job paying \$22 an hour.

\$ \_\_\_\_\_

$$\begin{array}{r} \text{weekly pay} \\ \times 52 \\ \hline \text{approximate yearly pay} \end{array}$$

# Commissions and Tips



In our last lesson, you learned the difference between hourly and salary compensation. Today, we will discuss two types of compensation NOT directly provided by an employer.

## Commission

Some jobs can range in the amount they pay due to **commission**—compensation paid to an employee based on the amount of sales they have generated for the company. This compensation is usually calculated as a percentage of the money made through these sales.

Commission tends to vary greatly, because this type of compensation depends on the skill of the employee to persuade, the kind of product or service offered, the time of year, the decision of the customer, and many more factors. This fluctuation in pay can be beneficial when an employee is making a large number of sales, but also very difficult when sales decrease.

Some companies pay their sales employees **base pay** (a set amount of income) plus commission. This base pay may be hourly compensation or salary. Other companies, however, pay no additional compensation. These jobs are commission-only, which means that when there are no sales, there is also no compensation.

## Practical Application

Work through the word problems below to see an example of base pay plus commission compared to commission-only compensation.

→ Tucker receives a \$1,600 monthly salary as well as 5% commission on all sales. If he sells \$20,000 worth of cable television subscriptions in one month, how much has Tucker earned in total? Use the equations below to help you. (Hint: Remember, percentages appear as decimals in calculations. Example: 5% = 0.05)

$$\text{commission percentage} \times \text{dollar amount of product sold} = \text{earned commission}$$

$$\text{salary} + \text{earned commission} = \text{total earned } \$ \underline{\hspace{2cm}}$$

→ Sam receives no base pay but receives a 20% commission on all sales of home security systems. If he sells \$20,000 worth of home security systems in one month, how much has Sam earned in total?

$$\$ \underline{\hspace{2cm}}$$

→ The next month, Tucker only sells \$10,000 worth of cable television subscriptions, but he still earns \$2,100 because he receives base pay plus commission. How much will Sam earn if he sells \$10,000 worth of home security systems in one month?

$$\$ \underline{\hspace{2cm}}$$

Jobs where commission is part of the compensation can be highly profitable, but they often pose a certain amount of risk as well. Depending on the life circumstances you find yourself in, the risk may be worth it! But it is always wise to save and budget with that risk in mind.

**Tips**

Another form of compensation an employee might receive from someone other than their employer is a **tip**. Tips are an important part of compensation for those who work in service industries such as restaurant servers, food delivery drivers, barbers, beauticians, taxi drivers, and nannies. Since tips are usually optional (though often expected) and vary depending on the customer’s satisfaction with the service, they can be a substantial source of income or a very small one. Typically tips range from 5% to 20% of the total bill, depending on the service provided. There is no way to estimate how much that would be because there are so many variables (the type of business, the time of day, the day of the week, the weather, etc.).

When considering a job where you can expect to receive tips, something to watch out for is employers who pay very little because of the opportunity an employee has to earn compensation from tips. In some states, it is legal to pay servers below minimum wage. Though tips may truly make up for this low hourly rate, this is a fairly unstable mode of compensation.

Because tips are often given by the customer directly to the service worker, the worker bears the responsibility for recording and reporting their tips for tax purposes. Per the IRS (Internal Revenue Service), employees who receive tips must keep a daily tip record, report their tips to their employer (unless the total is less than \$20 per month), and report all their tips on an individual income tax return. We will learn more about tax responsibilities in a future lesson.

**Practical Application**

→ Compare the monthly earnings for a cashier and a server for a 40 hour/ week job (160 hours/ month).

*Retail store cashier: \$15/hour = \$ \_\_\_\_\_ monthly*

*Restaurant server: \$3/hour = \$ \_\_\_\_\_ monthly + tips*

→ Determine how much money you would have to make in tips as a restaurant server to earn the same amount as the retail store cashier.

\$ \_\_\_\_\_

→ That seems like a large amount! How much would you have to earn in tips per hour?

\$ \_\_\_\_\_

→ In your opinion, would it be better to work a job that pays \$15 an hour or one that pays \$3 an hour plus tips? Why?

\_\_\_\_\_

\_\_\_\_\_

# Benefits

As you learned in lesson 2.3, full-time positions often offer employee benefits in addition to compensation. These benefits may include paid time off (PTO), health insurance, dental insurance, and a 401(k) retirement account. There are other benefits in addition to these that employers may offer, but these are some of the most common and basic ones to be looking for.

## **Paid Time Off (PTO), Paid Vacation, Paid Sick Leave**

It might seem pretty obvious that having PTO would be a benefit! For a salaried employee, this enables them to take vacation days or sick days without having pay deducted (taken out) from their yearly salary. For hourly employees, who only earn money when they work, PTO can offer some margin for days when they are unwell or wish to take time off without endangering their income for that week or month.

For some companies, PTO accrues, or, accumulates, as an employee puts in hours at work. For a certain amount of hours worked, employees receive a specified number of PTO hours. In other companies, PTO accrues according to the number of pay periods or the amount of time an employee has worked at the company.

## Practical Application

→ Nathanael wants to take PTO for three 8-hour work days so he can go camping. How many hours is he wanting to take off from work?

\_\_\_\_\_ hours

In order to take off these hours, Nathanael needs to have earned the PTO by working for a certain number of hours. If he earns PTO at a rate of 4 hours for every two weeks he works, how many weeks will he need to work in order to have the amount of PTO he needs to go camping? Use the equations below as a guide.

$$\text{desired PTO} \div 4 = \text{number of 2-week periods}$$

$$\text{number of 2-week periods} \times 2 = \text{total number of weeks}$$

\_\_\_\_\_ weeks

When a company offers paid vacation days, these days are to be used specifically for vacations and not used as personal days or a reason not to come into the office. Because these paid days are designated for vacation, a company that offers paid vacation will usually offer paid sick days as well. A company may offer a set amount of vacation and sick days, or they may accrue as the employee works like PTO does.

**Insurance**

Depending on the employer and on the position an employee holds in a company, insurance may or may not be provided at a discounted rate as a benefit. Usually, if an employer does provide insurance, they will cover a percentage of the cost (or premium) and the employee will cover the rest. This is extremely helpful because insurance premiums tend to be very expensive for individuals to cover on their own.

The kinds of insurance available to an employee will also vary but may include dental, vision, health, and life insurance. If an employer does not provide any insurance benefits, the employee may rely on state insurance, pay for insurance on their own, or participate in a healthcare cost sharing forum to assist with medical bills. You will learn more about insurance in Unit 4.

**401(k)**

Many companies include retirement accounts in their employee benefits package. A **401(k)** is a specific kind of retirement account where employees are able to designate a percentage of their paycheck to be paid to an account where their money is invested and accrues interest. This designated amount is not taxed by the government. In addition, the employer may choose to match part or all of that amount to pay into the investment account for that employee. The purpose of this account is to set aside and invest money in order for the employee to have income to live on when they retire.

**Practical Application**

→ Taylor wants to contribute to her 401(k) and knows her employer will match what she contributes at a rate of 40%. If she wants her contribution plus her employer's contribution to amount to \$225 at the end of each pay period, how much does Taylor need to contribute to her 401(k) per pay period? Use the equations below as your guide.

$$\text{Employer's contribution} = 40\% \text{ of Taylor's contribution}$$

$$\text{Taylor's contribution} + \text{employer's contribution} = \$225$$

$$1x + 0.4x = \$225$$

\$ \_\_\_\_\_



## Project—Compensation in Your Future Career

Now that you have learned so much about making money in a job, let's apply what you've learned to your potential career!

Research the average gross income in your state for the career that you selected in Unit 1 and record it in the space provided. You can either talk to someone who works in this industry or research it independently on the Internet.

Average gross income per year: \$ \_\_\_\_\_

How are the people who work in this field paid? Can you expect hourly pay, salaried pay, or would you need to expect to be compensated in a different way? Explain.

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What kind of benefits, if any, could you expect to receive in this career?

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What will a normal work week look like in order to receive the compensation you listed in the first question? Are there a set number of hours you would work per week or would the schedule be more flexible or more demanding than a normal 40-hour work week?

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*Remember, any contributions made to a 401(k) are non-taxable. After a contribution is made, you are taxed based on the amount of your adjusted gross income rather than your initial gross income. We will discuss this more in future lessons.*



Let's say you want to contribute \$400 per month from your gross income to a 401(k) investment account. Using the average income you wrote down from the first question, what would your adjusted gross income be after this pre-tax adjustment?

\$ \_\_\_\_\_

# Payroll Deductions

So far in this unit we have been discussing gross income, the total income earned BEFORE standard deductions. Every person who earns wages, whether they are paid hourly, salaried, or compensated in some other way, are subject to payroll deductions that affect the amount of money they actually receive in their paycheck or bank deposit. This final amount they receive is called net income. These deductions are due to federal and state taxes as well as government programs such as Social Security and Medicare. Whenever income is received, whether by working or by selling a personal possession for profit, that income automatically results in tax liability—a payment owed to tax authorities which the income earner is responsible for paying.

Contributions to a 401(k) come out of an employee’s gross income before any federal deductions. Usually, an employee will designate a specific amount or percentage of their income to be contributed to the 401(k) and the employer or payroll service they use will deduct that contribution from the employee’s gross pay. This gross income minus 401(k) contributions and other adjustments like educator costs or student loan interest is referred to as **adjusted gross income**. Some employers may match employee contributions up to a certain amount, which can maximize the value of a 401(k) investment.

**Social Security** and **Medicare** are both government programs funded by taxes paid by employees and their employers at a fixed rate of the employee’s gross income. Social Security taxes are held and used by the government. Then, when the employee has retired, the understanding is that the government “pays back” the employees so they have income after they have retired from the workforce. In 2023, the Social Security tax rate is 6.2% for employees plus 6.2% contributed by their employers or 12.4% for self-employed workers.

Medicare taxes fund a government-provided healthcare program with the purpose of assisting the elderly with medical expenses like hospital stays, surgeries, and prescriptions. In 2023, the Medicare tax rate is 1.45% for employees plus 1.45% contributed by their employers or 2.9% total for self-employed individuals.

For an employee, both Social Security and Medicare taxes are called “withholdings” because the money is set aside by the employer to be paid to the government when it is due. Self-employed individuals must take the responsibility of setting these taxes aside themselves.

## Practical Application

→ What is the amount that an employee would contribute for Social Security and Medicare taxes if the employee’s yearly gross income is \$64,000? (Hint: Add the employee tax rates for Social Security and Medicare together and then use that percentage to find the amount of gross income owed.)

→ How much would the employer contribute?

\$ \_\_\_\_\_

→ How much would a self-employed individual have to pay all by themselves?

\$ \_\_\_\_\_

As you work through Lessons 2.7-2.10, looking at a completed tax form will help you understand the information you are learning. Ask your parents if they would review their completed tax forms from the previous year with you and allow you to refer to them as you work through the following lessons.

# Income Tax

## Federal Income Tax

Federal income tax can be determined by looking at the IRS tax tables for any given year. For example, by looking at the IRS tax tables for 2023, we can see that a single individual whose taxable income is **more than** \$42,000 and **less than** \$42,050, owes \$4,863 in federal income tax. The rate of federal income tax you owe is based on 1) how much money you make and 2) your **filing status**—whether you are single or married, and if married, whether you are **filing jointly** (together) or filing separately. If you use an online tax service to file your taxes, the service will determine this for you.

## Practical Application

Look up the IRS tax tables for the current year online and find the income tax owed by the following people.

→ Drew and his wife, Kelly, make a taxable income of \$63,569 and are filing taxes jointly. How much federal income tax do they owe?

\$ \_\_\_\_\_

→ Ryan makes a taxable income of \$41,987. He is filing taxes as a single individual. How much federal income tax does Ryan owe?

\$ \_\_\_\_\_

→ Brandon and his wife, Kate, make a taxable income of \$123,000 and are filing jointly. How much federal income tax do they owe?

\$ \_\_\_\_\_

(Hint: Because their income is over \$100,000, you will need to use the appropriate equation on the Tax Computation Worksheet following the tax tables.)

## Form W-4

The form W-4 is something employers require their employees to fill out so that they know how to calculate how much to withhold and set aside from their employee's pay for federal income tax. This form allows the employee to indicate special withholding based on the factors listed.

This form helps determine the portion of an employee's gross income which they should be paying taxes on, also known as **taxable income**.

withholding factors:

- employee's filing status
- child tax credits  
(claiming dependents)
- standard deduction or  
itemized deductions
- multiple sources of income





### Practical Application

→ Visit the IRS website, and take a look at a form W-4. Use the lines below to briefly describe what the employee must indicate or fill out in each section of the form W-4.

Step 1: \_\_\_\_\_

Step 2: \_\_\_\_\_

Step 3: \_\_\_\_\_

Step 4: \_\_\_\_\_

Step 5: \_\_\_\_\_

#### Claiming Dependents and Other Credits

Step 3 of the W-4 mentions claiming dependents and claiming **tax credits**, but what does all of this mean? Well, did you realize your parents or guardians get a tax credit—a certain amount of money they can subtract from the amount of taxes they owe (tax liability)—for you? If you live with someone and they provide for you, the government allows them to claim you as a dependent and pay less money in taxes. Any other tax credits people are able to claim will also reduce the amount of taxes they are required to pay.

#### Other Adjustments

Other adjustments can be made to a person's gross income in order to reduce their tax liability. The government offers a **standard deduction** every year based on **inflation** and other factors that lower a person's taxable income by a specific amount. However, some people choose to claim **itemized deductions**—individual expenses that qualify as deductions according to the IRS—if they cannot claim the standard deduction, or if they believe those itemized deductions will add up to more than the standard deduction.

#### State Income Tax

State income tax is different from federal income tax because not all states tax income. In addition, the rate does not depend on how much money you make or your filing status. It is a flat rate that is applied to everyone. State income tax will also be calculated for you if you use an online tax filing service.

Visit the IRS website for the current version of all necessary forms.

The IRS website explains all types of deductions and scenarios. These are updated frequently, so check the site for current information.

**Inflation** is simply the rate at which the cost of products rises.

States with no income tax often gain revenue from other sources like higher property taxes, sales tax, and even as in the state of Nevada, from the gambling industry.

### Practical Application

→ Do some research to find out whether or not your state taxes income. If so, write the rate below.

\_\_\_\_\_ %

→ What state has the highest income tax rate and what is that rate?

\_\_\_\_\_ at \_\_\_\_\_ %

→ What state has the lowest income tax rate and what is that rate?

\_\_\_\_\_ at \_\_\_\_\_ %

→ Which states have no income tax? How do these states make up for the lack of revenue from income tax?

- \_\_\_\_\_ → \_\_\_\_\_
- \_\_\_\_\_ → \_\_\_\_\_
- \_\_\_\_\_ → \_\_\_\_\_
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- \_\_\_\_\_ → \_\_\_\_\_

→ Let's say you get a job this year and make a taxable income of \$29,457. Using your state's income tax rate, determine how much state income tax you would owe. If your state doesn't tax income, use one of the other rates you listed above. Circle the rate you use for this equation.

# How to File Annual Income Tax Forms

← Items needed to file your annual income taxes:

- Form 1040
- Instructions for Form 1040
- W-2
- Social Security card
- Calculator

If filing a paper return:

- Pen with black ink
- Legal-size envelope
- Stamps

The form W-4 which we discussed previously is something you will fill out when you are first hired or when you are still working for the same employer but your situation has changed regarding your marital status, deductions, or tax credits. Today we will look at the form W-2 and the form 1040. These forms are what you will use every year in order to file a report of the previous year's annual income tax to the federal government.

## Form W-2

Unlike the rest of the forms we have discussed so far, a form W-2 is something an employer provides for their employee, NOT something the employee fills out. A W-2 is necessary for filing your taxes correctly because it tells you how much federal, state, Social Security, and Medicare tax your employer withheld from your pay and set aside for the government.

If you are an employee, your employer is obligated to provide you with a W-2 in time for you to file your taxes by the April deadline set by the government and available on the IRS website. You should receive a paper copy of your W-2 from your employer in the mail or an electronic copy by the end of February. If you earned income, but have not received your W-2 by this point, you will need to contact your employer and request your form W-2.

## Form 1040

The form 1040 is the form you will fill out using your W-2. Once you have filled out your form 1040 and attached any required documents, you will mail it to the government office indicated for your state on the IRS website.

## Practical Application

→ Visit the IRS website, click on "Forms and Instructions," and choose "Form 1040." Then, open a new Internet tab, navigate to the IRS page, click "Forms and Instructions," and choose "Form 1040 Instructions."

- Read through the form 1040, using the form 1040 instructions to answer any questions you have.

→ Record two questions you had and their answers below.

Question 1: . . . . .

Answer 1: . . . . .

Question 2: . . . . .

Answer 2: . . . . .

**Tax Refunds**

If you file taxes online, the service you use may be able to tell you if you will receive a **tax refund** in the amount you have overpaid on your taxes. Generally, this overpayment occurs if an employer has withheld too much from their employee's paycheck. If an individual qualifies for a tax refund, the government will send either a check for the overpaid amount or, if the individual has provided a bank account number, deposit the overpaid amount directly into their bank account.

If you file paper tax returns, the same process will occur but may be delayed by paper processing times. This is a fairly common occurrence, but should not be a source of income you depend on.

Thankfully, the IRS explains what you need to know on their website and in the instructions for various forms. Don't get too overwhelmed! Since your life right now is probably relatively simple as far as income sources and filing status, you will not use many of the lines on the form 1040.

Remember, this form is used by many people with many very different life circumstances within the United States. Since this form needs to serve this large number of people in different situations, many things on the form won't apply to you right now. Eventually, when more of these items do apply to you, and you feel like you need assistance, tax professionals can help you file your taxes correctly.

**State Income Tax Forms**

Because state income tax varies by state, you will need to research what form your state requires you use to file your state income tax. The good thing is that all the information you need will already be on your 1040, so you can just copy it from there instead of going through all the computations again.

**Filing Electronically**

Many people now choose to file their taxes electronically. Various online services exist for this very purpose! When you are filing a simple return where you only need to report income from one job, filing electronically is probably more efficient than filling out a paper form. These services will also take care of putting your information into the correct form for filing your state income tax. The simplest versions of these online services are usually available free of charge.

However, if you have income from multiple jobs, are itemizing deductions, or have more complicated taxes to file, online services may not be enough. In any of these cases, seeking the help and advice of a tax professional will help you more than an online service.

**Practical Application**

→ Research various online tax services and how they compare with one another. Then, list your top three options and an explanation of why they would work best for you.

Name of Service	Fee	Explanation
1.	<input type="checkbox"/> Yes <input type="checkbox"/> No	
2.	<input type="checkbox"/> Yes <input type="checkbox"/> No	
3.	<input type="checkbox"/> Yes <input type="checkbox"/> No	



# Project—Filing Your Taxes

Now that you have learned about tax liability for those who earn taxable income, it's time to put your knowledge into practice. For this project, you will practice filing taxes based on the W-2 provided here or based on your own W-2 from your employer.

Visit the IRS website and print a Form 1040. Using the included W-2 form or your own W-2, complete annual federal income taxes for the year before your current one.

Next, look up what form(s) your state requires for filing state income tax. Print this form and fill it out. *(Hint: All the information you need for this form should be found on the 1040 you have already completed!)*

If you run across anything you don't know, research it using the IRS website, tax service websites, or by asking your parents.

Taxes

22222		a Employee's social security number 999-99-9999		OMB No. 1545-0008	
b Employer identification number (EIN) 77-7777777		1 Wages, tips, other compensation 2320.00		2 Federal income tax withheld 75.00	
c Employer's name, address, and ZIP code Brown's Bookstore PO Box 111 Emmetsburg, IA 55055		3 Social security wages 2320.00		4 Social security tax withheld 143.84	
		5 Medicare wages and tips 2320.00		6 Medicare tax withheld 33.64	
		7 Social security tips		8 Allocated tips	
d Control number		9		10 Dependent care benefits	
e Employee's first name and initial Sarah		Last name Smith		Suff.	
f Employee's address and ZIP code 2127 State Street Emmetsburg, IA 55055		11 Nonqualified plans		12a	
		13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12b	
		14 Other		12c	
15 State Employer's state ID number IA 77-7777777		16 State wages, tips, etc. 2320.00		17 State income tax 15.00	
				18 Local wages, tips, etc.	
				19 Local income tax	
				20 Locality name	

Form **W-2** Wage and Tax Statement  
Copy 1—For State, City, or Local Tax Department

2023

Department of the Treasury—Internal Revenue Service



## Working for Yourself Part 2

Just like a sole-proprietorship, these two business options do not have to pay to be registered as businesses or pay for business insurance. However, unlike a sole-proprietorship, these two business options depend on the relationship between themselves and those who want to pay them for the service, skill, or product they offer.

### **Independent Contractor or Freelancer?**

At first, the titles of “Independent Contractor” and “Freelancer” seem to mean similar things. Contractors and freelancers usually have a skill other people need. This might include graphic designers, photographers, painters, carpenters, and other skilled workers. Additionally, they will often have degrees, certifications, or licenses that prove they can do the work they are being hired for.

Contractors and freelancers own their own businesses, but they look a little different from simply selling a product. Though they work for themselves, contractors and freelancers are usually “hired” for a set amount of time or for a specific project by people who need their skill and expertise.

One main difference between being an independent contractor and being a freelancer is found in the amount of time they are hired for. Contractors may do work on bigger projects that require large amounts of time like painting an apartment complex or writing a training manual for a company. Contractors may also be held to deadlines or expected to work certain hours since they are often paid hourly. However, they may also be paid per project.

Freelancers often take on projects or jobs as they have time to complete them. Because of this, the work freelancers do for companies or individuals is usually smaller in size or duration than the kind of job a contractor would take on. The person who “hires” them for their services must work with the freelancer’s schedule and wait for them to finish projects on their own time. Usually, freelance work will not be subject to a specific deadline, and they are paid per project according to pay rates they set themselves.

For example, a wedding photographer may be hired by a couple for the day of their wedding, but the amount of time the photographer takes to edit and deliver the wedding pictures is not up to the couple. The photographer will usually tell the couple what they are willing to do for a certain sum of money and the couple can choose to hire the photographer according to the stipulations they set. However, the couple may choose instead to look for a different photographer who offers different stipulations.

### **Taxes for Self-Employed Individuals**

For any kind of self-employment, the business owner is responsible for understanding their tax-liability and paying the appropriate income taxes. It may seem like self-employed people are making more than employees in some industries. However, the money they receive through their business is not the same amount of money that will go into their pocket. Before self-employed people pocket any income, they must first deduct and set aside the appropriate percentages of tax they owe. Since there

Technically, those who take work through online restaurant or grocery delivery programs participate in something called “The Gig Economy.” This Gig Economy describes a phenomenon where individuals are hired to work and perform tasks for a company that would normally result in an employee classification within that company. These companies, however, currently classify and pay the people working for them as independent contractors. In the future, state or federal legislation may change these labels and compensation.







# Project—Creating a Business Plan

Do some research, talk to self-employed people you know, review your list of possible careers from Unit 1, and make a list of business ideas that you might be interested in starting (don't forget about gig-type jobs). Record any notes on what you learn below.

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Pick your favorite one to learn more about. Write the business idea here:

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What things (materials, equipment, software, expertise, time) would you need to start this business?

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Are there any licenses or permits required by your city or state? Explain.

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Based on what you have learned in this unit, what kind of tax liability would you have?

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**Business Goals**

What I want to accomplish now:

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What I want to accomplish in the future:

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**Description of Products/Services**

How does your product/service work?

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What is being sold and for what price(s)? (Make your list in the margin.) 

Describe your typical customer and what this person would be looking for.

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How do you plan to obtain the necessary materials and equipment in order to produce your product/service?

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How will you keep track of orders and sales? On paper or electronically? Explain.

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How will you deliver or distribute your product/service to your customers?

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**Marketing and Sales Plan Outline**

In a bulleted list, describe how you will convince people to buy from you and become regular, repeat customers.

→ _____	→ _____
→ _____	→ _____
→ _____	→ _____
→ _____	→ _____
→ _____	→ _____

**Startup Costs**

How much money do you need in order to get your business off the ground by advertising, producing, and distributing your product/service? List your expenses.

Materials	\$ _____
Equipment/Programs/Software	\$ _____
Advertising	\$ _____
Delivery/Distribution/Shipping	\$ _____
Total Startup Cost	\$ _____

Now that you have a good idea of what your business will look like and how it will function, use the following pages and prompts to create a marketing plan. Feel free to research as you go in order to write good answers.

**Identifying Your Target Market**

Who do you want to buy your product/service? What does their life look like without your product?

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What value are you providing to your target customer? How will your product/service make their life better?

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**Evaluation of Competition**

Are there any companies that offer a similar product or service as you would offer? If so, explain.

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What will you do to make your product or service distinct from and more desirable than what your competitors offer?

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**Set Key Performance Indicators (KPI)**

What objective standards will show that your company is successful? What will it look like when you have convinced your target market to buy and how will it affect your company and your market?

-> _____	-> _____
-> _____	-> _____
-> _____	-> _____
-> _____	-> _____
-> _____	-> _____

Dotted grid area for notes.

## A Biblical View of Banking

The Bible has a lot to say about money, including principles that can apply to banking. Even though our current concept of banking is a modern financial system, we can still view it through the wisdom of God's Word.

Banking is a way of managing your finances. One of the main functions of a bank is to provide a safe place for people and businesses to store their money. This reduces the risk of theft, as banks have sophisticated security systems that most homes and businesses do not. Banks also offer many different ways for people to move their money in the form of payment services. These services make it convenient for people to pay bills, make purchases, and transfer money to others securely.

Let's find out more about managing money. Read *Psalm 24:1*.

If God is the owner of everything, then that means that we don't own anything. Instead, we are managers, or stewards, of the things He's given us. Being a good steward means managing God's blessings the way He wants us to and for His glory. This includes our money.

When you look at it this way, managing your money is both an honor and a big responsibility. This view of stewardship will influence the financial decisions you make! You will no longer view your money as yours to use however you want. Instead, you will spend, save, invest, and give with God's purposes in mind.

Read *1 Corinthians 4:2*. How does this verse describe a steward?

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Stewards are expected to be faithful, or, honest, in managing what is entrusted to them. As stewards of the money God has given us, we are to be trustworthy in how we manage it.

Read *Luke 12:48*. According to the second part of this verse, when God gives someone more resources, what does He expect?

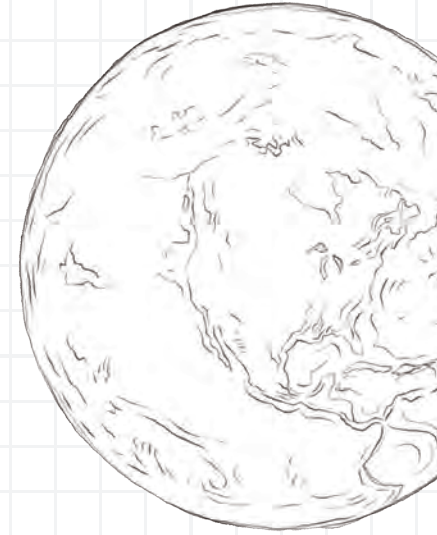
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God holds us responsible for what we have—after all, we are the stewards of those resources. If we are blessed with wealth or talents, He expects us to use them wisely for His glory and to benefit others.

You're probably familiar with the parable Jesus told about the ten talents, but take a few minutes to read it again in *Matthew 25:14-30*.



→ Who does everything on the earth belong to?

Who was the master pleased with? Why?

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Who was he angry with? Why?

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What did he say the wicked servant should have done?

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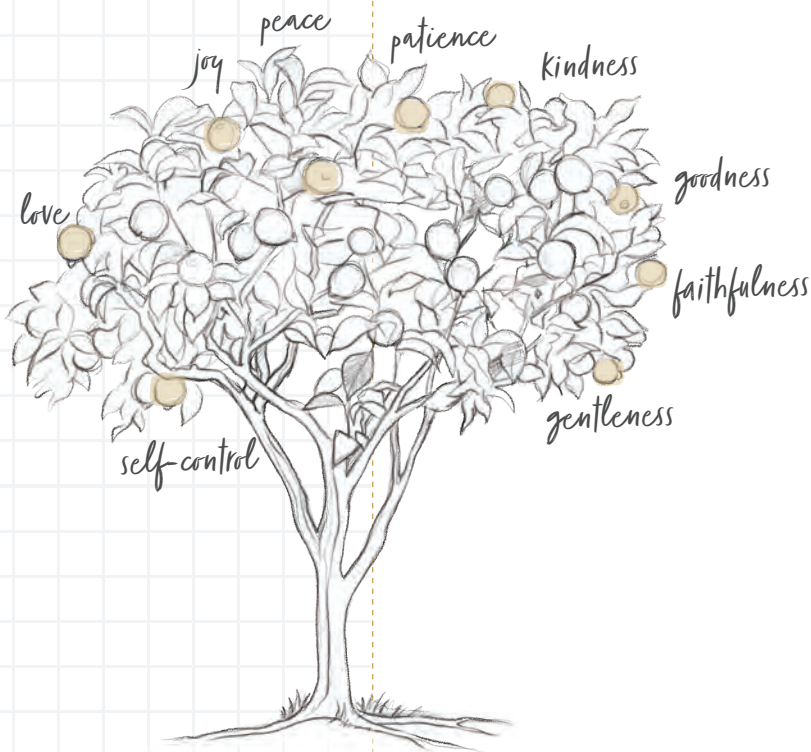
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What did he do with the wicked servant's talents? Why?

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The master in this parable represents Jesus, and the servants represent individuals who have been entrusted with resources and responsibilities. When the wicked servant did not do anything with the master's resources, the master gave his portion to the one who managed his resources the best. This parable shows us that being a good steward involves actively using our resources and talents to bear fruit for God's kingdom! As you will learn in the following lessons, making wise banking choices can help us do that.





## Types of Banks

There are many different types of banks, each designed to serve specific purposes. Some help individuals and small businesses with everyday transactions, while others focus on large-scale financial operations. Below are descriptions of some of these banks.

**Retail Banks:** These are the banks you are probably most familiar with. Retail banks provide financial services to individuals and small businesses. They offer services such as checking accounts, savings accounts, personal loans, mortgages, and some basic investment opportunities. They also provide services like ATM access, online banking, and mobile banking.

**Community Banks:** These are retail banks that serve specific communities or regions. They provide retail banking services to individuals and small businesses within their community. These services are similar to those offered by larger retail banks but with a more personalized approach.

**Credit Unions:** Credit unions offer many of the same services as traditional banks, but they are owned and operated by their members. Credit unions often have lower fees and better interest rates on savings accounts and loans. There are often eligibility requirements to join a credit union. Membership may be based on where you work, where you live, or other criteria.

**Online Banks:** Online banks operate exclusively through websites and mobile apps, and they do not have physical branch locations. Online banks offer many of the same services as traditional banks, though they may have lower fees and higher interest rates due to lower operating costs.

**Commercial Banks:** Commercial banks primarily serve businesses and corporations. They offer financial services such as deposit accounts, business loans, and credit lines.

**Investment Banks:** Investment banks focus on financial services for large corporations, governments, and institutions. They specialize in raising capital, helping companies get the money they need to grow, or complete large-scale projects. When companies want to merge or come together, these banks help the process go smoothly. They also buy and sell things like stocks and bonds to make money for themselves and their clients.

**Central Banks:** Central banks serve as the primary financial authorities responsible for overseeing a nation's monetary policy and managing its currency. In the United States, the central bank is the Federal Reserve which regulates the money supply and sets interest rates.

### Practical Application

→ Find out what's in your neighborhood!

↑  
Do some research and find out what types of banks are in your town. Write the names of the banks in your neighborhood next to the corresponding type above.

# Opening a Checking Account

A checking account is a type of bank account that's used for day-to-day financial transactions. It serves as a central hub for managing your finances. By using a checking account, you have one central place where you can receive income and track your expenses.

To open a regular checking account, you must be at least 18 years old. However, teen accounts are typically available to students between the ages of 13 and 18, and they work the same way as regular accounts. The only difference is that because teens are not legal adults, these accounts usually require a parent or guardian to be a joint account holder.

## Practical Application

→ Choose a bank with a branch in your town, and look on their website for information about teen checking accounts. What age do you have to be to open a checking account at that bank?

- \_\_\_\_\_

Many banks charge a monthly fee for maintaining a regular checking account. Sometimes these fees are waived if you meet certain criteria, such as maintaining a minimum balance. For teen accounts, banks usually offer low or no monthly fees.

→ Look at the bank's website again. Is there a fee for a teen checking account at that particular bank? If so, how much is the fee?

\$ \_\_\_\_\_

## How to Open an Account:

In order for a teen to open a checking account, both the student and parent have to show proof of identification. This includes at least one primary and one secondary form of ID or two primary forms of ID. Primary forms of ID are usually photo IDs that have not expired. These include:

- State ID card
- Driver's license
- Passport

Teens may not have one of these, so they can also use:

- Birth certificate
- Social security card

Both teens and parents also must present a secondary form of ID (or another primary form of ID). These include:

- Student ID
- Major credit card

You'll need to gather these documents before you can open an account. For now, make sure you know where they are. After you've located them, list them below.

Primary Form of ID

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Secondary Form of ID or Second Primary Form of ID

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If you haven't memorized your social security number yet, this is a good time to do so. You'll be asked to write this number on various forms over and over again as you get older.

Social security number memorized!

To open an account, you will also need an **initial deposit** which is the money you will put into the account when you open it. Many banks have a minimum deposit amount you must provide in order to open the account which is often about \$25 to \$50 for a teen account.



# Debit Cards

After you open a checking account, you need a way to access the money in your account! One way the bank allows you to do this is with a debit card.

When you sign up for a checking account, the bank will issue you a debit card. You will then be asked to choose a **PIN** (Personal Identification Number) for the card. Only you (and maybe your parents) should know this number because it ensures no one can use your debit card unless they have your permission.

Debit cards can be used at ATMs to withdraw cash, check your account balance, or deposit funds. You can use your debit card at ATMs operated by your bank without any additional fees. However, you usually have to pay a fee when using ATMs of other banks. In addition, if you use an ATM that is not affiliated with your bank, your bank may charge you a fee as well.

Some banks offer overdraft protection on debit cards. This means that transactions may be allowed to go through even if there's not enough money in the account. However, this usually comes with fees that can add up quickly. However, if a card doesn't have overdraft protection, the sale won't go through, and the card reader might say "insufficient funds" or the transaction will be denied.

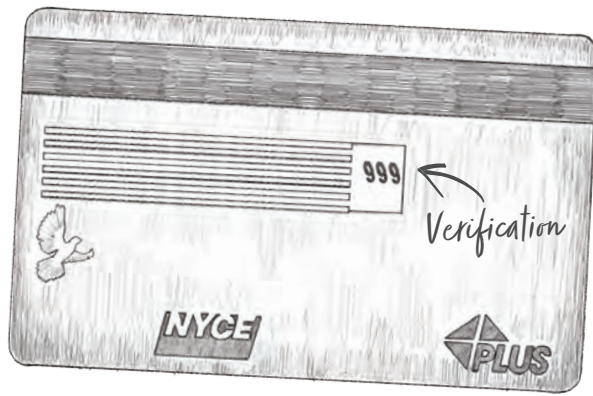
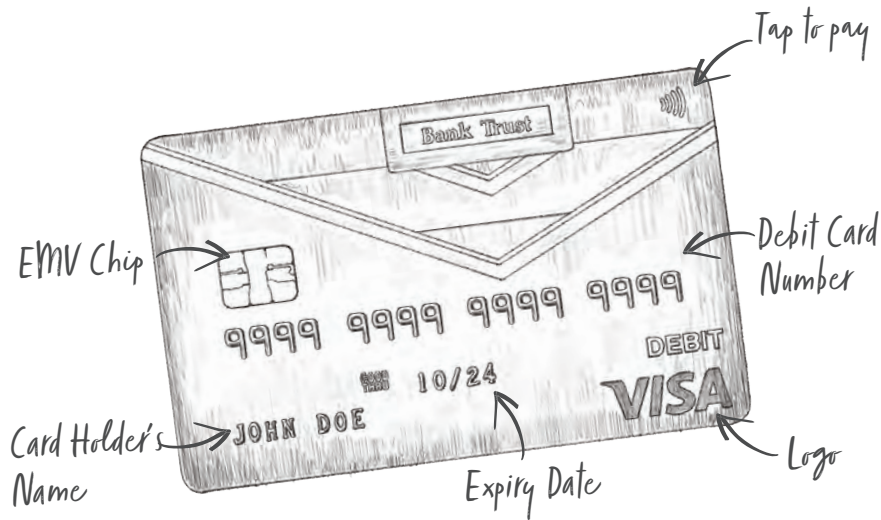
## Get to Know Your Debit Card

There are several key pieces of information on every debit card. These include:

- Debit Card Number:** This is a unique 16-digit number. It is not the same as the card holder's account number.
- Card Holder's Name**
- Expiry (Expiration) Date:** This is the date the card will expire. If you place an order over the phone or online, you may have to give this date. However, you don't have to worry about replacing your card when it expires. Many banks will automatically issue you a new one with the same card number and a later date.
- EMV (Europay Mastercard Visa) Chip:** A chip that stores the user's PIN.
- Logos:** Your card will have the logo of the issuing bank as well as the logo of the payment network, such as Visa or MasterCard.
- CVV (Card Verification Value)/CVC (Card Verification Code):** This is the 3-digit number on the back of the card. It is used to verify that the card is in your possession.

## Practical Application

If you have a debit card, get it out now. (If you don't, use the example on the next page or ask a family member if you may look at their debit card.) Then, identify all of the information above. Check each box as you find that part of the card.



Debit cards are accepted online and at most retail stores, restaurants, and gas stations. You can use your debit card to make purchases by filling out the information online or by swiping or inserting the card into a card reader. Most debit cards have an RFID chip in them with your unique banking account information to allow contactless payment options like tapping your card on the card reader. If this is an option, your card will have a symbol that resembles a sideways wi-fi symbol.

You should be aware that there are people who attempt to hack debit cards whether by scanning them in a store while people are paying or by intercepting the information online. For this reason, credit cards can be safer to use for regular purchases. If a person's credit card information is stolen, they aren't held responsible for any charges as long as they report it right away. However, the owner of a debit card is responsible for the charges on their card even if they did not personally use it. In addition, credit cards are not directly linked to your bank account, but if someone gains access to your debit card information, they could potentially use all of your money. We will discuss credit cards more in Unit 8.

# Making Checking Account Deposits

After you open your checking account, you'll want to continue adding money into it. Any time you place money in the account, it's called a **deposit**. When you deposit money into a bank, you are entrusting your money to the bank for safekeeping.

Banks accept deposits in forms such as cash, checks, or electronic transfers.

## Depositing Cash

There are two ways to deposit cash. You can either visit the bank's local branch, or you can use an ATM that accepts cash deposits. If you go inside the bank, you'll take your cash to a teller. A teller is a bank employee who works behind the main counter. Tellers help customers both inside the bank as well as in the drive-through service.

Some banks require you to fill out a deposit slip before handing the teller the cash. A **deposit slip** is a small form provided by a bank that serves as a record of the deposit. You can ask a teller for a deposit slip, or you can use one provided in the back of your checkbook. Deposit slips provide key information to the bank so they can process the deposit. In the margin is a list of information these slips usually require.

1. **Account information:** your name, account number, and the type of account (checking or savings).
2. **Date:** the date you're making the deposit.
3. **Dollar amount of each deposit:** in the form of separate blanks for cash (sometimes called "currency") and individual checks.
4. **Total:** the total amount being deposited.

## Practical Application

→ Complete the deposit slip below using the information in the margin.

- Account information:** Write your name, "123456789" for the account number, and "checking" for the type of account.
- Date:** Write in today's date.
- Amount:** For cash, write "\$100.50" (note that the cents go in a different column than the dollars).
- Total:** Write the total amount being deposited. In this example, there aren't any checks, so the total would be the same amount as the cash amount.

DEPOSIT	
NAME _____	
DATE _____	
_____	
ACCOUNT NUMBER	
_____	
ACCOUNT TYPE	
Trust & Savings Bank Member FDIC	
	CASH ▶
	▶
	▶
	SUB TOTAL ▶
	\$

If you don't know your account information, the teller may use your debit card or driver's license to retrieve it. If this is the case, they will often fill out the deposit slip themselves.

Another way to deposit cash is through an ATM. ATM stands for "Automated Teller Machine." You can visit your bank's local branch and use the ATM if it's equipped for cash deposits. To make a deposit at an ATM, insert your debit card and enter your pin. Then, select the "deposit" option and insert the cash. Finally, confirm the amount, and it will be deposited into your account. Be sure to look at your receipt to verify that the deposit was made to the correct account.

**Depositing Checks**

When someone writes you a check, you can deposit it into your checking account by visiting the bank. Like a cash deposit, you will fill out a deposit slip or use your debit card for the teller to access your account information. You may also deposit checks through an ATM the same way you would deposit cash. Mobile banking apps may also allow you to deposit a check electronically. In this case, simply follow the prompts provided by the app.

Whichever way you choose, you will need to endorse the back of the check. This means writing your signature. On the back of every check is a line or a box that reads: "Endorse Here." This is where you write your signature. There may be another line underneath it that says, "Do not write, stamp, or sign below this line." Don't write anything there! Some banks also require your account number underneath your signature, or the words "for mobile deposit only" if you are using an app.

In the margin, see the example of the back of a check. Note the line for the signature at the top. Write your name on that line. Signatures should be written in cursive.

**Electronic transfers**

An electronic transfer, also known as an electronic funds transfer (EFT), is a way of depositing money from one bank account into another electronically without using physical checks or cash. Electronic transfers are a convenient way to send money, make payments, and conduct various financial transactions.

Sometimes employers use electronic transfers to automatically deposit paychecks directly into an employee's checking account. These are called direct deposits. Many people choose to have their tax refunds sent directly to their bank accounts by direct deposit.

Electronic transfers can also be made through peer-to-peer payment apps or mobile payment apps. These platforms offer a convenient way for people to send and receive money electronically for online purchases, to send money to friends and family, and even for small business transactions. The money goes into an account within the platform. When you're ready, you can transfer it to your bank account as a direct deposit.

Do your parents use electronic transfers? If so, write down all of the types of electronic transfers they use.

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Which ones do they like best? Why?

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# Writing Checks

1. You fill out a paper check, which includes information such as the payee's name, the date, the amount of money you want to pay, and your signature.
2. You give the paper check to the person or business you are paying.
3. The payee then deposits the check into their own account.
4. The payee's bank processes the check, and the money is transferred from your account to the payee's account.
5. It's important that you have sufficient funds in your bank account to cover the amount on the check. Writing a check for which you have insufficient funds can result in the check "bouncing" because it cannot be cashed. When this occurs, the bank may also charge you overdraft fees to cover the expense of the transaction and the fees from the business that received the "bad" check.

Not that long ago, checking accounts were primarily used for writing checks. While many people today use electronic payments to send money to each other, paper checks are still an option.

When you write a check to pay a person or a business, you are authorizing your bank to withdraw a specific amount of money from your account and deposit it into the bank account of that person or business. The one receiving the payment is called the **payee**.

Read through the process in the margin to see how checks work.

### How to Fill Out a Check

Read through the steps to learn how a check is filled out. Refer to the illustration below as you learn about each part of the check.

Todd Smith 111 Poe Road Pawleys Island, SC 29585	72-1109/736	012
	DATE <u>8/15/24</u>	PMP
PAY TO <u>The Home Store</u>	\$ <u>50.<sup>24</sup></u>	
THE ORDER OF <u>Fifty and <sup>24</sup>/<sub>100</sub></u>	DOLLARS	Heat Reactive Ink
Trust & Savings Bank Member FDIC		
MEMO <u>beach chairs</u>	<u>Todd Smith</u>	MP
: 123456789  : 1011121314		

- Name and address:**  
Todd Smith, 111 Poe Road,  
Pawleys Island, SC 29585
- Routing number:** 123456789
- Account number:** 1011121314
- Check Number:** 012
- Date:** 8/15/23
- Payee's name:** The Home Store
- Dollar Amount in numerical form:** \$50.24
- Dollar Amount in word form:** fifty and 24/100
- Memo:** beach chairs
- Signature:** Todd Smith

### Pre-printed Information

1. **Name and Address:** A check you receive from your bank will have your name and address printed in the upper left-hand corner. This is enough personal information to pre-print on a check. Sometimes when you use a check, the payee will ask for additional information, such as your phone number or driver's license number. This information can be written on the check if requested.
2. **Routing Number:** The check will also have your account information printed on it. These are the numbers you see below the "For" or "Memo" line. The first set of numbers is called the routing number. The routing number is a unique numerical code that identifies a specific bank or financial institution. All branches of that bank have the same routing number.
3. **Account Number:** The second set of numbers printed after the routing number on the check is your checking account number. Your number will only appear on your checks. Other people's checks will have their account number. The routing number and account number tell the payee's bank which account the funds will be drawn from.
4. **Check Number:** The third set of numbers printed after the account number is the check number. This number may also appear in the top right corner of a check. It can be recorded in your checkbook to keep track of your spending.



The person writing the check fills in the rest of the information explained below.

### Date

The date goes on the line in the upper right-hand corner of the check. It may be abbreviated with the day and month in any order.

### Payee's Name

This can be the name of an individual or business. The payee's name goes on the line labeled, "PAY TO THE ORDER OF". It can be printed or written in cursive, but it must be legible. For this example, we'll make the payee The Home Store.

### Dollar Amount in Numerical Form

To the right of the Payee's Name is a place to put the amount of the check. Write the amount here as numbers. For example, a check for 50 dollars and 24 cents would be written as 50.24. Be sure to include the decimal, even if there aren't any cents. In this case, 50 dollars would be written as 50.00. There's no need to add a dollar sign, since there's one already printed on the check.

### Dollar Amount in Word Form

On the long line underneath the Payee's Name, you'll write out the dollar amount in word form, and the amount of cents as a fraction. To do this, first write out the dollar amount as words. Here, the number "50" would be written as "Fifty". After the dollar amount, add the word "and." You'll add this even if there aren't any cents.

After the word "and", add the amount of cents as a fraction over 100. (This is because there are 100 pennies in a dollar.) In our example, the 24 cents would be written as " $\frac{24}{100}$ ". Putting it all together, this line would be written as "Fifty and  $\frac{24}{100}$ ". If there were no cents, you would write "Fifty and  $\frac{00}{100}$ ".

To make sure nothing else is written in that space, draw a line from the last number all the way to the word "dollars". This will help prevent someone from changing the amount of your check.

### Memo

The "For" or "Memo" line of the check is there so you can make a note of what the check is paying for. If you're using the check to pay a bill, this is the place where you would write the account number associated with that bill. Otherwise, this line is for your own notes. You might write "Christmas presents" or "groceries" or some other reference that will help you remember why you wrote the check.

### Signature

Finally, it's time to sign the check. Most people sign their checks in cursive. While your signature does not have to be legible, it does have to be your unique signature or way of signing. Because of this, try to keep your signature consistent on every check you write.

For example, August 15, 2024

may be written as:

→ 8-15-24

→ 8/15/24

→ 8-15-2024

→ 8/15/2024

→ 15 Aug 2024

→ Aug 15, 2024

### Tips for Writing Numbers

-When writing numbers 100 or more, do not include the word "and" until you are writing the cents. For example, the amount \$116.78 would be written as

"One hundred sixteen and  $\frac{78}{100}$ "

-Hyphens are typically used when writing out two-word numbers between 21 and 99.

Example:

21 is written as "twenty-one"

45 is written as "forty-five"

99 is written as "ninety-nine"

### Practical Application


→ Now it's time for you to fill in your own checks! Use the information in the margin to fill out your own checks.

Date: Today's Date  
 Payee: A Store in Your Town  
 Amount: \$75.92  
 Memo: Party

72-1109/736 013

DATE \_\_\_\_\_ PMP

PAY TO \_\_\_\_\_ \$

THE ORDER OF \_\_\_\_\_ DOLLARS 

Trust & Savings Bank  
 Member FDIC

MEMO \_\_\_\_\_ MP


|: 123456789 |: 1011121314 ||

You spent \$46.78 at the grocery store today picking up a few things to make dinner. Fill out the check.

72-1109/736 014

DATE \_\_\_\_\_ PMP

PAY TO \_\_\_\_\_ \$

THE ORDER OF \_\_\_\_\_ DOLLARS 

Trust & Savings Bank  
 Member FDIC

MEMO \_\_\_\_\_ MP


|: 123456789 |: 1011121314 ||

You spent \$8.98 at Stuff Mart today picking up notebooks and pencils for school. Fill out the check.

72-1109/736 015

DATE \_\_\_\_\_ PMP

PAY TO \_\_\_\_\_ \$

THE ORDER OF \_\_\_\_\_ DOLLARS 

Trust & Savings Bank  
 Member FDIC

MEMO \_\_\_\_\_ MP

|: 123456789 |: 1011121314 ||

# Making Withdrawals

Now that you have money in your checking account, how do you access it when you need it? Taking an amount of money out of a bank account is called a **withdrawal**. There are several ways to withdraw money from your checking account. One way is by visiting a branch of the bank and withdrawing the money in person. The teller will help you with your request to withdraw money.

To withdraw cash from your checking account at the bank, you'll need to fill out a withdrawal slip. These are often located in the lobby for customers to pick up as needed. Although these forms may look a little different from bank to bank, they all require the same basic information listed.

If you are at the bank and don't know your account number, the teller should be able to look it up using your debit card. To make a cash withdrawal, you will also need to also provide identification, such as a driver's license.

1. **Account information:** your name (printed) and account number.
2. **Date:** the date you're making the withdrawal.
3. **Dollar amount of withdrawal:** in numerical and word form.
4. **Signature:** as proof it was you making the withdrawal.

## Practical Application

→ Look at the sample withdrawal slip below. Locate the account holder's name, account number, the date, the amount, and the account holder's signature. Write this information on the lines below:

WITHDRAWAL

NAME Todd Smith ACCOUNT NUMBER 1011121314

DATE 8/17/24 SIGNATURE Todd Smith

Two hundred and no/100 \$ 200.00

Trust & Savings Bank  
Member FDIC

Just like a check, a withdrawal slip includes a space to write the amount as words as well as a space to write the amount as numbers.

Account holder: \_\_\_\_\_

Account number: \_\_\_\_\_

Date: \_\_\_\_\_

Amount to withdraw: \_\_\_\_\_

### Practical Application

→ Now you try! Fill out the deposit slip below. You'll notice that it doesn't look just like the sample. That's because withdrawal slips vary from bank to bank. However, they all require the same basic information.

To fill out this slip, use the account number listed on the sample slip. You can choose the amount to withdraw.

NAME _____	DATE _____																				
ACCOUNT NUMBER	WITHDRAWAL																				
<table border="1" style="width: 100%; height: 20px;"> <tr> <td style="width: 12.5%;"></td> <td style="width: 12.5%;"></td> <td style="width: 12.5%;"></td> <td style="width: 12.5%;"></td> <td style="width: 12.5%;"></td> <td style="width: 12.5%;"></td> <td style="width: 12.5%;"></td> <td style="width: 12.5%;"></td> <td style="width: 12.5%;"></td> <td style="width: 12.5%;"></td> </tr> </table>											\$ <table border="1" style="width: 100%; height: 20px;"> <tr> <td style="width: 12.5%;"></td> <td style="width: 12.5%;"></td> <td style="width: 12.5%;"></td> <td style="width: 12.5%;"></td> <td style="width: 12.5%;"></td> <td style="width: 12.5%;"></td> <td style="width: 12.5%;"></td> <td style="width: 12.5%;"></td> <td style="width: 12.5%;"></td> <td style="width: 12.5%;"></td> </tr> </table>										
America Savings Bank Member FDIC	_____ SIGNATURE																				

You can also write a check to "Cash" for the amount you would like to withdraw. Banks will ask you to endorse the check on the back and then they will give you the amount specified on the check. This is an easy way for you to have a record of your withdrawals.

Practice this below by filling out the check for the same amount as the example above.

72-1109/736	016
DATE _____	PMP
PAY TO _____	\$ <table border="1" style="width: 100px; height: 20px;"></table>
THE ORDER OF _____	DOLLARS
Trust & Savings Bank Member FDIC	_____ MP
MEMO _____	
⑆ 123456789 ⑆ 1011121314 ⑆	

# Cashier's Checks and Money Orders

Cashier's checks and money orders are both secure forms of payment sometimes used in financial transactions, including withdrawing money from a bank. Companies or individuals may prefer them over a personal check because they are considered more secure.

## Cashier's Checks

A cashier's check is a check issued by a bank or other financial institution on behalf of a customer. It is considered a guaranteed form of payment because the bank draws the funds immediately from the customer's account. The recipient knows that there is no chance of insufficient funds, unlike a regular check.

Cashier's checks are typically used for large transactions, such as buying a car. That way, the buyer doesn't have to carry a lot of cash with them.

To get a cashier's check, follow the steps in the margin.



1. Visit your bank in person. Be sure to bring proof of ID.
2. Request a cashier's check from the teller. Provide the name of the person or business who will be receiving the check and the exact amount of the check.
3. Pay the bank the full amount in cash or have it withdrawn from your account. There is often a fee for a cashier's check. If so, you will need to pay that, too. Fees are usually \$10 or less.

## Money Orders

Money orders are similar to cashier's checks in that they are also a pre-purchased form of payment. Like the cashier's checks, the amount of the money order is guaranteed to the recipient. However, there are some differences:

**Where they come from:** Cashier's checks come from a bank, while money orders can be issued at many different places. This includes not only banks, but also post offices, supermarkets, convenience stores, and more.

**How they're used:** Cashier's checks are more secure than money orders. For this reason, they are used for larger purchases, while money orders are used for smaller transactions. For example, someone might use a money order to pay a bill or send money through the mail.

**How secure they are:** Cashier's checks are considered highly secure because they are backed by the bank's funds. These checks are considered the equivalent to cash. On the other hand, money orders can be lost or stolen.

	<b>US Financial</b> & Savings Bank	No. 10057890016	<b>Money Order</b>
<b>PAY EXACTLY</b>	FOUR HUNDRED THIRTY-TWO DOLLARS AND 81 CENTS		<b>\$</b> 432.81
<b>TO THE ORDER OF</b>	_____	_____	<b>PURCHASER</b>
	_____	_____	<b>PURCHASER SIGNATURE</b>
	: 123456789  : 151617181920   -		

### Avoiding Scams

Even with the security of a cashier's check, scammers are able to fool people. It's important to be cautious when dealing with cashier's checks and money orders. Consider these examples:

Scammers may create counterfeit cashier's checks or money orders that look convincing but are fake. While it can be difficult to verify a money order, you can verify a cashier's check. To do this, call the bank that issued it to make sure it's real. Do not use a phone number on the check; find it for yourself online. The phone number on the check might be fake, too.

Scammers may send a counterfeit cashier's check or money order for an amount greater than what they owed. Then they ask the seller to refund the extra. Later, the fake check or money order doesn't go through, and the seller has already sent some of the money back.

To avoid these and other scams, you should avoid accepting cashier's checks or money orders from people you don't know. If the other party is only offering a cashier's check, remember to verify the authenticity of the check with the bank that issued it before you accept it.

# Balancing Your Checkbook

Balancing your checkbook is a process that involves making sure your bank statement matches your own personal records of transactions. In other words, you're making sure the amount of money in your bank account matches the amount you believe should be there.

Although most people today use electronic payments more often than paper checks, balancing your account is still an important thing to do. For example, it can help you find errors made by either you or the bank or both. This can include missed deposits, double charges, or incorrect charges. Balancing your account can also help you find unauthorized or fraudulent charges. While this doesn't happen often, it can happen. The faster you find these charges and contact your bank, the better.

## How to Balance a Checkbook

1. Gather the necessary materials: a ledger or your checkbook register, your bank statement from the last month, a pen or a pencil, and a calculator (optional).
2. Reconcile the transactions in your checkbook register to those on your bank statement by checking them off in both places after ensuring that they match.
3. Next, update your checkbook register with any transactions you may have forgotten to record. These could be deposits, checks you've written, ATM withdrawals, or debit card transactions. Add these to your checkbook register. Be sure to write down the date, description, and amount of each transaction.
4. Carefully review your bank statement. Write down any missing deposits or unauthorized charges. Contact your bank about any errors on your statement.
5. In your checkbook register, calculate your **running balance**—the balance after each deposit or withdrawal—after each transaction. Start with your previous balance. For each deposit, add the amount to the running balance. For each withdrawal, subtract the amount from the running balance. The last balance recorded is your **current balance** which should be the same as the balance on your bank statement.
6. Account for discrepancies. Sometimes the running and current balances don't match. This could be because a check you wrote hasn't cleared the bank yet or an online store hasn't charged your card for the purchase you made. If this happens, subtract that amount from the bank statement balance. Also take into account any bank errors that you found.
7. You can write the ending balance in your checkbook register as "Ending Balance" with the date. This will help you keep track of when you last balanced your account.

It's best to update the running balance in your checkbook ledger each time you make a transaction. That way, you'll always know how much money you have in your account.

### Practical Application

Below is a checkbook ledger. Look to see if the transaction recorded was a deposit or a withdrawal. Then calculate the running balance for each transaction. Remember to use a calculator to avoid errors! The first few transactions have been recorded for you.

CHECK NUMBER	DATE	DESCRIPTION OF TRANSACTION	PAYMENT, FEE, WITHDRAWAL	DEPOSIT (CREDIT)	BALANCE
	5/18	Ending Balance			\$1,592.43
	5/21	ATM Withdrawal - Bowling	\$20.00		
216	5/22	Clothing Store	\$46.74		
	5/26	Deposit - Birthday Money		\$75.00	



→ Continue filling out the checkbook ledger on the previous page with the following transactions and calculate the running balance.

- Deposit from dog walking service on 6/1 - \$62.00
- Used debit card at grocery store on 6/2 - \$3.58
- Used debit card to purchase gas on 6/7 - \$33.04
- Check #217 for haircut on 6/10 - \$20.00
- Deposit from dog walking service on 6/15 - \$62.00
- Used debit card in restaurant on 6/16 - \$15.87
- Used debit card to go to a movie on 6/20 - \$12.00
- Check #218 for magazine subscription on 6/25 - \$8.75
- Deposit from dog walking service on 6/29 - \$62.00
- ATM withdrawal to repay friend on 6/30 - \$20.00

### Balancing with Software and Banking Apps

Balancing your checkbook with a checkbook register or ledger is a traditional method of managing your finances. However, many people now use banking apps and online software to keep track of their accounts. These can help you reconcile your bank account by providing a way to compare your bank statement with your own records digitally.

First, decide on a way to record everything, such as an app or a spreadsheet. Once you've decided how you'll keep track of your transactions, the process is similar to keeping a checkbook register.

Start by entering your current checking account balance. Then, anytime you use a debit card, write a check, or make a withdrawal, enter it into the app. Include the name of the place where you spent the money, the date, and the amount. Do the same for any deposits. Each time you add an entry, the checking account balance should update. Finally, compare your records to your bank statement to reconcile them.

Many apps and online software allow you to import your bank transactions directly from your bank or financial institution. Once your transactions are imported, the software matches them with the transactions in your own records. It then highlights any discrepancies between your records and the bank statement. The software will also calculate the balance of your account based on the reconciled transactions. This balance should match the ending balance on your bank statement.

Some people use a combination of balancing their checkbook on paper along with using digital banking apps. They record transactions digitally for real-time tracking, and then they reconcile their accounts manually from time to time to make sure everything is correct.

*If using a debit card to make a purchase, hold onto the receipt until you've reconciled that purchase in your ledger. That way, if there is a discrepancy with the bank, you have a way to show the actual amount that was spent.*

# Savings Accounts

- Fees:** Look for a savings account without a monthly maintenance fee.
- Minimum Requirements:** Look for a savings account with low or no minimum balance requirements.
- Convenience:** For some people, the bank's location and whether it has branches nearby may be an important factor when choosing a bank. You may want to check to see if the bank offers online banking services as well.
- APY (Annual Percentage Yield):** Unlike checking accounts, savings accounts pay interest. The APY refers to the amount of interest earned.

As is possible with checking accounts, teens can open savings accounts that they own jointly with their parents. The process of opening the account is very similar to opening a checking account. However, there are different types of savings accounts that may be affected by the factors listed.

Let's see how APY works. Let's say you open a savings account with \$2,000, and it earns a 2% APY compounded annually, or once each year. This means that the interest will only be added at the end of the year. If you don't make any more deposits during the year, how much would you have at the end of the year?

To find the answer, you'll first need to find out what 2 percent of 2,000 is.

1. To do this, first change the percentage into a decimal. 2% is equal to 2/100ths, or .02.
2. Next, multiply  $.02 \times 2,000$ . The answer is 40.00. So the interest for the first year is \$40.00.
3. Add \$40.00 to the original \$2,000 to see how much is in the account at the end of the first year. The answer: \$2,040.00.

## Practical Application

→ Imagine you open a savings account with an APY compounded annually at 4.3% APY. Your initial deposit is \$3,000.00. How much would you have in your account at the end of the year?

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There are different scenarios that could change your savings calculations using APY. For example, perhaps you make a deposit of \$50 each month. If this was the case, then your final amount after one year would be your initial deposit (\$3,000.00) plus  $\$50 \times 12$  (since there are 12 months in the year) plus the interest.

Maybe this is starting to sound a little confusing. Fortunately, there are online calculators that can help you figure out your total in savings when there are lots of numbers involved. You can find them by doing a search for "APY calculator."

- Try a different scenario with the same values: \$3,000 initial deposit at 4.3% APY.
1. Search for an APY calculator.
  2. Plug in the numbers.
  3. If there is a choice between APY or APR, choose APY. (APR refers to interest on loans.)
  4. In the space where it says "regular deposit", put \$50 monthly.
  5. The calculator will show you how much interest you earned. Write that number here.

\$ \_\_\_\_\_

**Daily vs. Monthly vs. Annually**

The APY calculator will have a place where you can indicate if the interest is being accrued daily, monthly, quarterly (every three months), semi-annually (every six months), or annually (once a year). If you try changing this value, you'll see there's not much of a difference in the amount of interest that is accrued. However, if you were to keep the savings account for many years, the difference would be larger. Try it now and see!

**Practical Application**

→ Change the period of time in the calculator to the number of years indicated below and record the total interest earned.

After 2 years: \$ \_\_\_\_\_

After 5 years: \$ \_\_\_\_\_

After 10 years: \$ \_\_\_\_\_

After 12 years: \$ \_\_\_\_\_

After 15 years: \$ \_\_\_\_\_

**Withdrawals**

Withdrawals from a savings account are very similar to those from a checking account. You can withdraw money from a savings account by:

1. Visiting the bank in person. Fill out a withdrawal slip and take it to one of the tellers.  
Be sure to bring identification (such as a driver's license) with you.
2. Using an ATM. If your bank provides an ATM or debit card linked to your savings account, you can withdraw cash from an ATM. Insert your card, enter your PIN, and follow the instructions on the screen.
3. Online or Mobile Banking. Log in to your online banking account if your bank offers online services. From there, you can have the funds transferred to your linked checking account.

Some savings accounts have **limits** for how many withdrawals you can make.

Be sure to check with your bank for information regarding withdrawal limits and any penalties for making too many withdrawals.



# Project—Which Bank is Right for You?

For this project you will be researching bank accounts! Make a list of banks that are in your town. Include national banks as well as local banks.

Choose three banks (one of them could be your parents' bank!) and find out what accounts they offer students. Be sure to record the monthly fees, requirements, and minimum opening deposits. What documents or identification is required in order to open an account? Repeat the process with savings accounts. Record all this information in the charts below.

	Example Bank	
	Checking Account	Savings Account
Age to Open:	13	13 and up, 12 and under with a parent
Minimum Opening Deposit:	\$25	\$25
Monthly Fees:	None	None if under 24
Other Requirements:	None	None

BANK: \_\_\_\_\_

	Checking Account	Savings Account
Age to Open:	_____	_____
Minimum Opening Deposit:	_____	_____
Monthly Fees:	_____	_____
Other Requirements:	_____	_____

BANK: \_\_\_\_\_

	Checking Account	Savings Account
Age to Open:	_____	_____
Minimum Opening Deposit:	_____	_____
Monthly Fees:	_____	_____
Other Requirements:	_____	_____

BANK: \_\_\_\_\_

	Checking Account	Savings Account
Age to Open:	_____	_____
Minimum Opening Deposit:	_____	_____
Monthly Fees:	_____	_____
Other Requirements:	_____	_____

**Reflection and Evaluation**

Compare the information you gathered. Which bank seems like it might be the best option for you? Why?

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Do you have a bank account already? If not, would you want to open one? Discuss this with your parents.

# A Biblical View of Insurance

No doubt you've heard your parents talk about insurance, especially health and car insurance. But what exactly is insurance, and how does it work?

Insurance is like a financial safety net. It can be used to provide when an unexpected emergency or loss would be financially overwhelming. For example, health insurance helps cover medical expenses. Car insurance covers expenses in case of an automobile accident. Life insurance helps make certain that a family has enough income should one of the parents pass away. For many people, insurance is a way to safeguard their family's future.

The insurance industry wasn't around during biblical times, so there's no clear teaching about it in the Bible. Because of this, Christians often have differing opinions about insurance. Some Christians may view purchasing insurance as a lack of trust in God's provision, while others believe it is a way to be wise and protect their family.

Though the Bible doesn't say anything about insurance specifically, it does teach us general principles that can apply to insurance.

Read *Proverbs 21:5*. What do you think this verse means?

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How do you think it can apply to insurance?

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Insurance is a tool that helps us plan for unforeseen events. It is one way we can take responsibility for the well-being of our families.

While insurance can help protect us financially, it's important that we don't place our trust in insurance policies.

Read *Matthew 6:25-34*. What do these verses tell us about God's provision?

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No matter what a Christian's view is about insurance, it's important to understand it. It is part of our lives here on this earth, so we should be diligent to learn about it! This is yet another way we can be good stewards of the resources God has blessed us with.

What are your parents' views about insurance? Find out and write them here.



## Learning the Lingo

There are many types of insurance designed to protect individuals and their property.

**Auto Insurance** provides coverage for damage to vehicles.

**Disability Insurance** replaces income if someone is unable to work due to a disability.

**Health Insurance** helps cover the cost of medical expenses, including doctor visits, hospital stays, and prescription drugs.

**Homeowners Insurance** protects against damage to a home and its contents due to things such as fire, theft, vandalism, and storms.

**Life Insurance** provides money to the family of the insured person if they pass away.

**Long-Term Care Insurance** covers the cost of long-term care services, such as nursing homes.

**Pet Insurance** covers veterinary expenses for pets, including illness and accidents.

**Renters Insurance** covers the personal property of renters.

**Travel Insurance** provides coverage for unexpected events during travel, such as trip cancellations or lost luggage.

### Practical Application

→ What kinds of insurance does your family have? Ask a parent if you don't know.

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→ There are many other types of insurance for individuals that are not listed here. Do some research about one of them. Then write two or three sentences describing the purpose of the insurance.

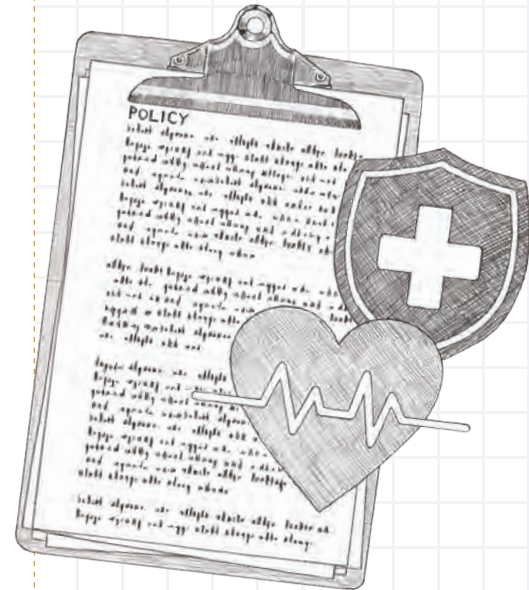
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In order to better understand insurance, there are some key terms you should become familiar with.

### Insurance Terms

**Policy:** An insurance policy is like a formal agreement between the policyholder and the insurance company. It contains the details of the insurance plan, such as what the insurance covers, amounts of coverage, the premium, and how long the coverage lasts.

**Policyholder:** This is the person who owns the insurance policy. Their name is listed as the person with whom the insurance company agreed upon the policy. It could be the same person as the insured, although sometimes people buy a policy for another person.

**Insured:** This is the person or people covered by the insurance policy.

**Coverage:** Coverage refers to the amount of protection and benefits provided by the insurance policy. It determines the amount of money that will be paid out when a claim is made.

**Premium:** The premium is a regular payment made to the insurance company by the policyholder to maintain the insurance coverage.

**Claim:** A formal request from the policy holder to their insurance company asking for payment for something the insurance covers

**Payout:** the money paid to the policyholder when a claim is accepted

**Death Benefit:** Death benefit is specific to life insurance and is the amount paid to the family when the insured dies.

**Beneficiary:** The beneficiary of a life insurance policy is the person who will receive the money from the policy if the insured person passes away.

### Practical Application

→ Read the story. Then, answer the questions in the margin.

Sarah decided to take out a life insurance policy on her aging father, Thomas. She carefully chose a plan to help her with expenses in the event he passed away. She paid \$60.00 each month for a \$250,000 policy. If her father died, Sarah would receive the money, or payout. She would use some of it to pay for the funeral and other end-of-life expenses. The policy gave both Sarah and Thomas peace of mind knowing that if Thomas were to pass away, Sarah would have some financial stability during a difficult time.

Who is the policy holder?

Who is the insured?

Who is the beneficiary?

How much is the monthly premium?

What is the coverage?

How much is the death benefit?



# Life Insurance

Life insurance involves an agreement between you and your insurance company. You make regular payments to the company, and the company pays your beneficiaries a lump sum should you pass away.

Usually, the younger you are when you purchase a life insurance policy, the lower your premiums will be. This is because younger individuals are less likely to pass away during the policy term, so companies can offer the insurance at a lower cost. Also, as you age, you may develop medical conditions or experience a decline in health. The older you get, the cost of life insurance often increases.

So what's the big deal? You're probably not expecting to die any time soon, right? Imagine you're the main source of income in your family. You may have older parents, a spouse, and maybe children who depend on you to pay for things like food, housing, clothing, and utilities. If something unexpected were to happen to you, like an accident or an illness, and you passed away, it could be very difficult for your family to manage without your income.

So, you decide to get a life insurance policy. You begin to pay the premiums every month to an insurance company. In return, the insurance company promises to give a certain amount of money to your beneficiaries if you pass away. If the worst were to happen and you were no longer around, the life insurance money can help cover things like funeral expenses, bills, and more.

## Different Types of Life Insurance

There are several different types of life insurance policies.

**Term Insurance:** Think of term insurance as renting life insurance for a specific period of time, typically 10, 20, or 30 years. If the insured passes away during this period, the beneficiary or beneficiaries (there can be more than one) receive the insurance payout. Term insurance can be a good option when you only need coverage for a certain amount of time, such as until your children become financially independent.

**Whole Life Insurance:** Whole life insurance offers lifelong coverage and includes a savings component, similar to a long-term investment. While the premiums are higher, this type of policy builds cash value over time. People with whole life insurance can also borrow money against that cash value.

**Variable Life Insurance:** Variable life insurance is a type of whole life insurance that blends insurance coverage with investment opportunities. Policy holders have the flexibility to invest their premium payments and perhaps increase the policy's cash value. However, this increase is not guaranteed and in the worst case scenario, your initial investment can be lost if your investments perform poorly.

## Practical Application

→ Ask your parents if they have a life insurance policy. If so, answer the questions. 

What type of policy is it?

If it's term insurance, how many years does it last?

What are the premiums?

What is the payout?

Who is the beneficiary?



## Project—Life Insurance

How much life insurance do you need? Do some research and find out how much life insurance you would need as a 35-year-old if you were married with 3 children ages 2, 6, and 9 and working in your chosen profession with no savings or investments.

Debt →  
Income  
Mortgage  
Education

There are several ways to figure this out, but for this project, you will use the DIME formula. **DIME** stands for Debt, Income, Mortgage, and Education. To complete this project, you'll have to find the value for each one. Of course, as a teen you won't have all of the information necessary to determine an amount. In these instances, use the amounts provided.

**Debt and Final Expenses:** Add up your debts including credit card debt, student loans, and any other type of loans. For this number, let's assume you have \$15,000 in debt total.

Now, do some online research to find the average estimated amount to cover funeral expenses and record that here.

\$ \_\_\_\_\_

Add up these two numbers and record them below.

Debt and Final Expenses Total \$ \_\_\_\_\_

**Income:** Answer the following questions according to your projected income in your chosen profession from Unit 1.

- What is your chosen profession? \_\_\_\_\_
- How much could you expect to earn per year in that profession? \_\_\_\_\_
- Now, decide how long your family will need support. You can assume they will need support until your youngest child finishes high school around the age of 18.

Write that number here. \_\_\_\_\_

- Next, multiply that number by the amount of your annual income. \_\_\_\_\_

**Mortgage:** Assume you have an outstanding mortgage on your home of \$200,000.

**Education:** Estimate the cost of sending your kids to college or vocational school. Estimate the amount one child will need to attend a higher education institution if that's the direction they take. For this number, you can choose to use the tuition rate for either a public or private university.

\$ \_\_\_\_\_

Multiply that number by the number of children. \$ \_\_\_\_\_

Add together the four final totals you have for each part of DIME. How much life insurance would you need to cover all these expenses for your family?

• \_\_\_\_\_

→ Consider the same scenario as the previous problem, but instead of a wage-earner, you're a stay-at-home parent. Although stay-at-home parents may not earn a salary, they provide significant financial contributions through their unpaid work. These include childcare, housekeeping, cooking, and if they are homeschooling, education. If there is only one surviving parent, and they are working, they will have to pay for these services.

In this case, we'll use the same numbers for debt, mortgage, and education.

**Debt:** \$ \_\_\_\_\_

**Income:** Let's figure out how much it would cost to pay for the services a stay-at-home parent provides. You can find approximate values online. (Some things to consider as you do your research: Grandparents may be able to take on childcare, but that is assuming they are able to do so even as they get older. A nanny may be able to take care of many of the household tasks as well, but the cost would be more than if they were just providing childcare.)

Childcare is needed for one toddler and two school-age children (this could be a nanny or babysitter). The toddler would need care all day, while the other two children would need care after school. You can also take into consideration that the toddler will be attending school in three years and won't need full-time care after that.

Child care: \_\_\_\_\_

House cleaning: \_\_\_\_\_

Meal preparation: \_\_\_\_\_

Running errands: \_\_\_\_\_

Add these numbers together, then multiply by the number of years you may need to hire this type of help.

• \_\_\_\_\_

**Mortgage:** \$ \_\_\_\_\_

**Education:** \$ \_\_\_\_\_

How much life insurance would you need in this scenario?

\_\_\_\_\_

\_\_\_\_\_

# Health Insurance

Health insurance is a way to make sure you can afford medical care when you need it. It can be used for routine check-ups as well as unexpected emergencies. There are several different types of health insurance.

**Private Health Insurance:** Private health insurance refers to any health insurance plan that isn't provided by the government. Most Americans have private healthcare coverage. Many people buy private health insurance through their employers because employers often negotiate with insurance companies to provide group health insurance plans. These are usually lower in cost than individual plans. However, people can also buy individual plans directly from an insurance company or through an insurance agent.

**Medicare:** In the United States, Medicare is a government-funded health insurance program primarily for people aged 65 and older. Younger individuals with disabilities may also qualify for Medicare. It can cover hospital care, nursing home care, doctor's visits, medical equipment and supplies, and prescription drugs.

**Medicaid:** Medicaid is a joint federal and state program in the U.S. that provides health insurance to low-income individuals and families. Eligibility and benefits can vary by state.

## Health Insurance Plans

There are several types of private health insurance plans. The main differences in the plans are the cost of the plan and the freedom to choose your healthcare provider. All of these plans will cover expenses in case of an emergency.

**HMO (Health Maintenance Organization):** With this type of plan, members must choose a doctor from the HMO's network. This doctor becomes their primary care physician, or PCP. If the member needs to see a specialist, they must first get a referral from their PCP. While these plans are usually less expensive, they are limiting. If the member goes outside the network for treatment, the insurance usually won't cover their expenses unless it's an emergency.

**PPO (Preferred Provider Organization):** These plans have more flexibility than HMOs. While there's still a network of preferred healthcare providers, members aren't required to choose a PCP. They can choose to see someone outside of the network, and they can visit specialists without referrals. However, if they stay within the network, more of the cost is covered by the insurance. PPOs usually have higher premiums than HMOs.

**POS (Point of Service):** These plans combine features of HMOs and PPOs. Like an HMO, these plans require members to choose a PCP and get a referral in order to see a specialist. Like a PPO, members pay less if they use doctors and hospitals that belong to the plan's network.

**EPO (Exclusive Provider Organization):** Like an HMO, services are covered only if you use doctors, specialists, or hospitals in the plan's network. Like a PPO, you can see a specialist without a referral. EPOs often cost less than the PPO and other plan options. However, if a member must see an out-of-network provider, they have to pay 100% of the bill.

**Health Sharing Plans (Healthcare Sharing Ministries):** These are an alternative to traditional health insurance. Most health sharing plans are faith-based, and some require that members sign a statement of faith. The idea is that members contribute to share the burden of each other's medical expenses.

While health share plans aren't insurance plans, they have several similarities. For example, members make monthly payments, or premiums. Many also have a network of providers, and going outside of that network will mean paying more of the cost.

However, health share plans offer members a number of benefits. People can join a health share plan regardless of their employment status. This makes it a great option for stay-at-home parents. Members also have the peace of mind knowing that their money is not being used for services that go against their beliefs. While members do make monthly payments, they are usually much less than the premiums for regular insurance.

When looking for a health insurance plan, there are some things to consider.

**Preventative Care:** Most health plans must cover a set of preventive services, such as screening tests and shots, at no cost.

**Exclusions:** An exclusion is a condition that is not covered by the insurance plan. Common exclusions include cosmetic surgery, elective surgery, and mental health conditions.

**Prior Authorization:** Some plans may require that you get approval before you visit a health care professional or fill a prescription. Otherwise, they won't cover it.

**Deductible:** This is the amount you pay before the insurance pays. For example, if you have a \$1000 deductible, and your medical bill is \$5,000, you will pay \$1,000, and your insurance will pay \$4,000. With many insurance plans, the deductible resets at the beginning of each year. In our example, if you've paid your \$1,000 in one year, on January 1, it's back to \$0. If you didn't meet your deductible and only paid \$800, it still goes back to \$0 on January 1.

**Copay:** This is the set fee you pay for a doctor visit or a prescription that does not count towards your deductible. Once you reach your deductible, you'll still have copays which are paid at the time of service. Your copays end only when you have reached your out-of-pocket maximum.

**Out-of-Pocket-Expense:** These are your expenses that aren't reimbursed by insurance. They include copays and deductibles, as well as all costs for services that aren't covered.

**Out-of-Pocket Maximum or Out-of-Pocket Limit:** This is the limit on the amount of money you have to pay for covered health care services in a plan year. If you meet that limit, your insurance plan will pay 100% of all covered costs for the rest of the year. The Affordable Care Act requires that nearly all health plans have an out-of-pocket maximum of no more than \$9,100.

### Practical Application

→ On average, health insurance costs about \$7,500 a year for an individual and about \$22,000 for a family. These amounts are paid in monthly payments.

Using the figures above, what would an individual pay monthly for health insurance?

\$ \_\_\_\_\_

How much would a family pay monthly?

\$ \_\_\_\_\_

→ Talk with 3 different adults about what health insurance plan they have and how it suits their family. If they are willing to share, find out what their deductible is and how much they pay for health insurance each month.

Name: \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
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Name: \_\_\_\_\_  
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Name: \_\_\_\_\_  
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## Other Kinds of Insurance

### Long-Term Care Insurance

Most people will need help taking care of themselves later in life. This insurance is designed to cover expenses for services that help someone with their daily living activities such as getting dressed, bathing, or eating. Most policies will reimburse you for care given in a variety of places, including a nursing home, assisted living facility, adult day care center, and even your home.

The cost of a long-term care policy is based on how old you are when you buy the policy, the amount the policy will pay per day, and the number of days (years) that the policy will pay. Many have limits on how long or how much they will pay. Most will pay the costs for two to five years. The premiums are usually higher for women, as they tend to live longer than men.

### Disability Insurance

This type of insurance is sometimes called “disability income insurance.” It’s designed to replace up to 70% of your income in case you are unable to work because of an injury or illness. These can include not just physical injuries due to accidents, but other health issues such as heart attacks or cancer.

There are two types of disability insurance: short-term and long-term. The primary differences between these two types of policies are the length of time you’re covered and the amount of money they’ll provide. Short-term disability insurance lasts for a few months to a year. For this reason, it’s better to just save that same amount of money in a savings account. Let’s see why.

### Practical Application

→ Imagine you earn \$58,000 a year. You purchase short-term disability insurance that covers 65% of your income for 3 months. If something happened and you were unable to work for those 3 months, how much would it cover?

To solve this, divide \$58,000 by 12 to find your salary per month. \$ \_\_\_\_\_

Multiply this number by 3 (for 3 months). \$ \_\_\_\_\_

Multiply this number by 65%. \$ \_\_\_\_\_

This is the amount the insurance will cover as long as you are paying the premiums. If you stop paying the premiums, you won’t receive any money if you’re unable to work.

→ How much would the premium of 2% be if your income is \$58,000 a year?

\$ \_\_\_\_\_

Compare the benefit amount with the amount of the premium. If you put the same amount you would pay in premiums into a savings account instead of sending it to the insurance company, you could cover the full amount of the benefit in just over 8 years.

Insurance companies may raise the premium on a long-term care policy. Before purchasing a policy, request information about the company’s premium rate history.

Premiums for short-term disability are usually around 1–3% of your annual income per year.

You would have the same financial protection with no more premiums. However, long-term insurance is usually a good purchase, as most people don't have enough money saved up to cover their expenses for years.

→ Let's go back to your salary of \$58,000 per year. You purchase long-term disability insurance that covers 65% of your income for 5 years. If something happened and you were unable to work, how much would it cover for one year?

\$ \_\_\_\_\_

→ What is the difference between your regular annual salary and the amount the insurance pays?

• \_\_\_\_\_

This would be an easier amount to save. Together with the long-term disability insurance, your entire salary would be covered.

How much would the long-term disability cover by the end of 5 years?

• \_\_\_\_\_

**Purchasing Insurance**

You can purchase insurance from many different sources, depending on the type of insurance you need. One way to buy insurance is by contacting insurance companies or their authorized agents. You can do this either in person or over the phone. Many insurance companies also have websites that allow you to get quotes, compare policies, and make purchases.

You can also contact an independent insurance broker. These brokers work with multiple insurance companies. This allows them to provide you with a range of options. They can help you compare policies from different companies so you can find the best coverage at the best price.

If you have a full-time job, you may be able to get on a group insurance plan with your company. These plans often offer health, dental, life, and disability insurance. Some professional organizations also offer group insurance plans at discounted rates.

You can also find insurance on your own. There are a number of online insurance platforms that allow you to compare insurance policies from various providers. They make it easy to get multiple quotes and make informed decisions. Some of these insurance companies operate only online. They allow you to purchase insurance directly through their websites or mobile apps. Since they usually don't have as many overhead costs, these companies are often able to offer competitive rates.

*This would be a large amount to have to put into savings.*

*As you can see, it is worth it to do your research before committing to a policy. Learning how to determine long term costs and savings helps you to be a good steward of the resources God gives!*





# Project—Vetting Insurance Companies

For this project, you're going to research insurance companies that offer disability insurance. First, find 3 insurance companies that you believe to be reputable. Below are tips for finding reputable companies.

1. Verify that the insurance company is licensed to operate in your state. You can usually find this information on your state's insurance department website. While you're there, you can also check to see if the company has been involved in any legal actions.
2. Read online customer reviews and complaints on websites such as the Better Business Bureau and consumer review sites. Be cautious of companies with a high number of unresolved complaints. You want a company that responds quickly and efficiently when you need to file a claim.
3. Investigate the insurance company's history, including how long it has been in business. A long-standing company with a solid track record is often more reliable than a newer, less-established one.
4. Ask your friends and family for recommendations, especially if they've had positive experiences with their insurance companies.

Three reputable companies:

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_

Next, choose one insurance company on your list. Contact the company or consult their website to get a quote for both short term and long term disability. Record the quotes below. Be sure to note any specific requirements or situations that would affect that quote!

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# A Biblical View of Investing

Investing is the process of putting your money into various financial assets, such as stocks, bonds, or real estate. When you invest, you expect to earn more money over time. You can think of it like planting seeds with your money. Instead of spending it right away, you put it into something where you hope it will grow and give you more money in return.

However, investing isn't just about making money. Depending on how you invest, you are either loaning the company money or actually purchasing part of the company. For this reason, it's important to understand just what the company does, how it conducts business, and what it supports before investing in it. As a Christian, you'll want to make sure the company lines up with what you believe before putting your money into it.

The Bible also provides us with other principles we can apply regarding investing. As you know, we are stewards of everything we have. That means everything actually belongs to God; He has just given it to us to take care of. Following His principles will help us manage His resources well. Let's look into a few of those principles below.

Read *Proverbs 24:3-4*. What three things do these verses mention are necessary for building wealth?

→ \_\_\_\_\_ → \_\_\_\_\_ → \_\_\_\_\_

This includes building wealth through investing, too! You should only invest in things you understand.

Read *Proverbs 20:18* and *Proverbs 15:22*. What do these verses tell us? How can they apply to investing?

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

Building wealth from investments takes patience and time. Read *Proverbs 13:11*. What happens to those who try to get rich quickly?

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

Many people believe investing is important, but they put it off. Maybe they don't have much money left after all the bills are paid. They may feel intimidated by the idea of investing and not know where to start. Whatever the reason, they procrastinate.

Look up the following verses and write them below.

*Ecclesiastes 11:4*

*Proverbs 14:23*

*Proverbs 20:4*

What do these verses say about procrastination?

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As we go through this unit, you'll discover why you shouldn't procrastinate to invest. Wisely investing when you are young can lead to big returns when you are older.

**Guard Your Heart**

Sometimes, as people see returns on their investments, they start wanting more and more money. As Christians, we're instructed to guard our hearts (Proverbs 4:23). This includes guarding them against greed and the desire for material possessions.

Look up *Ecclesiastes 5:10*. Write the verse here.

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This verse is pretty straightforward, and we can see it in our culture today. It doesn't matter how much money you earn from investments. If money and material possessions are your focus, you'll never have enough.

Instead, we must look at any income through God's point of view. Besides providing for your family, money from investments can be used to further God's kingdom. You'll be able to give more to your church and other ministries that are reaching the world with the gospel. Understanding that you are a steward of the money will help you keep your heart in check.

# What is an Investment?

Investing refers to committing a certain amount of money with the expectation of creating more money over time. There are many different ways people can invest.

**Stocks:** Investing in stocks means buying shares of ownership in a company. The investors are called shareholders. If the value of the stocks go up, payments or dividends, are made to the shareholders.

**Bonds:** Bonds represent loans issued to governments or corporations. When you invest in bonds, you are lending your money to the government or business. In exchange, you'll receive interest payments. When the bond reaches the end of its term (maturity), you can cash it in for the full amount of the loan.

**Real Estate:** Real estate investment involves purchasing properties, such as homes or commercial buildings. The goal is to create income either by renting the properties or by reselling them for a profit.

**Mutual Funds:** Mutual funds combine money from many investors and invest it in a wide range of stocks, bonds, or both. This helps reduce the risk of investing.

**Exchange-Traded Funds (ETFs):** ETFs are similar to mutual funds but are traded like individual stocks. They are low-cost and low-risk investments.

**Certificates of Deposit (CD):** A CD is a type of savings account offered by banks. You agree to keep your money in the CD without withdrawing any for a specified length of time. In return, you'll receive a higher interest rate than a regular savings account.

**Cryptocurrencies:** A cryptocurrency is a type of currency which uses digital files as money, such as Bitcoin. Investors hope that the value of the cryptocurrency will increase over time.

**Commodities:** Investing in commodities involves buying physical goods like gold, silver, oil, or agricultural products.

**Company Startups:** Some people invest their money in new companies. They earn money on their investment if the companies succeed.

**Retirement Accounts:** Many people invest money in retirement accounts like 401(k)s or IRAs. These accounts offer tax advantages and are designed to help people build a financial cushion for their retirement years.

## Practical Application

→ To get a better understanding of one area of investing, research the stock for a company of your choice. This company could be one whose products or services you use or a company you would like to work for one day.

Company Name:

How much were shares of this company's stock selling for when it initially hit the market?

How much do the shares trade for currently?

Look at the history of the company's shares over the last 12 months. Is their value increasing or decreasing?

Is it a stock you would consider purchasing as an investment one day? Why or why not?



## Putting Your Money to Work

**Compound interest** is the process in which your initial investment earns interest, and then that interest added to the initial investment earns more interest. As time goes by, this interest on interest creates a snowball effect.

Investing is a financial strategy that can transform your financial future. Many people wonder why they should invest their hard-earned money instead of simply saving it in a bank account. The answer lies in the concept of compound interest. Some types of investing are opportunities to lend money to others and earn compound interest on the lent amount in the meantime.

### The Compound Interest Process

- 1. Initial Principal:** The amount of money an investor first invests.
- 2. Interest Rate:** The interest rate is the percentage earned on the amount of the initial principal invested over a certain period of time. This is usually expressed as an annual (or yearly) interest rate.
- 3. Compounding Period:** The interest is compounded at regular intervals, which could be annually (once a year), semi-annually (twice a year), quarterly (four times a year, or every three months), monthly, or even daily.
- 4. Accumulation:** At the end of each compounding period, the interest is calculated and added to the principal. This increases the total amount of money the investor has.
- 5. Future Interest:** In the next compounding period, the interest is calculated on the original principal PLUS the interest it has earned already.

### Practical Application

→ To understand the difference between fixed and compound interest, let's look at how an investment would grow with fixed interest. Suppose you start with \$100.00. The annual interest rate is 8%. That means the interest is compounded once a year. So at the end of the first year, you would have earned this much in interest:

$$\$100 \times 8\%$$

You can re-write this in decimal form to make it easier to calculate:

$$\$100 \times .08 = \$8.00$$

So after one year, you would have earned \$8.00. Your total is now \$108.00.

\*\*If the interest rate was not a compounding interest rate, you would continue to earn \$8.00 each year, since that is 8% of the initial investment. Let's write this as a chart to make it easier to follow:

	Fixed Interest Rate
Initial Investment	\$100.00
Total After Year 1	\$108.00
Total After Year 2	\$116.00
Total After Year 3	\$124.00
Total After Year 4	\$132.00

You can see that each year, \$8.00 in interest was added to the initial investment.

→ Now, let's try the same numbers but with a compounded interest rate.

Year 1 would be the same amount: \$108.00.

But to calculate Year 2, we'll use that new number and then apply the interest rate. We can calculate it like this:

$$\$108.00 \times .08 = \$8.64$$

Let's add that number to \$108.00, and we get \$116.64.

For Year 3, we'll use the total from the previous year:

$$\$116.64 \times .08 = \$9.33$$

To find the total, we'll add \$116.64 plus the interest of \$9.33.

Our new total after Year 3 is \$125.97.

Let's go on to Year 4. Here's our equation to find the amount in interest:

$$\$125.97 \times .08 = \$10.08 \text{ in interest}$$

Add that to the previous total, and you now have \$136.05.

Let's compare the totals for these first four years:

	8% Fixed Interest Rate	8% Compounded Interest Rate
Initial Investment	\$100.00	\$100.00
Total After Year 1	\$108.00	\$108.00
Total After Year 2	\$116.00	\$116.64
Total After Year 3	\$124.00	\$125.97
Total After Year 4	\$132.00	\$136.05

Do you see how the compounded amounts are increasing faster? Let's keep going a little further. Fill in the chart on the next page as you go.

First, find the total amount using the compounded interest rate for the end of Year 5.

*Total After Year 4* × .08 = \_\_\_\_\_

Now take this amount in interest and add it to the Total After Year 4.

• \_\_\_\_\_

Write this amount on the chart for the compounded total after Year 5.

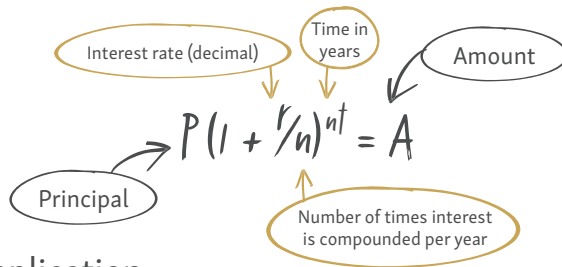
	8% Fixed Interest Rate	8% Compounded Interest Rate
Initial Investment	\$100.00	\$100.00
<i>Total After Year 1</i>	<i>\$108.00</i>	<i>\$108.00</i>
<i>Total After Year 2</i>	<i>\$116.00</i>	<i>\$116.64</i>
<i>Total After Year 3</i>	<i>\$124.00</i>	<i>\$125.97</i>
<i>Total After Year 4</i>	<i>\$132.00</i>	<i>\$136.05</i>
<i>Total After Year 5</i>	<i>\$140.00</i>	
<i>Total After Year 6</i>	<i>\$148.00</i>	
<i>Total After Year 7</i>	<i>\$156.00</i>	
<i>Total After Year 8</i>	<i>\$164.00</i>	

- Continue in the same way with the totals after Year 6, Year 7, and Year 8 and compare the two columns.



# Figuring Out Compounding Interest

In the previous lesson you learned how to calculate compound interest year by year. What if you wanted to know what your total amount would be after 20 or 30 years? Fortunately, you won't have to go year by year to figure it out. There's a formula for that!



## Practical Application

→ Let's try this formula for Year 4 with the same values that we used in the last lesson. These are the values:

Principal = \$100.00

$r$  (interest rate as a decimal) = .08

$n$  (number of times per year the interest is compounded) = 1 (Once a year)

$t$  (time) = 4

Plugging these numbers in, we get:

$$100 (1 + \frac{.08}{1})^1 \times 4 =$$

$$100 (1 + .08)^4$$

$$100 (1.08)^4 = 136.048896$$

We can round this number up to \$136.05. If you look on your chart from the previous lesson, you'll see the total for Day 4 is \$136.05.

What if you invested that same \$100 for 20 years? What would your new total be? To find out, plug it into the formula and solve.

Formula:  $P(1 + \frac{r}{n})^{nt} = A$

$$100 (1 + .08)^1 \times 20 = \underline{\hspace{2cm}}$$

Let's try it again. This time, we'll make the interest rate compound semi-annually, or twice a year.

$$100 (1 + \frac{.08}{2})^2 \times 20 = \underline{\hspace{2cm}}$$

Look how much \$100 has grown!

$P$  = Principal

$r$  = Interest rate (as a decimal)

$n$  = Number of times the interest is compounded per year

$t$  = time in years

$A$  = Amount

$P$  = Principal

$r$  = Interest rate (as a decimal)

$n$  = Number of times the interest  
is compounded per year

$t$  = time in years

$A$  = Amount

$$\text{Formula: } P(1 + \frac{r}{n})^{nt} = A$$

The longer your money  
is invested, the more  
time it has to snowball.

## When to Invest

Investing when you're young is one of the best ways to see solid returns on your money. When you're young, you have more time before you'll need access to your investment funds. For example, perhaps you are investing so you can retire when you are 65 years old. If you begin investing when you are 18, your money will have 47 years to grow. However, if you start when you are 50, your money will only have 15 years to grow.

### Practical Application

→ Let's try it. Suppose you had \$3,000 to invest. You are 50 years old, and you want the money when you retire at 65. This means you will invest it for 15 years. The interest rate is 5%, and it compounds annually (once a year). How much would you have when you turn 65? Solve using the formula.

Answer: \_\_\_\_\_

→ Now let's see what happens if you start when you are young. We'll use the same numbers. You have \$3,000 to invest. You are 18 years old and you want the money when you retire at 65. That means you will invest it for 47 years. The interest rate is 5%, and it compounds annually (once a year). How much would you have when you turn 65? Solve using the formula.

Answer: \_\_\_\_\_

There are other reasons for investing while you are young. With more time to invest, you have more time to learn. As you invest, you'll learn about financial markets, different strategies you can use, and how to handle your money wisely. You'll also have time to take more risks and potentially see higher returns. If for some reason the risk doesn't pay off and you lose money, you still have time to recover.

### When is it not a good time to invest?

While it's usually a good idea to begin investing when you're younger, there are some things you should have in place first.

- 1. Emergency Fund:** An emergency fund is an account with enough money to cover an unexpected major expense. Some financial experts suggest \$1,000 to \$3,000 dollars in the fund to start. When you are living on your own, you should increase this amount to several months of living expenses.
- 2. Freedom from High-interest Debt:** Before investing, pay off any debt that has a high interest rate, such as credit card debt. Otherwise, money you may be earning in interest on your investments is likely being lost in interest on your debts.

Before you begin investing, it's important to establish your financial goals. Knowing your goals will help you plan your investment strategy about where and how to invest. You'll know what you want to achieve with your investments, whether it's saving for college or buying a car, or something more long-term, like buying a house or planning for retirement.

$$\text{Formula: } P \left( 1 + \frac{r}{n} \right)^{nt} = A$$

### Practical Application

→ Let's see again how investing at a younger age can result in bigger savings. Use the formula to find the answers to the following problems.

If you invest \$5,000 at a 7% interest rate at age 21, what will the value of your investment be at the age of 65?

Answer: \_\_\_\_\_

If you invest \$5,000 at a 7% interest rate at age 32, what will the value of your investment be at the age of 65?

Answer: \_\_\_\_\_

If you invest \$5,000 at a 7% interest rate at age 54, what will the value of your investment be at the age of 65?

Answer: \_\_\_\_\_

# Stocks

Stocks represent ownership in a company. When you buy a stock, you become a part owner, also known as a shareholder. You share in the company's successes and failures. For example, when a company is growing and profitable, it tends to attract more investors. This can lead to an increase in demand for its stock, which makes the stock prices rise. If you sell your stock while the price is high, you will make money.

On the other hand, if a company you've invested in has problems and begins losing money, its stock can drastically go down. Sometimes, the whole stock market goes down in what's known as a market dip. When this happens, all stocks can lose value. If you sell your stock when the prices are down, you may lose quite a bit of money. While stock prices can rise and fall and rise again in a short period of time, there's no guarantee they will go back up to the original price. For this reason, stocks are generally considered a high-risk investment.

Have you ever heard the expression "Don't put all your eggs in one basket"? The saying holds true of investing in the stock market. If you put all your money into just a few stocks that dip significantly, you'll lose a lot of money. Instead, you'll want to spread out the "eggs" into multiple "baskets" by investing in different kinds of stocks. This is known as diversifying your investments. The high and low yielding stocks balance each other out. This is one way of reducing the risk that comes with investing in stocks.

## Buying Stock & The Stock Broker

If you are interested in buying stocks, you can do it with the help of a broker. One way to do this is to open an online brokerage account with a reputable stockbroker. Research and compare brokers to find one that suits your needs and offers competitive fees.

After you've chosen a broker, you'll need to fund your brokerage account. The money you put in this account will be the money you'll use to purchase stocks.

Once you've funded your brokerage account, it's time to choose stocks. Before buying any stocks, research the companies you're interested in. Don't be overwhelmed by all of the options—start by researching the companies you already know as a consumer. Find companies that make you want to be part owner. After all, when you purchase stock, you're part-owner of the company.

You'll find many of the tools you'll need to research companies on your broker's website. You'll want to look at their earning reports, news, and other information that might affect the prices of their stock. Be sure to look at the management's annual letter to shareholders. This is a letter written once a year by the management of the company. The letter generally covers the firm's financial results for the year, its current position in the market, and some of its future plans. Remember, however, this letter is written to put the company in the best light possible.

Once you've chosen a company to invest in, the next step is to place an order. You'll log into your brokerage account to buy the stocks you want. There are three types of orders.

1. You can buy the stocks at the current market price (**market order**).
2. You can limit your order to only buy the stocks up to a certain price (**limit order**).
3. Or you can buy a stock once the price of the stock reaches a specified price (**stop order**).

Once you've placed your order, you can monitor your investments through your brokerage account. You'll be able to decide if you want to keep the stock or sell it. If you placed a limit or stop order, you don't have to monitor how a stock is doing on a daily basis. Your online brokerage firm will automatically place an order when the stock is a certain value.

You can also work with a full-service broker. They provide guidance and recommendations based on your investment goals. You'll meet with your broker to discuss your financial goals, investment preferences, and how much risk you're willing to take. Then your broker creates an investment strategy to suit your needs. The broker then makes the trades for you.

Both approaches to buying stock have their pros and cons. Whichever method you choose, keep in mind your long-term financial goals.

	Pros	Cons
Online Brokerage Firm	<i>more control, lower fees</i>	<i>must do your own research and make own decisions</i>
Full-Service Broker	<i>professional guidance</i>	<i>higher fees</i>

### Practical Application

→ You have \$4,000 to invest in stocks. You contact a broker who charges a 2% total transaction fee. You want to invest in the stock of Super Pets Emporium. The stock of Super Pets is currently priced at \$75 per share. How many shares can you buy? How much money will you have left over?

To solve this problem, first calculate how much the broker's fee will be. You can solve this by multiplying \$4,000 by 2%.

*Answer:* \_\_\_\_\_

Subtract this amount from the total amount you have to spend.

*Answer:* \_\_\_\_\_

This is the amount you have left after you've paid the broker. Divide this number by \$75.

*Answer:* \_\_\_\_\_

*This is the number of shares you can buy.*

To find how much you'll have left over, you'll have to first calculate how much you've spent. Multiply \$75 times the number of shares plus the broker's fee.

Answer: \_\_\_\_\_

Subtract this from the total amount you had to spend (\$4,000).

Answer: \_\_\_\_\_

### Practical Application

→ Let's say you want to diversify. You have \$8,000 to invest in stocks. You contact a broker who charges a 2% total transaction fee. You want to invest equal amounts of money in the stock of Super Pets Emporium, Whimsical Widgets, Foodie Delights, and Jungle Records. How much money will you invest in each one? (Remember, the broker fee is for the total transaction. You only have to calculate it one time).

Broker's fee: \$ \_\_\_\_\_

Amount remaining: \$ \_\_\_\_\_

Divide this amount by 4 (the money is divided equally by 4 companies).

Answer: \_\_\_\_\_

How many shares of Super Pets could you purchase if the cost was \$75 per share?

Answer: \_\_\_\_\_

How many shares of Whimsical Widgets could you purchase if the cost was \$60 per share?

Answer: \_\_\_\_\_

How many shares of Foodie Delights could you purchase if the cost was \$35 per share?

Answer: \_\_\_\_\_

How many shares of Jungle Records could you purchase if the cost was \$44 a share?

Answer: \_\_\_\_\_

How much money would you have left over? To solve this, add the total cost of the shares and subtract from the amount available after the broker's fee was paid.

Answer: \_\_\_\_\_

## Dividends on Stock

Dividends are the periodic payments made by corporations to their shareholders. They represent a portion of the company's profits.

The most common type of dividend are cash dividends, where shareholders receive a cash payment for each share they own. Cash dividends are usually paid on a per-share basis and are a direct source of income for investors.

### Practical Application

→ The Cosmic Cupcake Company pays an annual dividend of \$2 per share to its shareholders. If you own 100 shares of Cosmic Cupcake's stock, how much dividend income will you receive in one year?

To calculate the total dividend income, you can use the formula:

$$\text{Total Dividend Income} = \text{Dividend per Share} \times \text{Number of Shares}$$

In this case:

$$\text{Dividend per Share} = \$2$$

$$\text{Number of Shares} = 100$$

Now, plug these values into the formula:

$$\text{Total Dividend Income} = \$2 \times 100$$

$$\text{Total Dividend Income} = \$ \underline{\hspace{2cm}}$$

→ Let's say you also invested in Latte Love Coffee. This company has a dividend yield of 15%. You own 100 shares in this company, too. How much dividend income will you receive in one year?

Answer: \_\_\_\_\_

Hint: Remember to change your percentage to a decimal.

→ Let's say there's a third company, Vintage Chic Furniture. This company has a dividend yield of 4%. You want to buy stock in this company, but you want to receive \$500 in annual dividend income from your investment. How much money do you need to invest in Vintage Chic Furniture to achieve this income?

To determine the amount you need to invest, you can use the following formula:

$$\text{Investment Amount} = \frac{\text{Desired Annual Dividend Income}}{\text{Dividend Yield}}$$

In this case:

*Desired Annual Dividend Income* = \_\_\_\_\_

*Dividend Yield* = \_\_\_\_\_

Now, plug these values into the formula.

*Investment Amount* = \_\_\_\_\_

This is the amount you would need to invest in Vintage Chic's stock to receive an annual dividend income of \$500.

Instead of cash, companies may also issue additional shares or fractions of shares. For example, if a company issues a stock dividend of 3%, it will pay 0.03 shares for every share owned by a shareholder. The owner of 100 shares would get  $100 \times .03$ , or 3 additional shares.

→ Let's say a technology company you've invested in called Nova Spark has decided to issue a stock dividend of 5%. If you currently hold 200 shares of Nova Spark's stock, how many additional shares will you receive as a stock dividend?

*Answer:* \_\_\_\_\_

→ Use the formulas you have learned in this lesson to fill in the missing information in the chart below.

Company Name	Annual Dividend per Share	Number of Share	Annual Dividend Income
Game On Sports	12%	25	
Sweet Wrapz Candy Wrappers	\$6	80	
Fence Masters	9%		\$225.00
Design Studio	15%		\$1,350.00



# Capital Gains and Losses

## Capital Gain

Capital gains refer to the profits that an investor incurs when buying and selling stocks or other assets. A capital gain occurs when you sell a stock for more than you paid for it. It's the difference between the sale price and the purchase price.

Short-term capital gains come from the sale of a stock that you held for one year or less. In the U.S., short-term capital gains are usually taxed at your ordinary income tax rates. Long-term capital gain is the gain from the sale of a stock that you held for more than one year. Long-term capital gains often have lower tax rates.

## Practical Application

→ Let's say you purchased 100 shares of Lots of Lanyards, Inc. for \$50 per share two years ago. You recently sold all of your shares for \$70 each.

Is this a short-term or long-term capital gain? \_\_\_\_\_

What is your capital gain? \_\_\_\_\_

Assume the tax rate for short-term gains is 25%, while the tax rate for long-term gains is 15%. How much would you have to pay in taxes?

• \_\_\_\_\_

## Capital Loss

A capital loss occurs when you sell a stock for less than you paid for it. It represents a loss on your investment. Like capital gains, capital losses can also be categorized as short-term or long-term, depending on how long you held the stock.

## Practical Application

→ Imagine you purchased 200 shares of a Whimsy Cakes Bakery for \$75 per share eight months ago. Unfortunately, the company faced financial difficulties, and you recently sold all of your shares for only \$45 each.

Is this a short-term or long-term capital loss?

\_\_\_\_\_

What is your capital loss?

\$ \_\_\_\_\_

**Net Capital Gain or Loss**

If you have multiple stock transactions in a tax year, you can calculate your net capital gain or loss by offsetting your total capital gains against your total capital losses. This determines the overall gain or loss for tax purposes.

**Practical Application**

→ Use the following information to fill out the chart below.

Let's say you had several stock transactions during the tax year. Here are the details of your stock purchases and sales:

**Stock Purchases:**

150 shares of Shape and Style Hair Accessories at \$40 per share.

100 shares of Sockadoodle Sock Company at \$60 per share.

200 shares of Golden Crunch Potato Chips at \$25 per share.

**Stock Sales:**

You sold 50 shares of Shape and Style Hair Accessories for \$50 per share.

You sold 75 shares of Sockadoodle Sock Company for \$70 per share.

You sold 100 shares of Golden Crunch Potato Chips for \$15 per share.

What would be your net capital gain or loss for the year? (*Hint: Find out the capital gain or loss for the stock of each company, then add or subtract the amounts to find the total.*)

Company Name	Number of Shares	Purchase Amount Per Share	Purchase Amount Total	Sold Amount/Share	Sold Amount Total	Gain or Loss	Amount of Gain or Loss
Shape and Style							
Sockadoodle							
Golden Crunch							



**Mutual Funds** pool money from multiple investors to collectively invest in many different stocks, bonds, or other securities. They are professionally managed by fund managers. These managers make the investment decisions on behalf of the investors.

One of the biggest advantages of investing in mutual funds is **diversification**—the pooling of funds from numerous investors which allows a mutual fund to spread its investments across a wide range of assets. Diversification helps reduce the risk of investing because if one investment performs poorly, it's less likely to impact the rest of your holdings.

Because mutual funds come in various types, investors can choose funds that align with their financial goals and risk tolerance. Many funds have low minimum investment requirements, making them an affordable option for individuals looking to start investing.

Another advantage to investing in mutual funds is that they can usually be bought or sold on any business day. This means that it's easy for investors to convert their investments into cash if they need it.

Earning money from mutual funds works the same way as earning money from stocks. When a stock, bond, or other asset that the fund invests in pays interest or dividends, the fund distributes those earnings to its shareholders. If the fund sells an asset at a price higher than what was paid, the fund makes a profit, or capital gain. Capital gains are also distributed to the shareholders.

### Practical Application

→ Suppose you have \$10,000 to invest, and you are considering two different mutual funds: Star Growth Fund and Zenith Securities. Star Growth Fund has an average annual return of 7%, while Zenith Securities has an average annual return of 5%. You have two investment options:

**Option 1:**

Invest in Star Growth Fund for 10 years.

**Option 2:**

Invest in Zenith Securities for 15 years.

*How much money will you have in each fund at the end of the respective investment periods?*

**Option 1:** \$ \_\_\_\_\_

**Option 2:** \$ \_\_\_\_\_

Which fund gives you a better return on your investment? \_\_\_\_\_

# A 401(k) as an Investment

As you learned in Lesson 2.5, 401(k) is a retirement savings and investing plan offered by employers. An employee enrolled in a 401(k) plan can have their contribution taken automatically out of their paycheck. These contributions are deducted from their paycheck before taxes are applied. Employers may match all or part of the employee's contribution. If your employer matches your contribution to your 401(k), it is essentially free money to invest with!

Within a 401(k) account, employees usually have a range of investment options to choose from. These options often include a variety of mutual funds, stocks, and bonds. Employees can decide which investments to make based on their risk tolerance and financial goals.

401(k)s are designed for long-term savings, particularly for retirement. The money in a 401(k) account grows **tax-deferred**, meaning the employee doesn't have to pay taxes on their investment gains until they withdraw the money when they retire. This allows their investments to grow faster. However, withdrawals before a certain age are often subject to penalties and taxes. This encourages employees to keep their money invested for the long haul.

## Practical Application

→ Suppose you start a new job and decide to contribute a percentage of your salary to your 401(k) plan. Your starting salary is \$50,000 per year, and you plan to contribute 5% of your salary to your 401(k) account. Your employer offers a 5% matching contribution.

Assuming an annual return rate of 7% on your 401(k) investments, how much money will you have in your 401(k) account after 10 years?

To solve this, first calculate your annual contributions:

$$\text{Salary} \times \text{Contribution Percentage} = \underline{\hspace{2cm}}$$

This is also your employer's annual contribution.  
Add the two amounts together.

\$

Calculate the annual growth of your contributions and the employer's matching contributions based on the annual return rate. To do this, multiply the total contributions by the annual return rate of 7% (or .07).

\$

Multiply the amount of your annual return rate by 5 to find the total balance in your 401(k) after five years.

\$

# Project—Investing in Retirement

For this project, you're going to explore how investing can help you reach a long-term financial goal: retirement.

## How Much?

You can use an investment calculator to help you reach your long-term financial goals. Find an investment calculator online and answer the following questions.

Assume you will retire at age 65.

1. Establish your goal. How much money do you want to have when you retire?

\$ \_\_\_\_\_

2. Use the calculator to see how much you would have to invest to reach your goal. Assume you are just starting out with \$0 in investments, but as you invest, you'll be making 10% annual return.

How much will you have to invest per month to meet your goal if you start now?

\$ \_\_\_\_\_

How much will you have to invest per month to meet your goal if you start when you are . . .

25? \$ \_\_\_\_\_ 35? \$ \_\_\_\_\_ 45? \$ \_\_\_\_\_

Consider years of training, schooling, or apprenticeship.

4. Let's say you decide not to invest until you become established in your chosen profession. How old will you be when you start investing?

\_\_\_\_\_

Experts suggest you invest 15% of your income. Based on the average salary of that profession, how much will you be investing each month?

\$ \_\_\_\_\_

Assuming you get a 10% return on your investments, will you be able to reach your retirement goals?

Yes  No

In order to reach your financial goal for retirement, you'll need an investment portfolio. An **investment portfolio** is a collection of invested assets such as stocks, bonds, and mutual funds.

- Using financial news websites or stock market apps, select five different companies you are interested in. Record their current stock prices.
- Research your chosen companies. Find out about the company's financial health, recent performance, and future prospects. Make notes about each stock in your portfolio. Are there any you want to change?
- Choose a mutual fund that interests you. Use online resources to find information on different mutual funds, such as historical returns and the type of assets the fund invests in. Make notes about the mutual fund you chose.
- Decide how you will allocate your investment money (15% of the income of your chosen profession) among the six assets. Discuss these choices with your parents.

Record your research on page 101.



# A Biblical View of Budgeting

As Christians, we know that God provides for all of our needs. The money we have is a gift from God to provide for our families and to bless others. We are stewards of the money, not the owners.

Budgeting is a practical way to ensure that we are using these financial resources wisely. It allows us to plan for our own needs, such as paying our bills and meeting our obligations. It also helps us set aside money for giving and saving.

Have you ever heard someone say they have money “burning a hole in their pocket”? This expression means that the person has some money that they can’t wait to spend. They want to use it right away, most likely on something they just want and don’t really need. You may feel that way if you receive money for a birthday or other holiday, or after you get a paycheck. But let’s see what the Bible says.

← Read *Proverbs 21:20*. Then answer the questions in the margin.

What does this verse tell us the wise man does?

The wise man stores his resources, while the foolish man uses them up as soon as he gets them. Budgeting allows us to be like the wise man. By using a budget, we’ll be able to take the time to purposefully decide how we’ll spend our money.

What does the foolish man do?

Maybe you will spend some money on something fun you don’t necessarily need. If you have a budget with money set aside for “fun purchases,” you’ll know purchasing this item is not irresponsible or unwise. You know that the money is there for you to use just for that purchase and that spending it won’t affect any of your other financial obligations.

Read *Proverbs 27:23*. Chances are, you’re not a shepherd or rancher, so you don’t have any flocks or herds. What do you think this verse means?

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How do you think this relates to money?

During biblical times, raising livestock, like sheep and cattle, was one way many people earned a living. If they didn’t watch over their animals, the animals could have become injured, lost, or killed by predators. The farmer or shepherd would have lost part of their livelihood, or income. Because of this, they would not have been able to provide as well for their family.

Knowing the condition of your flocks and herds in biblical times is like knowing where your money is going today. You can do this with a budget. You don’t have to wait until you’re working full-time, living on your own, or providing for a family before creating a budget. If you have any income, whether it comes as a gift, from a part-time job, or through a side gig, a budget will help you watch over your “flocks and herds.”



## Everyone Needs a Budget

While it might not seem like everyone needs a budget, creating and maintaining a budget of some kind is a helpful practice no matter how much income you currently have. A budget helps you gain a clear understanding of your income and expenses. In this way, you'll be able to see just where your money is coming from and where it's going.

Once you know where your money is going, you will be able to have more control over your spending. A budget outlines limits for various expense categories. These limits can prevent overspending which often leads to unnecessary debt. If you do have debt, a budget can help you manage and pay it off while still covering your daily and monthly expenses.

Budgeting can also help you set and achieve financial goals. It can help you set aside funds for unexpected expenses or emergencies. It can also help you save for large purchases, such as a car or a new laptop. Perhaps you want to begin investing. A budget can help you allocate funds toward these goals.

Budgeting also helps you become a giver. You can add tithes and offerings to your budget. By including a category specifically for giving, you'll be helping to ensure that some of your money will be used to bless others. Often when we don't set aside definite goals for giving, our money ends up going to other places.

Budgets offer other benefits as well. When you're uncertain about where your money is going, you can experience a lot of stress. A well-managed budget can reduce this stress by giving you a sense of control and predictability over your finances. A budget can also help hold you accountable for your financial decisions. When you have a budget in place, you're more likely to think twice before making impulsive or unnecessary purchases.

Ask your parents or another adult if they have a budget. What benefits of budgeting do they experience?

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Was there a time they didn't have a budget? If so, when was that?

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What were their finances like before and after using a budget?

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# Types of Expenses

As you begin preparing your budget, you'll notice there are several different types of expenses to include.

**Fixed Expenses:** Fixed expenses are regular, recurring costs that come up from month to month. These expenses are usually necessary for daily living. Examples of fixed expenses include mortgage or rent payments, insurance premiums, and loan payments (such as car loans or student loans). Other fixed expenses include subscription services, such as a streaming service or gym membership.

**Variable Expenses:** Variable expenses are costs that change from month to month based on your choices and needs. While you can't change fixed expenses, variable expenses can be adjusted more easily to fit your budget. These expenses include groceries, gasoline, clothing, utility bills (such as water and electricity) and personal care items.

**Periodic Expenses:** Periodic expenses are expenses that don't occur on a regular basis but still need to be planned for. They can be predictable or irregular. Periodic expenses include car maintenance, home repairs, medical bills, and property taxes.

**Discretionary Expenses:** These are non-essential expenses that are entirely optional. They are based solely on your personal choice and lifestyle and are often considered "wants" rather than "needs." Discretionary expenses include vacations, hobbies, dining out, entertainment (concerts, movies, video games), and other non-essential purchases.

## Practical Application

→ Make a list of the discretionary expenses you had in the past month. Try to remember how much you spent on each item, and write that amount beside the expense.

Item: \_\_\_\_\_ Cost: \$ \_\_\_\_\_

Item: \_\_\_\_\_ Cost: \$ \_\_\_\_\_

Item: \_\_\_\_\_ Cost: \$ \_\_\_\_\_

Item: \_\_\_\_\_ Cost: \$ \_\_\_\_\_

Item: \_\_\_\_\_ Cost: \$ \_\_\_\_\_

Item: \_\_\_\_\_ Cost: \$ \_\_\_\_\_

Item: \_\_\_\_\_ Cost: \$ \_\_\_\_\_

Item: \_\_\_\_\_ Cost: \$ \_\_\_\_\_

Item: \_\_\_\_\_ Cost: \$ \_\_\_\_\_

→ Item: \_\_\_\_\_ Cost: \$ \_\_\_\_\_

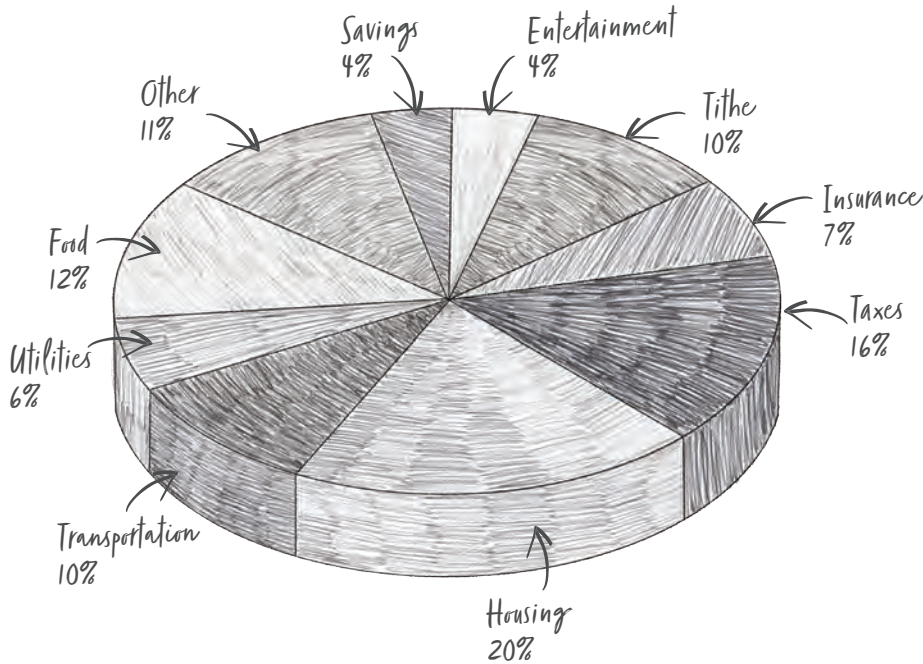
Add those amounts. How much were your discretionary expenses all together?  
Total: \$

In order to see how much money is going toward each kind of expense every month, you will want to create budgeting categories for them. Some example categories are listed for you in the margin.

You can also break these categories down into smaller ones. For example, you can break the Utilities category down into smaller categories of Power, Water, and Internet. You can break Transportation down into Oil Changes, Gas, New Tires, Taxes, Tag Renewal, and Repairs.

Using charts and graphs is a visual way to get a better understanding of where your finances are going. This pie chart shows a typical household budget.

- Housing
- Utilities
- Food
- Transportation
- Medical
- Subscriptions
- Pet Care
- Entertainment
- Personal Expenses
- Miscellaneous Expenses
- Loan Payments



### Practical Application

Answer the following questions using the pie chart above.

- How much of your income should go to housing? \_\_\_\_\_
- How much should go to Utilities? \_\_\_\_\_
- If someone earns \$52,000 a year, how much can they spend on groceries each month? To solve this, you first have to find out how much they make in a month. There are 12 months in a year, so divide \$52,000 by 12. Then, multiply this amount by the percentage for groceries indicated on the pie chart.

Monthly amount for Groceries: \$ \_\_\_\_\_

→ Based on a yearly salary of \$65,000 a year, determine the amount that should be budgeted for the following categories according to the chart.

Housing \$ _____	Tithe \$ _____
Utilities \$ _____	Transportation \$ _____
Insurance \$ _____	Entertainment \$ _____
Taxes \$ _____	Savings \$ _____

**Emergency Adjustments**

Though budgets are helpful and set us up for success, we cannot foresee the future. Sometimes we encounter emergency expenses we have not budgeted for. Perhaps a car breaks down or an appliance quits working. Maybe there’s a medical emergency that leads to unexpected bills or a job loss. While your budget may not cover every emergency imaginable, you can sometimes make adjustments to your budget for a time to cover some expenses.

When facing a financial emergency, it’s important to make sure essential expenses are covered. These include housing, utilities, groceries, transportation, and insurance premiums. These expenses are non-negotiable. However, there are things you can cut from your budget.



*Remember that these adjustments are meant to help you through a financial crisis. Once your situation improves, it’s important to revisit your original budget to get back on track toward your financial goals.*

The first thing to cut is your discretionary spending. Remember, discretionary spending is money spent on things you want rather than things you need. Non-essential expenses such as dining out, vacations, entertainment, and shopping will be some of the first items to be put on hold.

You can also try to reduce your fixed costs. You might consider negotiating a lower monthly fee on your phone bill or cable bill—especially if you’ve been a long-time customer. You could also eliminate cable or other entertainment subscriptions completely for the time being. Setting your thermostat a few degrees higher during warmer weather will cause your air conditioner to run less and could save up to 10% on your yearly energy bills. If you are making monthly payments on student loans, you may be able to renegotiate your monthly payments based on your current income.

You can also reduce the amount you’re saving each month. You may even want to suspend adding any more to your savings. This will just be temporary, however. You will want to resume your savings contributions as soon as possible.

# Estimating Expenses

You may be wondering how you can create a budget with so many variable, periodic, and discretionary expenses. How can you plan ahead if the amounts will most likely change from month to month? Well, as you may have guessed, this problem can be addressed by estimating your expenses.

First, determine how much you spent on your variable expenses the past few months. If you know what you've paid in the past, you'll be able to come up with a good estimate to use for planning your future spending. You can do this by finding the average amount you spent.

## Practical Application

→ Imagine that your monthly spending for groceries for the past six months was \$252.00, \$321.00, \$278.00, \$289.00, \$270.00, and \$364.00. How can you find the average amount you spent on groceries?

Formula for finding the average of a set of values:

$$\text{Average} = \frac{\text{Total sum of all the numbers}}{\text{The number of items in the set}}$$

To find the average, add up all of the amounts that were spent on groceries.

The total amount is: \$ \_\_\_\_\_

Next, divide that total amount by the number of values. In this case, we'll divide by 6, since there are 6 months represented.

Your average monthly grocery bill would be: \$ \_\_\_\_\_

→ Another variable expense is clothing. Estimate your budget for clothing using these figures from the past 5 months. \$68.00, \$72.00, \$121.00, \$38.00, and \$103.00.

First, add the amounts to find the total. \$ \_\_\_\_\_

Then, divide that total by the number of values. \$ \_\_\_\_\_

→ Let's find the average of one more variable expense: gasoline. What is the average amount you spend on gasoline if you paid the following amounts over the past 7 months? \$89.00, \$152.00, \$75.00, \$123.00, \$110.00, \$69.00, and \$119.00

First, add the amounts to find the total. \$ \_\_\_\_\_

Then, divide that total by the number of values. \$ \_\_\_\_\_

*The more data available to find an average, the more accurate your estimate will be.*

1. \$252.00
2. 321.00
3. 278.00
4. 289.00
5. 270.00
6. 364.00

\$1,774.00

$$\text{Average} = \frac{\$1,774.00}{6}$$

$$\$1,774.00 \div 6 =$$

$$6 \overline{) \$1,774.00}$$



## Project—Developing a Monthly Budget as a Teen

Let's work through a simple monthly budget for a teen. It's helpful to have a calculator, paper, and pencil on hand as you work. If you have a job, use your income from that and your individual expenses to create a monthly budget for yourself. If you do not have a job, use the scenario provided in the margin. Do this for each step where necessary.

You have a part-time job at the local pizza shop making \$10 an hour. You work 12 hours a week. You get paid every week, but taxes take out 7.65%. You don't have to pay for housing, utilities, food, or car insurance (thanks, Mom and Dad!), but you do pay for gasoline to get to work and back. You also pay for your own clothes, personal items, gifts, dining out with friends, and movie tickets.

Let's start by figuring out how much money you receive in your paycheck.

1. Multiply the number of hours you work per week by the amount you make per hour.

\$ \_\_\_\_\_

2. There are four weeks in a month, so multiply this number by 4 to find your monthly income.

\$ \_\_\_\_\_

3. Taxes take out 7.65%, or .0765 when written as a decimal. Multiply this number by the amount you earn in one month.

\$ \_\_\_\_\_

4. Deduct this amount from the amount you make in one month. This is your take-home pay which is the amount you'll have available for your monthly budget.

\$ \_\_\_\_\_

Monthly Take-home Pay = \$ \_\_\_\_\_

Now let's figure out where that money will go. Your list of categories would probably look something like this. (Remember, there's not just one way to create a budget. Make one that fits you!)

Tithe = \$ \_\_\_\_\_

Notice the first item in your budget is your Tithe. It's important to add this to your budget first. When we don't budget our giving right away, it often gets left out. Many Christians choose to give 10% of their income to the Lord as tithe. However, there are others who give more. If you are not sure how much you should tithe, discuss it with your parents!

Find the amount of your income you will set aside for tithe based on the percentage you choose. Record that amount next to this section's heading and subtract it from your monthly net income. This is your balance—the amount you still have left to budget.

Balance = \$ \_\_\_\_\_

Savings = \$ \_\_\_\_\_

The second category in our budget is Savings. You may be tempted to make this the last category and just save whatever is left over. However, like tithing, if you don't make saving a priority, it may get neglected altogether. You may have heard people say, "Pay yourself first." This means that you should set aside some long-term savings first. This isn't money you're saving for a new tablet or even a car—it's a category you are expecting to grow. The standard rule of thumb is to set aside 20% of every paycheck for long-term savings.

Find the amount of your income you will save based on the percentage of your total net income you choose. Record that amount next to this section's heading, and then subtract it from your balance. Write your new balance below.

New balance = \$ \_\_\_\_\_

Gas = \$ \_\_\_\_\_

Next, determine how much you should budget for Gas. Review your spending for the last few months and find an average amount to budget for this category. If you are not driving yet, talk to your parents to get an idea of how much they spend driving you.

What is the average amount you spent on gasoline? \$ \_\_\_\_\_

This number isn't set in stone; it's just an average. For your budget, go ahead and round it up to the nearest \$10 (i.e. \$45.89 would be rounded up to \$50). Record that amount next to this section's heading, and then subtract it from your balance.

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New balance = \$ \_\_\_\_\_

Remember, to find the average, you can use this formula:

$$\text{Average} = \frac{\text{Total sum of all the numbers}}{\text{The number of items in the set}}$$

{Provided Scenario Option: Use \$55, \$69, and \$42 as your spending on gas for the past 3 months.}

{Provided Scenario Option:  
Use the amounts of \$54, \$102,  
\$38, and \$25 for your previous  
months' clothes spending.}



*Clothing* = \$ \_\_\_\_\_

Clothing is the next item in your budget. Review your spending from the previous 4 months to find an average monthly amount you have spent on clothes.

What was the average amount you spent? (Round this number up as you did for the gas section.) Record that amount next to this section's heading, and then subtract it from your balance.

*New balance* = \$ \_\_\_\_\_

*Keep in Mind: Just because you're using a budget doesn't mean you can't still shop for your favorite things. It may mean you have to wait a little longer to get them, or you look for other more affordable places to make your purchases. You may want to consider what items are worth buying from the name brands you like and which items could be obtained more inexpensively. Maybe you even shop sales, go to outlet stores, or check thrift stores.*

{Provided Scenario Option: Let's say you go out to an average sit and serve restaurant once a week with friends, and the meal usually costs about \$15. Add a 20 percent tip onto that. How much would your average meal be including the tip?



*Dining Out* = \$ \_\_\_\_\_

The next category is Dining Out. This is another variable category, so you'll want to look at previous months' expenses, find the average amount you have spent, round up, and add this to your budget.

What is the average amount (rounded up) you spent dining out? Record that amount next to this section's heading, and then subtract it from your balance.

Multiply  $\$15 \times 20$  percent (0.20) to figure out the tip.

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Add the tip to the \$15 for the total.

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If you eat out once a week, how much are you spending dining out every month?

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*New balance* = \$ \_\_\_\_\_



Entertainment = \$ \_\_\_\_\_

For the Entertainment category, consider all the places you went or things you purchased for entertainment in the last month. Some people may include dining out in this category, but we're going to separate them so you can get a better idea of where the money is going. However, there's no right or wrong way to create a budget—you just need to create one that will work for you.

What do you usually spend on entertainment? Record that amount next to this section's heading, and then subtract it from your balance.

*The cost of more expensive items like concert tickets can be spread out over more than one month.*

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New balance = \$ \_\_\_\_\_

Personal Items = \$ \_\_\_\_\_

Personal items include things like skin care items, books, a gym membership, or electronics. Some of these items could be in the Entertainment category. It doesn't matter where you put them, as long as you are aware of them and plan ahead for these expenses.

What do you usually spend on personal items? Record that amount next to this section's heading, and then subtract it from your balance.

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New balance = \$ \_\_\_\_\_

{Provided Scenario Option: You go to one concert every 3 months. Your concert ticket usually costs \$60. You also go with friends to see two movies a month where admission is \$12 each. You often do one extra activity, which you estimate at \$20. How much should you budget each month?}

If you only attend concerts once every 3 months, you can divide that \$60 ticket by 3.

\_\_\_\_\_

Add this number to the cost of the movies and the extra activity to find your monthly entertainment expenses.}

{Provided Scenario Option: You spend \$50 a month on personal items.}

{Provided Scenario Option:  
You have 5 family members  
and 4 good friends you want  
to buy gifts for. You plan on  
spending \$40 on each one.  
How much money would you  
need altogether?

\_\_\_\_\_

Since this amount is for the  
whole year, go ahead and  
divide this number by 12 (for  
the 12 months in the year).  
This is how much you should  
budget each month in order to  
bless your friends with gifts. }

↖ Gifts = \$ \_\_\_\_\_

Gifts is a budget category that people sometimes overlook. However, you probably have family members and friends who celebrate birthdays or Christmas or both. Most likely, they'll be on your gift-giving list. If you have money set aside for gifts, you won't need to wonder how much you should spend or where you'll get the money. You'll already have a plan.

Consider the birthdays and holidays in the coming months. How much do you want to be able to spend on gifts for others? Record that amount next to this section's heading, and then subtract it from your balance.

New balance = \$ \_\_\_\_\_

**Reflection and Evaluation**

How did you do? Do you have any money left? If so, you can allocate it to saving for more expensive items you may need soon.

Did you run out of money? If so, you'll need to adjust one or more of those categories. Perhaps you would like to change going out to eat every week to going out every other week. Maybe you would like to move money from one category into another category where it's needed more.

You can always go back and re-evaluate your budget and make changes so that it better meets your needs.

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# Paying Bills

For many people, online banking and bill payment have become a regular part of managing their finances. It's never been easier to schedule and make payments from the comfort of our homes. However, like any financial tool, online bill pay comes with its pros and cons. Let's take a look.

Pros	Cons
<p>You can set up recurring payments so you don't have to think about them.</p> <p>Encryptions make bill paying online more secure.</p> <p>You can pay from virtually anywhere in the world where you have internet connection.</p> <p>It reduces the need for paper mail, which is better for the environment.</p>	<p>Some banks charge fees for online services.</p> <p>There are still risks of hacking or phishing attempts.</p> <p>Relying solely on online banking can be risky in case of technical issues or if you lose access to your account. In addition, you have to fill out your personal information and banking information online, which could become a security issue.</p> <p>You may not receive a paper statement to remind you of a payment. Because of this, you may forget to make a payment, which often incurs a late fee or penalty.</p>

It can be challenging to keep up with your bills. You want to make sure you pay them on time, or you could incur late fees. One way is to add a reminder to your calendar. You can use a paper planner to write down when each bill is due every month and the amount.

Instead of a paper calendar, you might choose to use a digital calendar. Simply create a calendar event for each bill 1-3 days before it is due and then also for the date it is due. If you create these as recurring monthly events, you'll only have to schedule them once. The calendar will schedule the following months for you. Including reminders with your calendar will also help make sure the bills are paid on time.

Some people prefer using spreadsheets. Columns can be labeled with the name of the bill, the due date, the amount due, payment date, and payment method. The spreadsheet should be updated every time a bill is paid.

How will you remember to pay your bills on time? Create your own plan and describe it.

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## Project—Family of Four Monthly Budget

For this project, you're going to create a monthly budget for a family of 4. Use the budget percentages you worked with in Lesson 6.3 as guidance for determining the amount of money you should need for each category based on your monthly income. Remember, if you use a larger percentage of your income in one category, another category's percentage will need to be smaller to account for that difference.

### 1. Find your monthly income.

Using the profession you chose in Lesson 1.3, record the income you can expect to make after taxes on the line below. To estimate this amount, multiply your gross income by 30% (0.3) to find an approximate amount you can expect to pay in taxes. Then, subtract this amount from your gross income. This will leave you with an estimate of your net income (your take-home pay after taxes). Then, divide this amount by 12 to find your monthly income.

Monthly Net Income = \$ \_\_\_\_\_

**2. Decide whether you will tithe on your gross income or net income.** Record the total monthly amount you will give to the Lord in tithe based on the percentage you choose.

Tithe = \$ \_\_\_\_\_

**3. Decide if you will save 10% or 20% of your income.** We referred to this as paying yourself in the lesson.

Long-Term Savings = \$ \_\_\_\_\_

**4. Find out the cost of the average home in your area.** You can look on real estate housing sites for ideas. Often these sites will provide an estimate of a monthly house payment. Choose a payment that is not more than 25% of your net income.

Monthly Mortgage = \$ \_\_\_\_\_

**5. Estimate how much you'll spend on utilities each month.** You can find estimates of these amounts online from energy companies in your area. Real estate sites may also provide these estimates for specific houses.

Utilities = \$ \_\_\_\_\_

**6. Determine fixed expenses.**

What kind of car will you drive? Will you need two cars, or can your family get by with just using one? Is the car paid for, or is there a loan on it? If there's a loan, how much are the monthly payments? Do some research online to find out the average monthly payments for the type of car you plan to drive.

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How much will it cost to insure the car(s) each month? You can do some research or ask your parents for an estimate of how much car insurance may cost.

• \_\_\_\_\_

Do you plan on living close to your job or further away? Will you work remotely? Estimate how much you may spend on gasoline each month. Use the prices at your local gas stations to help you estimate.

• \_\_\_\_\_

Don't forget to put some money aside for oil changes and car repairs. Estimate how much you would spend on these in a year. Then divide by 12 to get the monthly total.

• \_\_\_\_\_

Add all of these amounts to see how much you should budget for transportation.

*Transportation* = \$ \_\_\_\_\_

**7. Determine your variable expenses.** Check online to see how much the average family of four spends on groceries each month. You may want to check with your parents to see how close this number is to the amount your own family spends.

*Food* = \$ \_\_\_\_\_

Consider clothing needs. How much will your family need to put aside for clothing each month? You can estimate this based on how much you spend on clothing, or you can find an estimate online. If you base it on how much you usually spend, remember to multiply that number by 4, since there are 4 people in the family.

*Clothing* = \$ \_\_\_\_\_

Set aside an amount for medical expenses. Hopefully, you have some type of insurance plan that will help with these. But your insurance will have a deductible and sometimes out-of-pocket expenses. Take these into account as you are planning how much to include in this category.

Medical = \$ \_\_\_\_\_

Include discretionary spending. How much does your family need for discretionary spending? Some families call this their “fun money”—money they get to spend on something they enjoy. This includes personal items, entertainment, and vacations. Remember, you don’t have to spend this money every month. You can let it build up, especially if you are saving for a big event, holiday, or vacation.

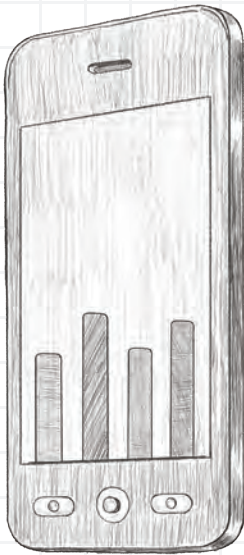
Personal Items = \$ \_\_\_\_\_

Gifts = \$ \_\_\_\_\_

Entertainment = \$ \_\_\_\_\_

Vacations = \$ \_\_\_\_\_

Total Personal & Discretionary = \$ \_\_\_\_\_



Many people use budgeting apps to help them create a budget. Many apps also allow you to track your spending within the different categories.

When you have finished your budget, add the amounts in all of the categories together. Then, subtract that number from the amount of your monthly take-home pay. Your answer should be “0”. You should not be in the negative (budgeting more money than you have), and you should also not have any extra left over. The amount you have allocated in your budget should be exactly equal to the amount of your take-home pay. If it’s not, keep re-working your budget until the two numbers match.

Once your budget is complete, talk it over with your parents. Do they think your budget is a good estimation? What suggestions do they have for your consideration or improvement?

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## A Biblical View of Saving

As you have seen already in this book, God's Word applies to every part of our lives! It even gives us direction and warning on the topic of saving money and resources—whether or not saving is biblical, when it could become a problem, or even when it can be a blessing.

Read *Genesis 41:25–41 and 46–49*. What did God give Joseph the wisdom to suggest and do?

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Now read *Luke 12:16–21*. Why did God take the rich man's life?

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In these two passages we see two examples of saving up food and wealth for a later time. Yet, in one passage, the person who saved is held up as an example of wisdom and faith in the Bible while the other person who saved was judged by God.

So what is the great difference between these two stories?

Joseph	The Rich Man

What we see from these passages seems to point to the fact that there can be a right way to save and a wrong way. Like everything else we do, the intentions and desires of our hearts play a big role in whether our saving is wise and something God will bless or foolish and something worthy of God's judgment.

Proverbs 3:27 •

Proverbs 6:6-11 •

Proverbs 13:22 •

Proverbs 21:5 •

Proverbs 21:20 •

Ecclesiastes 5:18-19 •

Matthew 6:19-21 •

Luke 12:22-24 •

Philippians 4:19 •

Check out the references in the margin and draw a line to the basic principle the verse teaches. (Hint: there will be multiple references for each principle.)

1. Saving does not mean hoarding up the blessings God has provided and being selfish with them.

2. Saving should put us in a position where we are prepared and able to be generous.

3. Saving should not be motivated by fear or a lack of trust in God's provision.

4. Saving should be motivated by a desire to enjoy and be wise with what God has given us.

The Bible has so much to say about our view of money, resources, and wealth. God knows we have needs, and He promises to provide for the needs of His children! It is wise to save money for unexpected emergencies, future needs, and so that we can give generously and bless others. However, we should not lose sight of the greatest treasure worth saving up.

Read *1 Timothy 6:17-19*. What should be most important to us as we work to earn money and wisely save? What does that look like?

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As we work, earn money, spend money, enjoy God's blessings, and save money, our hearts need to stay focused on God. Only then will we understand the joy of pursuing the never-fading, always abundant, sweet riches that God blesses us with spiritually. These spiritual riches include our relationship with God, our relationships with others where we push each other to grow in the knowledge of Christ Jesus, and our relationships with unbelievers with whom we can share the Gospel. This is truly the life God has for us!





# The "Why" Behind Saving

In the last unit, you learned about budgeting—determining how you are using your money and comparing that with how you WANT to use your money. Saving money is closely related to budgeting because budgeting can give you a good idea of how much you need to spend. Then, you can determine how much you are able to save. So you see, these ideas all work together!

Have you ever wanted a cool pair of basketball shoes, a new phone or computer, or some other nice, yet expensive thing? I'm sure you have—we all have things we want! The trouble is, we usually don't have the money to pay for those things precisely when we want them. This is one reason we might save—in order to buy something we want.

As you continue to learn, grow, work, and live your life, you may find that this reason for saving comes up a lot! But you will probably also start wanting bigger things like college tuition, vacation, a new car, a house with more space, and on and on. We never run out of things we want.

Another reason why we might save is for unknowns. Maybe we set aside money for the future in case our car breaks down, we lose our job, or we are injured and can't work for a time or even for the foreseeable future because of that disability. You may set aside money so that one day when you are older, you can retire from full-time work.

What are some other reasons you would want to save?

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Of course, as we saw in Lesson 7.1, our reasons for saving should line up with biblical principles. But in general, saving is a really good thing to do. So if it is good to save, HOW can we make sure to be doing it and doing it well?

How have you saved or how are you currently saving?

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→ We will investigate this more in the next lesson!

## The “How” Behind Saving

Maybe you’ve tried to save up for something specific but then changed your mind when something else caught your eye. Perhaps you’ve intended to set aside some of your paycheck or earnings towards your college fund, but every month you somehow end up spending all the money you earned. Maybe you’ve even looked back and thought, “If only I hadn’t spent that money on snacks at the ballgame so I could have it now!”

This is why having specific methods and strategies for saving can be helpful! Though having wisdom and self-control is essential to using and saving money well, there are ways to help yourself do these hard things.

### 1. Designate a specific amount to save.

The biggest problem we often face when saving is that we haven’t set up specific goals! When we say to ourselves, “Oh, I’ll just save what I have left at the end of the month,” we probably won’t have anything left. For this reason, it is important to set reasonable, specific goals for our savings and stick to them.

Examples of specific goals could be saving a certain amount like \$100 per month. Another way to save specifically would be to save a certain percentage of your paycheck.

Which of these sound like a good solution for you right now?

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How much money could you save each month right now?

- \_\_\_\_\_

Which specific method above could you use to save? How much will you save this month?

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### 2. Have a safe place that is not easily accessible where you keep your savings.

In addition to choosing a specific amount to save, you need a safe place to keep it! If you intend to save your money but keep it in your wallet, you probably will not be successful in saving much!

### Savings Accounts

Opening a savings account at a bank is one very effective way to “protect” your savings from yourself. As you learned in Unit 3, savings accounts are meant for saving! Checks and debit cards connect to checking accounts, but in order to spend money in a savings account, you have to transfer it to the checking account or go to the bank to withdraw it in person. Only then can you use it. This usually helps prevent impulse buys because the money is not available immediately. Therefore, you must wait a certain amount of time for the transfer before buying what you intended to.

Savings accounts are also helpful because, unlike checking accounts, many of them accrue a small amount of interest each month. This amount is called APY (annual percentage yield) and refers to the estimated interest you will earn on a fixed amount in one year. Even this small amount of interest can make a substantial difference over a few years!

Some banks offer **high-yield savings accounts** with higher APYs than the average bank. These accounts may be available from online banks with no physical locations, or they may have minimum deposit requirements. Some of these accounts may also have withdrawal limits in place. However, if you want to save money and won't need urgent access to it, a high-yield savings account can increase your savings without the risks that accompany traditional investing.

For example, if Rebecca has \$5,430 in a high-yield savings account with a 4.5% APY (annual percentage yield) interest rate, she can grow her original amount by just allowing her savings to sit undisturbed in the account. If she makes no other deposits into her savings account, Rebecca can grow the initial amount (\$5,430) she deposited by about 4.5% in one year! This means in one year her initial deposit would have grown by \$244.35 ( $0.045 \times \$5,430$ ) even without her making any deposits herself.

### Practical Application

→ Let's say you have \$1,368 in a high-yield savings account with a 4% APY rate. If you aren't able to deposit any more into that account but your money just sits there, approximately how much will you have gained in interest payments to your savings account at the end of one year?

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→ Research high-yield savings accounts. Choose one bank that offers a high-yield savings account and fill out the chart below with the information you find.

Pros of a High-yield Savings Account	Cons of a High-yield Savings Account

**The Envelope Method**

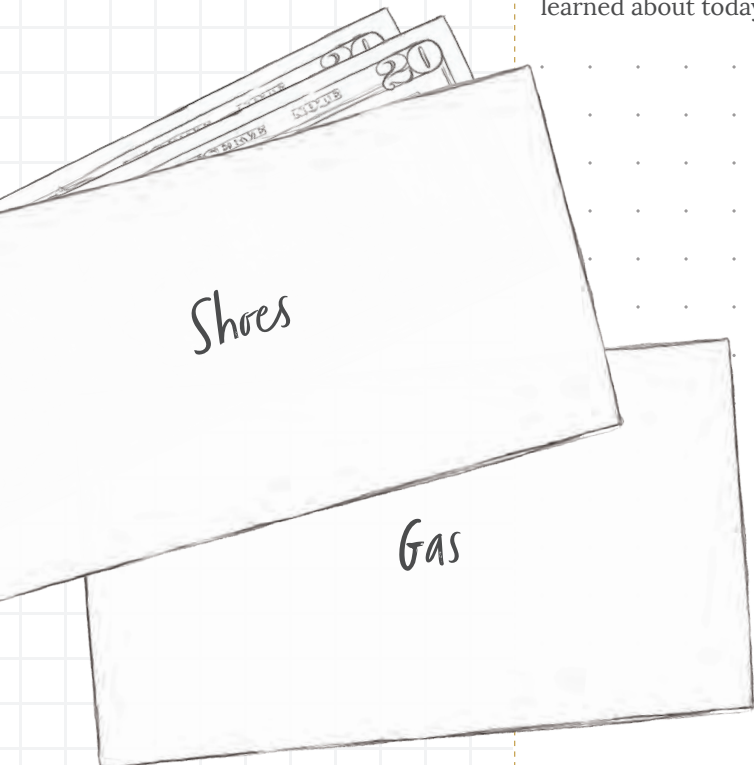
Another way to save money is to separate the money you want to save for various things in designated accounts, “buckets,” or even physical envelopes.

You may be familiar with the idea of using envelopes to save or set aside money. Envelopes are great for saving and even budgeting because you can label them with “shoes,” “snacks,” “gas,” or “college,” and then save cash according to the category you want to designate it to. This can help you visually keep track of your spending as well as know that certain envelopes are “off-limits” for spending. If you still struggle to save in this way, consider asking a parent to keep your savings envelope somewhere safe for you so that you can’t take money out of it.

Another way of using the envelope system is to use separate accounts and even multiple banks as your “envelopes.” Some people choose to have several accounts with different banks but use only one bank for their spending. This way, the money in other banks is almost “out of mind” since they are not operating out of them regularly.

Another option some banks offer is a system of “buckets” where you can have multiple categories within one account in which you are allocating certain amounts of money. Maybe within a checking account you have individual buckets for fun money, clothes money, and gas money. This way, when you spend the amount you have set aside for clothes in that bucket, you know you can’t buy any more gas that week (or month, depending on your system). Usually, you are able to see your buckets and transfer money between them by using the bank’s online banking app.

Do your parents use any of these methods to save money? Ask your parents what banks and systems they use to save money. Which of their methods or the methods you learned about today would you like to use to help you save your money?



A large area of dotted lines for writing answers to the question above.

## Short-term Savings Goals

Short-term savings generally refers to savings goals that are less than 5 years in the future. These goals may include saving for a new guitar, a car, college, or even a mission trip.

Maybe you have just been saving money in general instead of saving with specific purposes in mind. While this general saving is a good start, specifying your goals and saving for them separately can help you understand what you need to do in order to reach your goals. Plus, it may even help you reach your goals faster!

Part of this process is identifying your priorities. Maybe you want a car but you also want to save for college. So then, you have to determine what your priority will be. A car could be very helpful, but insurance, maintenance, and gas can be expensive—not to mention the amount you pay for the car itself! However, depending on where you're going to college, maybe you will need a car in order to be able to attend college. In this situation, recognizing your priority can help you save towards your most important goal.

### Practical Application

→ Let's say Carmen has \$3,567 saved. She knows that within the next 6 months, she wants to buy a name-brand pair of sneakers and a new laptop for college. Carmen also hopes to buy a car that she can use for commuting to a community college she plans to attend a year and a half from now. Another opportunity Carmen is thinking about is a mission trip her church is planning to take in about 8 months.

According to the time frame, which of these things seem like priorities for Carmen to save for?

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What things might need to be set aside if her priority is preparing for college? Explain.

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Depending on Carmen's income, she may be able to meet all these short-term savings goals! But prioritizing them will help her meet the most important ones first and then meet the less important ones if she is able to save enough.

→ What short-term savings goals do you have right now?

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What is your total savings right now?

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Have you designated specific amounts of your savings toward the specific goals you listed above? If so, great! If not, show how you will do that below. Be sure to list each goal in numerical order according to their priority.

Specific Goals	Amount Saved	Amount Needed
1.		
2.		
3.		
4.		
5.		



# Long-term Savings Goals and Emergency Fund

In our last lesson we talked about short-term savings goals, so of course, today we need to talk about long-term savings goals! Long-term savings goals refer to goals that are 5 or more years in the future. Some examples of this might be replacing the family car with a nicer, newer one, a down payment for a house, a special family vacation or anniversary trip, or even retirement.

Think about your life 5–10 years from now. What savings goals do you want to have?

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In addition to specific long-term savings goals, it is also wise to save for things you know will need to be fixed or replaced at some point in the future. This savings goal is often called a “sinking fund” because it is money you can expect to put towards expected but irregular expenses.

The sinking fund would be the place to save for replacing the tires on your car, buying a new air conditioning unit for your home, paying for plane tickets to see family, or even replacing things like a lawnmower, computer, coffeemaker, or furniture. Though you don't know for sure when you will need to pay for, repair, or replace these things, you know it will happen sometime, and therefore, a sinking fund would be the place you save money for these expected yet sometimes unpredictable expenses.

What kind of expenses do your parents expect to have in the next year? Will you be traveling for holidays or weddings, making a repair on your car, or replacing any tools or appliances? Talk to your parents about these possible expenses and ask them about their plan to pay for them. Do they have a sinking fund or something similar?

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## Your Emergency Fund

Emergencies are just part of life—we get hurt and have to go to the emergency room, cars break down, we lose our jobs, and others sometimes need help too. While it can be tempting to have a spirit of fear towards these things, we know God promises to be with us and help us during these times.

Something that can help emergencies feel a little less hard, however, is having the money you need to pay for them. This is why having an emergency fund is a really good idea. An emergency fund is money you set aside specifically for a time when there are urgent expenses that would not usually be in your regular budget. A reasonable emergency fund goal is having 3–6 months of regular expenses saved up in case of job loss or inability to work. As much as possible, you want your emergency fund to be untouched and unused except in cases of true emergencies.

ideas:

- down payment for a house
- funds for a wedding or engagement ring
- funds for a business idea

### Practical Application

→ Look through these scenarios and mark whether they would qualify as an emergency or an expense that could be covered by a sinking fund or some other budgeted fund. Check the box if it qualifies as an emergency.

- Another family asked your family to go out to eat with them for Sunday lunch.
- Your sister is experiencing pain in her jaw because her wisdom teeth need to be removed.
- Your brother falls off his dirt bike and fractures his wrist.
- Your whole family is pretty tired and needs a short vacation.
- The couch in the living room is starting to look worn and needs to be replaced.
- You just moved to a state that gets snow, so everyone needs new coats and boots.
- Your dad hurt his back and is unable to work his regular job right now.
- The car broke down and the mechanic says the transmission will have to be replaced.
- A family in your church is dealing with an unexpected hospital stay and needs help with meals.
- A store has a really huge Black Friday sale on name brand electronics, and you've been thinking about getting new headphones for a while.

Sometimes it's hard to decide what is an emergency and what is not. Some things feel pretty urgent or important in the moment! A good thing to do, though, is to check if an expense can be covered by any other part of your budget before you touch your emergency fund.

→ Conner is 24 years old and married. In one month, he and his wife pay \$1,645 for rent including utilities, \$60 for internet, about \$40 for electricity, \$400 for groceries, \$160 for gas, \$150 for personal care and household goods, and \$325 every 6 months for car and renters insurance. If they want to have 4 months of expenses in their emergency fund, how much in total should they have in their emergency fund?

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→ So what should your emergency fund savings goal be? Do your parents pay for your emergencies right now? If so, what could you start setting aside for future emergencies when you will be covering all your own expenses?

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# Project—Setting Savings Goals

## Part 1: Identifying Your Goals

Now it's time to think about all the savings goals you want to have and plan how you will tackle them! Take your time researching, talking to your parents, and thinking about the things you should be saving for both now and in the future. *(Hint: Look back at 7.4 and 7.5 for the goals you wrote there.)* Make a very specific list of these things and word them as measurable goals (for example: I will save \$8,500 for a car).

A large grid of dots for writing notes.

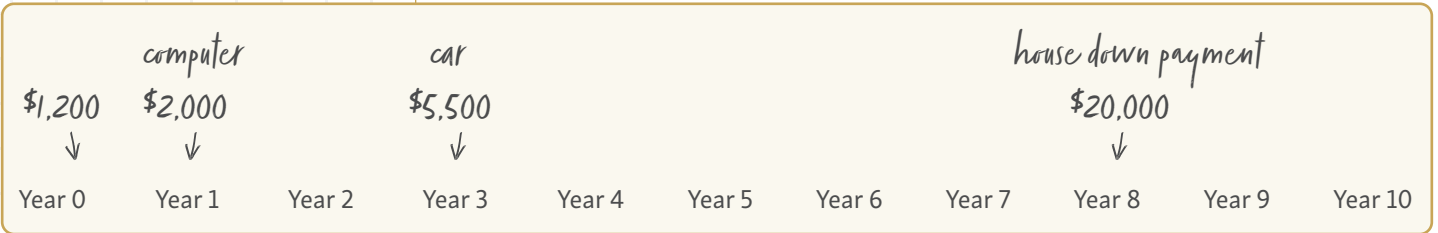
Organize these savings goals into short-term savings goals and long-term savings goals and number them according to priority.

<i>Long-term</i>	<i>Short-term</i>

**Part 2: Planning for Success**

Now that you have thought through your short-term and long-term savings goals, it's time to plan how to meet them! Look at the example below and then use the timeline provided to mark how much you want to have saved within those time frames. List how much you already have at "Year 0."

Example ↘



How will you save for these goals? Will you work a steady job, work during the summer, live with your parents to save housing costs, cut spending in another area of your budget, get a second job, take a gap year between high school graduation and college to work, or . . . ?

Write out how you plan to meet each of these goals in the time you have indicated on the timeline.

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## A Biblical View of Borrowing Money

We've seen how the Bible talks about earning money, using what God has given us wisely, and saving money. But have you ever thought the Bible might have something to say about borrowing money?

Read *Proverbs 22:7*. What principle is this verse telling us about?

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Have you ever asked a sibling to loan you a few dollars or to let you use something of theirs? If your siblings are like mine, you know that borrowing comes with an extra price. Whether it's paying them back a little more than you borrowed, or having to agree to whatever they ask you to do for them, these sibling lenders can drive a hard bargain!

That's the principle *Proverbs 22:7* is stating for us. Any time you don't have the money to pay for something and have to borrow from someone else, you are, in a sense, a "slave" to that person. You owe them! So until your debt is paid, you have to be okay with whatever terms they offer.

How could being in debt to someone or owing them something become a problem?

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Sometimes owing people can make them similar to an authority in your life. However, there are already authorities in your life—God, parents, teachers. If your debt to someone would cause you to ignore or go against these other authorities, that's a big problem!

The concepts of lending and borrowing bring up another issue—contentment.

Read *Philippians 4:10–13*. What does the Apostle Paul say about contentment?

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Ultimately, we may not always have everything we want in this life. Paul tells us why that's actually okay—we can learn to be content and thankful for what God HAS given us. God's strength is enough to help us be content in any circumstances, whether we have much or little.

Read *Philippians 4:19*. What will God do for His children?

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This means that whatever we truly need, God will provide. He may provide the actual physical needs, the extra work and income necessary to meet that need, or He might give us His grace and strength to wait patiently for some other provision. Maybe He will teach us through the difficulty of having a need. But our God will always provide.

Since we know God cares for and provides for His children, it's good to recognize that if we don't have the money to pay for something, it is probably not a need at that moment. God may indeed provide for it eventually, but in the meantime, it is a blessing for us to learn contentment. We do not need everything we want—we need to learn to trust God.

Is there anything you really want but don't have the money for? How do the truths you learned today affect your thinking about this desire?

A large grid of dotted lines for writing.



# Should You Borrow Money?

Should you borrow money? This is a question financial experts have varying opinions on. Some claim you should never go into debt for any reason, while others say some debt can be a tool to get where you want to go. So what's the right answer?

Like with every other thing in our lives, this question must be something we take to God, asking for His wisdom. If we purpose to live our lives according to God's ways, He will give us the wisdom we need to do it. Borrowing money is not a sin, but it is definitely a matter of wisdom.

Let's examine the pros and cons of borrowing money.

Pros	Cons
<ul style="list-style-type: none"> <li>-being able to make big, expensive purchases without paying the full amount upfront</li> <li>-not having to wait until you have saved all the money needed for something</li> <li>-offers immediate relief from discomfort or inconvenience</li> </ul>	<ul style="list-style-type: none"> <li>-depending on the kind of loan, you may pay back much more than you initially borrowed</li> <li>-you may be unable to repay what you have borrowed</li> <li>-you may be unable to use your money the way you want to going forward because you have to use it to make payments on loans</li> <li>-it may be harder to build wealth because you do not have as much money to save or to invest</li> <li>-you are in debt until you repay the amount you borrowed (plus interest) in full</li> </ul>

## Practical Application

In your opinion, what is the most compelling pro of borrowing money? Explain.

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What do you think is the most difficult con of borrowing money? Why?

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Objectively, the downsides of borrowing money outweigh the good in just about every situation. At the end of the day, it is better to wait and save up for what we want than to go into debt to get it sooner. In some cases, like buying a house, loans are a little safer for the borrower and can be beneficial since the purchase is such a large one. However, as a general rule, it is wise to avoid debt wherever possible. Many people have gone into debt and consequently have had their lives controlled by it.



# Understanding Credit Scores

A credit score is a number on a scale indicating the likelihood of your ability to pay back a loan on time. This number is based on a mathematical formula applied to your history of loan repayment, also known as credit history. If you have never borrowed money, you will not have a credit score.

Many things affect your credit score once you have one, including:

- history of paying regular bills
- any current unpaid debt
- the amount and type of loans you have
- the length of time you have had various **lines of credit** open to you
- how much of your available credit you are using
- applications for new lines of credit (such as a new credit card or a home loan)
- whether or not your debts have ever been sent to a **collection agency**
- whether or not you have experienced **foreclosure** or declared bankruptcy

Though it is not absolutely necessary, your credit score is something potential lenders will want to see because it lets them know if you are likely to make payments on time. Home or apartment rental companies may also view your credit score as a precautionary measure before agreeing to lease a property to you. In the case of acquiring a home loan, the amount lenders are willing to loan to you, your interest rate, and your repayment plan will be affected by your credit score if you have one.

## Practical Application

→ Talk to your parents about their credit score. What things have they done in order to make sure they have a good credit score? How has their credit score hindered or helped them in the past?

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A **collection agency** is a company used by lenders or creditors to recover funds that are past due.

A **line of credit** refers to the amount of credit offered to a borrower by a lender. If a person has multiple lines of credit, it means they have borrowed more than one amount from multiple lenders.

**Foreclosure** is the action of taking possession of a mortgaged property when the mortgagor fails to keep up their mortgage payments.

## What You Need to Know About Credit Cards

Unless you go to a little store out in the country or a tiny gas station on a country road, most stores will have the option to pay for your gas, snacks, or other goodies with a card. This is just part of how technology has changed the way we function. However, the type of card you use can greatly affect your financial well-being.

### Debit Cards

As discussed in Unit 3, debit cards, or bank cards, may be obtained through a bank at which you have an account. Like checks, debit cards only work when you have money in the account connected to that card. If you try to pay for something and you don't have enough money in your account, your card will be declined; the payment will not go through.

Debit cards are convenient because you do not need to carry cash around. In addition, if your card is stolen, you can call your bank to cancel it and prevent someone from accessing your money. However, it can be easy to spend more than you mean to. Swiping a card is easier than handing a hundred dollar bill to a cashier! Online banking does make it easier to keep up with what you spend, so if you're using a debit card, it is wise to check your account before making a purchase.

### Credit Cards

Credit cards may be obtained through a bank or with a separate company like an airline or retail store. Most credit cards have monthly or yearly fees the card owner is responsible to pay in order to obtain the privilege of having that line of credit extended to them through the company.

To pay with a credit card, you do not need to have the money you're spending at that moment. Instead, the card has a spending limit set by the company through which you have the card. Essentially, you are borrowing money from the credit card company every time you make a purchase with that credit card. Then, every month, the company will send you a bill for the amount you have spent with the credit card.

If you carefully limit your spending only to what you know you can pay for at the end of the month, you may be able to gain cash back, airline miles, or even gas rewards by using a credit card. In addition to this, consistently paying a credit card bill is a way for people with no credit to begin building a credit score.

However, many people do not limit their use of a credit card to what they can afford. Instead, they spend as much as the company will allow them to and are unable to pay off their credit card bill every month. As a result, they fall into debt with the credit card company and also have to pay interest on what they owe.

One of the fastest and seemingly small ways to get into debt is by using a credit card irresponsibly or ignorantly. So how does this happen?





### Introductory Offers

Most credit card companies make introductory offers to make their credit cards look desirable to people. Retail stores might offer 20% off your purchase if you open a credit card with them on the spot, airlines might offer a certain number of miles free for opening a card with them, or other companies might offer no yearly fee for your first year or a large **cash advance** with no interest. It is always wise to consider the value a credit card offers in the long run rather than the value offered by short-term, upfront benefits.

### Interest Rates

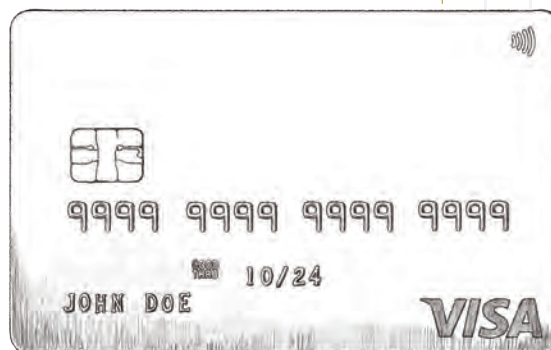
If at any point you do not pay your credit card bill at the end of the month, the credit card company will charge you interest on the amount you owe. Because of this, you not only have to pay the remaining amount you owe, but also whatever interest that amount accrues in the time it takes you to repay it. Think back to what you learned about investing in Unit 5. Interest works the same way with credit cards, but instead of growing your wealth by percentages, you are growing your debt.

Some credit cards have fixed interest rates—ones that do not change. However, other credit card companies reserve the right to raise interest rates as long as they give you a certain amount of notice. In addition, interest rates are usually lower for those with good credit (i.e. 17–20%), but are higher (i.e. 23–27%) the worse your credit score is. This makes it even harder for those with large amounts of debt to recover and get out of debt.

### APR (Annual Percentage Rate)


The interest rate for a credit card is often expressed as APR. This annual percentage rate is basically a theoretical idea of what it will cost you to borrow money from a credit card company. Many credit cards advertise their APR as a way of enticing people to open up cards with them. This number can be deceiving, though, because unlike APY (which accounts for compounding interest), APR only accounts for simple interest. Credit card APR tells you the percentage you would owe in 1 year on the principal (initial amount you owe), but it does not account for the compounding interest and other fees you would also owe in addition to the principal. Because APR can give you the wrong idea about the interest you would owe, you should never rely on it for an accurate idea of how much it would cost you to borrow money from a particular credit card company.

A **cash advance** allows you to withdraw cash money from your credit card account. This means you are borrowing cash you have not earned with the understanding that you will pay it back by the end of the month or immediately be charged interest (and sometimes an additional fee) on that advance until it has been repaid.



### Practical Application

→ Most adults get credit card offers in the mail. Ask your parents if they have received any credit card offers recently that you can look at. Using these offers or advertisements on the Internet, record the offer details of 3 credit cards below. (Keep in mind that many cards have no APR for a certain period of time and then that APR kicks in. If this is true for any of the cards below, record the APR rate that will apply in the future rather than the starting APR.)



Card # 1: \_\_\_\_\_

Annual Fee: \_\_\_\_\_


Rewards Rate: \_\_\_\_\_

Introductory Offer: \_\_\_\_\_

APR: \_\_\_\_\_

→ Using the APR for each card, calculate the estimated amount you would owe at the end of the year if you missed two payments totaling \$2,189 altogether. Remember to add in any annual fees. Record that number below.

Card #1: \_\_\_\_\_



Card # 2: \_\_\_\_\_


Annual Fee: \_\_\_\_\_

Rewards Rate: \_\_\_\_\_

Introductory Offer: \_\_\_\_\_

APR: \_\_\_\_\_

Card #2: \_\_\_\_\_



Card # 3: \_\_\_\_\_

Annual Fee: \_\_\_\_\_

Rewards Rate: \_\_\_\_\_

Introductory Offer: \_\_\_\_\_

APR: \_\_\_\_\_

Card #3: \_\_\_\_\_

As you can see, borrowing money is convenient and usually easy. However, paying back the money you owe can take you into a worse financial situation than when you first became a borrower. You cannot avoid paying far more than the item cost and you may continue to pay for an item even after you no longer own it, it has become outdated, lost its initial value, or broken down.

# Loans

There are many different kinds of loans, so for this lesson, we will focus on the major ones that will be helpful for you to know right now.

**Personal loans** can be used for any purpose you choose and are generally available from banks, credit unions, and online lenders. They are usually **unsecured**, meaning they do not require **collateral**. The interest on these loans may be **fixed** (meaning they will not change) or they may be **variable** (meaning the lender can change the interest rate).

**Student loans** are offered by the government and by private lenders to students trying to pay undergraduate or graduate school bills. Usually, government loans are preferable to private loans due to the repayment plans, interest rates, and loan terms.

**Auto loans** are specifically for the purpose of buying a car and cover the entire cost for the car minus the down payment. This type of loan is secured because the car itself is considered collateral. If the borrower fails to make payments, the lender may repossess, or take back, the car. Generally, auto loans may be repaid over a period of either 36 or 72 months.

**Mortgage loans** can be secured for the purchase of a house and cover the entire cost of the home minus any down payment. These loans are also secured because the home serves as collateral for the loan. When payments are missed, the lender has the right to foreclose on the home and take it back into their possession. Usually, mortgage loans are repaid over 10, 15, 20, or 30 years.

Mortgage loans are a good example of **amortization**, the process of paying off debt over time in equal installments. In order to pay off a mortgage loan in the amount of time agreed upon by the lender and borrower, the principal and the interest are added together and divided up into monthly payments for the set amount of time such as the 10, 15, 20, or 30-year periods mentioned above.

## The Danger Zone

While the loans we have discussed so far are serious commitments with serious consequences for missed payments, there are some loans you should NEVER take out, because they are set up to cost you exponentially more money than you borrow. These loans often seem like a quick fix for a situation, but they have long term consequences that are a serious disadvantage for the borrower.

**Discount loans** refer to short-term loans where interest and fees are deducted from the principal before the borrower receives it. For example, if a borrower wants a \$20,000 discount loan and the interest rate is 10%, that 10% is taken out of the principal upfront so the borrower only receives \$18,000. However, because the loan amount was for \$20,000, the borrower must still repay the lender \$20,000. Consequently, the borrower ends up paying back money they never received from the lender at a higher interest rate than they realized (11.11% rather than 10%).

**Collateral** is something the borrower pledges as a security of the repayment of a loan. If the borrower misses payments or cannot repay the loan, the collateral then belongs to the lender.

Depreciation vs. Appreciation  
Two things to consider when deciding whether or not to take out a loan are the principles of depreciation and appreciation. **Depreciation** is the reduction in value of an asset or item due to the passage of time. Most things people take out loans to buy like appliances, electronics, or cars begin depreciating the moment you buy them and will never again be worth what you paid for them.

On the other hand, **appreciation** is the rise or increase in the value of an asset or item due to the passage of time. The best example of appreciation is a home. Houses consistently gain value as time goes on. This is why many financial experts advise against all loans except home loans.

**Title loans** refer to loans where the title of the borrower's car serves as collateral in case of missed payments. Because of this, the borrower must own their car and not be making payments on it. Title loans are usually short-term, high interest loans where the lender will not check your credit score. For this reason, those with poor credit may seek this type of loan. However, due to the high interest rates, repayment may be challenging and any missed payment is an opportunity for the lender to take possession of the borrower's car, whether it is worth more or less than the amount of the loan.

**Payday loans** are also short-term loans available to those with poor or nonexistent credit. They usually amount to \$500 or less because they are meant to be repaid by the borrower's next paycheck. The lender will require either a signed check or permission to electronically transfer the amount they owe by their next payday. If the check or electronic transfer fails because of insufficient funds, a fee will be added to the original loan amount plus interest and then that becomes the new amount that must be paid by the borrower's next payday. Because of this cycle, the amount the borrower owes can grow rapidly to the point that the borrower has little hope of ever being able to repay it.

### Practical Application

→ If Luis takes out a payday loan for \$200 at a \$15 loan fee, how much does he need to pay back to the lender? \$ \_\_\_\_\_

What is the interest rate he is being charged? \_\_\_\_\_%  
(Hint: What percentage of \$200 is \$15?)

If Luis misses his repayment date, he will be charged a \$30 fee in addition to what he already owes. What is the new total he would owe at the time of his next paycheck?  
\$ \_\_\_\_\_

What interest rate would he be paying at this point? \_\_\_\_\_%  
(Hint: Add the extra fees together to find the total interest paid.)

→ Let's say Camden paid a \$20 fee to take out a \$500 payday loan. He fully intended to pay it back when his next paycheck was deposited, however, he got sick and couldn't work for 3 days, making his hourly wages for those two weeks smaller than he expected. Because of this, he was unable to pay back the loan. This lender charges a \$25 fee for each missed payment.

How much will Camden owe the lender at the time of his next paycheck? \$ \_\_\_\_\_

What interest rate does this end up being? \_\_\_\_\_%  
(Hint: Find what percentage of the original loan the fees amount to.)

What will Camden owe if he continues to miss his repayment?

2 pay periods  
\$ \_\_\_\_\_ at \_\_\_\_\_%

3 pay periods  
\$ \_\_\_\_\_ at \_\_\_\_\_%

5 pay periods  
\$ \_\_\_\_\_ at \_\_\_\_\_%





## *Project—The Price of Paying in Installments*

Many online stores now offer the option to pay for things in “installments” rather than for the full price. You may have seen these offers of “10 easy payments of \$2.99” or similar options. Is it a good idea to take advantage of these? Let’s investigate!

Go online shopping for at least 5 things you want and see if they have the option to pay in installments as described above. Add up all the individual installments you would be paying for those five items. Then, see how long you would be paying for those items. Remember, this is how long that amount of money would be dedicated to repaying a past purchase and not available for you to use as you want or need to currently.

After you complete this research, write a 3 paragraph essay explaining why you think paying for things like this is a good idea or not. Give specific examples from your research in your essay! Then, have a parent or adult read your essay.

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## A Biblical View of Home

What does your home mean to you? To some people, a home is somewhere they can go to escape the pressures of the world. For others, home is a place where they can relax and just be themselves. For some, home can be a place of confusion and anger. Instead of being a place where they can retreat, they experience constant stress.

Read *James 3:16*. What happens when there's strife in the home?

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This verse tells us that where there is jealousy, strife, or selfishness, there is disorder and every kind of evil work going on. But that's not the end of the passage. Keep reading verses 17 and 18. This tells us what happens when we bring God's wisdom and His Word into our homes. His wisdom is gentle, reasonable, sincere, and full of mercy. When we walk in God's wisdom, we have peace.

Read *Ephesians 2:14*. What does this verse say about Jesus?

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It tells us that God not only wants us to have peace, but that Jesus IS our peace. If Jesus is our peace, and He's with us in our homes, our homes should be peaceful, too. God wants our homes to be places where every member of the household can experience His love, His joy, and His peace.

Read *Psalms 127:1*. What do you think this verse means?

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This metaphor describes the importance of including God in the efforts we attempt. Unless we seek Him, our labor is in vain—ineffective and meaningless. When we let God build our homes, this includes what's going on inside. When we study His Word and apply it to our lives and our families, we invite the Lord to build our house. If we don't let Him be a part of our home-life, it won't matter how hard we try. All of our efforts won't be worth anything in the end.

Read *Deuteronomy 6:6-9*. What did God instruct His people, the Israelites, to do with the commands (His Word) He had given them?

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Does this sound extreme? God told them to talk about His words with their families all day long. He instructed them to tie His words to their hands and heads to remind themselves of what He said. He even said to write them on the door frames of their houses! God wanted His Word to be at the center of all they did and thought about throughout the day.

As Christians who are also God's people, our lives should center around the Word of God every day as well. Our homes can be an ideal place for that. We can make our homes places where we talk to each other about God's Word, discuss how to honor God in our choices, pray for each other and people outside our homes, and encourage one another in the Lord.

Read *John 14:2*. Where will Christians live eternally?

• \_\_\_\_\_

Isn't that wonderful news? Jesus is already preparing a place for us in the Father's house. One day, we'll all be at home with Him.



← God has a plan for our homes here on earth, but He also has a plan for our eternal home!

**Single-Family Homes:** These are houses designed to accommodate one family. They can be owned or rented.

**Apartments:** These are individual rental units within one building. They range from small, one-room studios to large, multi-bedroom units.

**Condominiums (Condos):** Condos are similar to apartments, but they are usually owned instead of rented. Residents share ownership of facilities, such as swimming pools and gyms.

**Townhouses:** Townhouses are multi-story homes that share walls with neighboring units. Each unit has its own entrance and may have a small yard or patio.

**Mobile Homes:** Mobile homes, also known as manufactured homes, are factory-built homes that can be moved to different locations. They can vary in size and quality.

**Duplexes and Triplexes:** Duplexes consist of two separate living units within a single building. Triplexes have three units. Each unit may be rented or owned individually.

**Conversions:** Some buildings are converted into residential spaces from their original use, such as old factories, barns, and schools.

**Tiny Houses:** Tiny houses are compact and designed for minimalist living. They can be built on trailers to be moved later or placed on a foundation.

**Senior Housing:** Special housing options for senior citizens include retirement communities, assisted living facilities, and nursing homes.

## How Big?

There are many types of housing options to suit people's needs and preferences. These can vary by architectural style, size, purpose, and ownership.

Housing is often described in terms of the number of bedrooms and bathrooms it has. Properties that have multiple bedrooms and bathrooms are generally more valuable. For this reason, there are guidelines people must follow before they can call a room a "bedroom." For example, a room must have a window that meets a certain size requirement (this can vary by state). This is to provide a way to escape in case of an emergency, such as a house fire. Additionally, in order to qualify as a bedroom, a room must contain a closet.

The number of bathrooms a home has is determined differently. A full bathroom is a bathroom that includes a tub or a shower. If it includes only a toilet and a sink, it's called a half-bath.

A listing for a house might look something like this: **4 BR, 2.5 BA** ←  
*This means the house has 4 bedrooms, 2 full baths with a shower or tub, and one half-bath with just a sink and toilet.*

### Practical Application

→ How many bedrooms and bathrooms does your home have? Use the abbreviation "BR" for bedrooms and "BA" for bathrooms. If your home has a half-bath, write it as a decimal like the example above.

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### Square Footage

Along with the number of bedrooms and bathrooms, the size of housing is often indicated by its square footage. This refers to the housing's total floor area in square feet. This includes the square footage of any rooms that are "finished" and ready to be lived in, such as bedrooms, living rooms, kitchens, and bathrooms. Garages, attics, unfinished basements, and porches are not included when adding up the square footage of a home.

Square footage is an important measurement in real estate, interior design, construction, and property management. It helps determine the size and layout of a space, and it's often used for pricing, planning, and designing different types of housing.

To determine the total square footage of a home, you must first know the square footage of every room. To calculate the square footage of a room, measure the length and width of the room in feet. Then multiply these two dimensions together. The formula is:

$$\text{Square Footage} = \text{Length (in feet)} \times \text{Width (in feet)}$$



This is the same formula you would use to find the area of a square or rectangle.

For example, if a room is 10 feet long and 12 feet wide, its square footage would be:

$$10 \text{ feet} \times 12 \text{ feet} = 120 \text{ square feet}$$

The room has 120 square feet of space that you can live in.

## Practical Application

→ What is the square footage of a room that is 16 feet by 14 feet? \_\_\_\_\_

→ What is the square footage of a room that is 10.5 feet by 13 feet? \_\_\_\_\_

→ Find a tape measure and measure the length and width of your bedroom.

What is the square footage of your room? \_\_\_\_\_

To find the total square footage of a certain housing option, you'll need to find the square footage of each room and then add them together.

→ What is the total square footage of a 2 BR, 1 BA house with rooms that are the following dimensions? (Hint: Find the square footage of each room, and then add these numbers together for the total square footage.)

Bedroom #1: 11' x 13' Square footage = \_\_\_\_\_

Bedroom #2: 9' x 12' Square footage = \_\_\_\_\_

Bathroom: 8' x 10' Square footage = \_\_\_\_\_

Kitchen: 10' x 10' Square footage = \_\_\_\_\_

Living Room: 12' x 18' Square footage = \_\_\_\_\_

Dining Room: 11' x 14' Square footage = \_\_\_\_\_

Hall: 3.5' x 12' Square footage = \_\_\_\_\_

Laundry Room: 8' x 8' Square footage = \_\_\_\_\_

Hall closet: 6' x 2' Square footage = \_\_\_\_\_

Total = \_\_\_\_\_

→ How big is your home? \_\_\_\_\_

(Hint: you don't have to measure every room. You can ask your parents; if they don't know, they can help you find the information on a real estate site online.)

# Renting vs. Buying

## Renting

When people first move out on their own, many choose to rent before they buy a home. One reason for this is because renting usually requires a smaller financial commitment upfront compared to buying a house.

## Upfront Costs

Usually, rentals require you to have enough money for the first month's rent plus an initial deposit amount—often the same amount as a month of rent. The **deposit** is the landlord's assurance that you'll leave the rental in good condition when you move out. If you don't, they may use a portion or all of the deposit to make any necessary repairs.

For example, if your rent is \$1500 a month, you'll need to save up twice that amount, or \$ \_\_\_\_\_.

If you want to bring a pet with you into your new rental home, you'll most likely have to pay an extra deposit or a monthly addition to your rent. This is because pets can be destructive, and when you move out, there may be things in the rental the owner has to repair. The amount of pet deposits vary from place to place, but a typical pet deposit may be from \$200 to \$500.

Utilities you may have to pay for are electricity, water, cable, trash, and internet service. Some apartments include the cost of utilities in the rent, some include one or two, and some don't include any. If you have to pay for your utilities, some companies will require a deposit before the utility is turned on. This is to ensure that you'll pay your bill on time. For example, you may be asked to pay a deposit equal to two month's expected electric use when the home is occupied.

## Practical Application

→ Let's figure out the total cost for getting set up in an apartment. Suppose you want to move into a \$1200 apartment, and you have a small dog. The pet deposit is \$400. Water is included in the cost of the rent, but not electricity. The electric bill averages \$110 a month, and the electric company wants a deposit equaling two months' worth of electricity. The internet company doesn't require a deposit, but there is an initial set-up fee of \$60. How much would it cost to move in with your electricity and internet service ready to go?

\$ \_\_\_\_\_

→ One way to cut down these expenses is to share an apartment with one or more roommates. What would your cost be if you had two roommates? You would split the cost of the rent, the deposit, the electric bill, and the internet fee. However, since you own the dog, you'll still have to pay the pet deposit.

\$ \_\_\_\_\_

Some people rent houses, townhomes, and mobile homes instead of apartments. These have many of the same financial requirements before you can move in, such as first month's rent, a month's rent as a deposit, pet deposits, and utility deposits. Often, no utilities are covered when renting a house, so you'll need to be prepared to cover all of them.

### Buying

Buying a home requires a significantly larger upfront investment. You'll need to save up for the down payment, or the initial amount you will pay out of pocket when you buy the home. The ideal down payment is approximately 20% of the total cost of the home.

If the home you want to buy is \$200,000, what would a 20% down payment be?

\$ \_\_\_\_\_

To solve this problem,

simply multiply

$\$200,000 \times 20\% (0.20)$ .

That's a lot to save up before buying a house! Don't be too discouraged though—while this is the ideal amount, you may be able to put down as little as 3% for a **conventional loan**. Many first-time home buyers put down around 6%.

### Practical Application

→ How much would you need for a 3% down payment on a \$200,000 home?

\$ \_\_\_\_\_

→ How much would you need for a 6% down payment on a \$200,000 home?

\$ \_\_\_\_\_

Besides the down payment, you'll also have to be prepared to pay closing costs. Closing costs are the fees and expenses associated with the final stages of a real estate transaction when a property is bought or sold. These costs are typically paid by the buyer, though they may also be paid by the seller, or even split between both parties. Closing costs are usually around 3% to 6% of the amount of the loan, though these amounts are often negotiable.

### Practical Application

→ Imagine you are buying a \$175,000 home at 5% down and 4% closing costs. How much money do you need to have saved?

\$ \_\_\_\_\_

A **conventional loan** is any loan that is not guaranteed or insured by the government.

# Finding a Rental House

Before you begin searching for a house to rent, you must first determine how much you can spend on rent each month. The amount you should spend on rent depends on various factors, including your income, financial goals, and personal circumstances. A commonly recommended guideline is the 30% rule. This suggests that you should not spend more than 30% of your gross monthly income on rent. Remember that you'll also need to pay for other expenses like utilities, internet, and other renting fees.

Below is a basic formula to calculate how much you can afford for rent.

$$\text{Monthly Rent} \leq \text{Monthly Income} \times 0.30$$

In this formula, 30% has been changed to a decimal (.30).

## Practical Application

→ Let's say your gross monthly income is \$3500. What is the most you should spend on rent?

\$ \_\_\_\_\_

It's important to note that this is just a guideline. It may not be suitable for everyone. Some people may spend more or less than 30% of their income on rent, depending on what area of the country they live in and what their individual financial situation and goals are.

For example, if you live in an affordable area, you may be able to find an apartment for less than the 30% amount. On the other hand, if you live in a more expensive area, you may have to spend more for a very small apartment.

Now that you know what you can afford to pay in rent, the next step is to make a list of what you need in regards to your rental house.

## Practical Application

→ Imagine you are looking for a rental home. How much can you afford to spend in rent each month?

\$ \_\_\_\_\_

Will you be the only one living in the home, or will you have a roommate? \_\_\_\_\_

How many bedrooms do you need? \_\_\_\_\_

How many bathrooms? \_\_\_\_\_

Will you be bringing a pet with you? \_\_\_\_\_

After you know what you're looking for in a rental house, you can start your search online. Rental websites, real estate apps, and social media groups are some places to begin your search. Many of these platforms allow you to filter results based on your criteria.

→ Determine this amount by calculating 30% of what you can expect to be paid in an entry level position in your chosen profession from Unit 1.

Another way to find a rental house is to work with a real estate agent. Real estate agents have access to a large range of listings. They can help you find houses that fit your criteria.

You might also find a rental home by exploring neighborhoods. Look around areas where you are interested in living. Often, available homes will have a sign in the front yard with contact information.

### Practical Application

→ Find a website online that features rental homes. Search for one in your area with the specifications you listed previously.

Write down the addresses of your top three choices below.

A large grid of dots for writing down addresses.

## Rental Terms and Agreements

Once you've found a house you're interested in, the next step is to schedule a time to see it in person. You will want to pay close attention to the condition of the property and the appliances. You can do this by checking the flooring, ceiling, and walls for any signs of damage, such as stains or cracks. Then, ensure all the doors and windows are in good condition and lockable. If the utilities are on, you may want to turn on the faucets in the kitchen, bathroom, and laundry rooms to check the water pressure and temperature. You can also flush the toilets to make sure they're working properly. Try out the lights in each room to see if any fixtures need to be replaced, and make sure there are enough smoke detectors either on the ceiling or high up on the walls. If you discover any damage, be sure to record it in writing and even take pictures if possible.

If the rental seems like a good option, you may want to apply for a lease. Keep in mind that you may have to pay an application fee. If your application is accepted and you are given a lease, you will need to review the **lease agreement** carefully. The lease agreement is the contract between you and the landlord. Make sure you understand the terms and conditions of the lease agreement before you sign.

The agreement should include the amount of rent, the amount of the security deposit, and the amount of any pet deposit. It will also include the length of the lease. Many lease agreements are for one year. Some change to a month-to-month lease after the first year. This means that either you or the landlord can break the agreement by giving the other party one-month's notice.

The lease agreement will also note maintenance responsibilities. For example, it will specify whether the tenant or the landlord is responsible for keeping the yard mowed. If there are problems with the house, the landlord is responsible for making timely repairs.

If you plan on sharing the house with a roommate, both of your names should be on the lease. If the lease is unclear or doesn't allow you to have a roommate, talk to your landlord about adding one. The landlord may ask you to sign a new lease with your roommate, or they may simply add them to your existing lease. Do not add a roommate without telling your landlord. The landlord will want to know who is living on their property. Also, if you don't add your roommate to the lease, you will be legally responsible for any problems your roommate may cause. For example, if they damage the property or don't pay their rent, you will have to cover it.

Living with one or more roommates has its benefits. The more people you live with, the bigger and nicer place you can afford to rent. Sometimes costs are split equally, while other times the roommate who gets a private bathroom may pay a little more. Roommates can also provide a lot of social interaction. Together you can plan things like movie nights, game nights, and group dinners.

However, sometimes having a roommate can be stressful. You may notice they have a different level of cleanliness; you may wash your dishes after every meal, but your roommate may just pile them up in the sink. You may have to adjust to your roommate's schedule if it's different from yours. Maybe they work later in the day so they stay up later at night, perhaps with the TV blaring so you can't fall asleep. Maybe you just have very different personalities, and you and your roommate are having trouble getting along.

It's very common to have at least one issue arise between roommates. It's important that you and your roommate learn to compromise. Having regular meetings with your roommate can keep communication open and make sure you're both compromising equally and are happy with the living arrangements.

## Practical Application

→ Ask your parents if they ever had a roommate. Have them describe the experience. Then answer the following questions.

Did they know the roommate beforehand?

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If not, how did they find their roommate?

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Did they get along as roommates? Why or why not?

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What was the best part of having a roommate?

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What was the most challenging part of having a roommate?

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# Protection for Renters

When you rent a house, it's a good idea to purchase renters insurance—in fact, your landlord may even require it. Renters insurance protects your belongings in case of theft, fire, or other unforeseen events.

There are three types of renters insurance. The first is personal property insurance. This insurance covers the cost to repair or replace your belongings up to the limit in your policy. For example, if your clothing or furniture are destroyed by a fire, this coverage may help you purchase new items.

To determine how much personal property insurance you need, you must first take stock of everything you own. How much would it cost to replace all of your belongings if they were damaged or destroyed? Most likely, you'll discover that the value of your items quickly adds up.

## Practical Application

→ Imagine you want to purchase renters insurance on the items you own right now. How much insurance would you need?

Clothing = \$ \_\_\_\_\_

Shoes = \$ \_\_\_\_\_

Computer equipment = \$ \_\_\_\_\_

Tablets and/or phones = \$ \_\_\_\_\_

Gaming equipment = \$ \_\_\_\_\_

Media equipment = \$ \_\_\_\_\_

Photography equipment = \$ \_\_\_\_\_

Sports equipment = \$ \_\_\_\_\_

Musical instruments = \$ \_\_\_\_\_

Books = \$ \_\_\_\_\_

Jewelry = \$ \_\_\_\_\_

Collectibles = \$ \_\_\_\_\_

Furniture = \$ \_\_\_\_\_

= \$ \_\_\_\_\_

= \$ \_\_\_\_\_

= \$ \_\_\_\_\_

In the margin is a list of items you may own. You can also add more items to the bottom of the list. Estimate the value of the following items. If you don't own an item listed, put "0." If you're not sure how much something is worth, look up the cost of similar items online.

Now add up all of the amounts you just listed. If you were to move into a rental house with everything you owned, how much renters insurance would you need?

\$ \_\_\_\_\_

Many insurance companies offer around \$30,000 in insurance for between \$11 and \$15 a month. That seems like an easy decision to make. However, like other types of insurance, personal property coverage includes a deductible. This means you'll have to pay a certain amount of money before your insurance company will help cover the loss. This deductible is typically around \$500 to \$1,000.

Imagine there was a house fire, and \$2,000 worth of computer equipment was damaged. Your deductible is \$1,000. This means you're going to pay the first \$1,000 to replace your equipment. You can talk to the insurance company about lowering the deductible. That way, you won't have to pay so much out-of-pocket to replace the items. Remember, the lower the deductible, the higher the premiums will be.

There are other types of renters insurance you can purchase. One is liability insurance. This insurance covers repairs if you accidentally damage the rental property. You can also purchase Additional Living Expenses Insurance. This insurance will cover your hotel bills if you're unable to continue living in the home.



# Buying a House

## How Much House Can You Afford to Buy?

Deciding how much house you can afford is the first step in the home buying process. Knowing your price range will help ensure that you don't overextend your finances.

The first step is to look at your budget. If you've worked out your budget, you know how much you can spend each month on housing expenses. Besides the monthly mortgage payments, you'll also need to budget for property taxes, homeowner's insurance, and maintenance and repair expenses.

Next, decide how much of a down payment you can afford. A larger down payment usually means that you'll have lower monthly payments. It can also help you qualify for better terms on your loan. While you may be able to purchase a home with just 3% to 6% down, aim at saving more. If your down payment is less than 20%, you'll also have to pay for Private Mortgage Insurance, or PMI. This insurance covers the mortgage lender in case you default on the loan. PMI is a yearly fee; it costs about 1% of your loan balance.

## Practical Application

→ What is the PMI on a mortgage with a loan balance of \$180,000? To solve this, multiply \$180,000 by 1%, or .01.

\$ \_\_\_\_\_

This is the amount you'll pay in PMI the first year you have your loan. You'll continue to pay PMI until your loan balance is 78% of the original cost, so the larger your down payment, the less PMI you'll have to pay.

Remember that buying a home involves more than just the down payment. As you save, also plan for the closing costs.

## Working with a Realtor

When you are buying a house, working with a realtor can be a valuable part of the process. Realtors are licensed professionals who specialize in helping buyers and sellers in real estate transactions. To find a realtor, start by asking for recommendations from friends, family, or co-workers. You can also search online or contact a local real estate agency. It's important to choose a realtor who has experience in the area where you want to buy a home.

Once you've selected a realtor, you'll usually have a meeting to discuss your home buying goals, budget, and preferences regarding location, size, and features. This helps the realtor understand what you're looking for and tailor their search accordingly.

Your realtor will probably recommend getting pre-approved for a mortgage. This involves working with a lender to determine how much you can afford to borrow. This way, you can narrow down your search to properties that are within your budget.

Your realtor will then find homes that meet your criteria. They'll schedule times for you to view potential homes with them. When you find a home you want to buy, they'll help you submit an offer to the seller. Your realtor will work with the seller's agent to negotiate the terms of the purchase, including the price, contingencies, and closing date. They should work to get you the best deal possible.

Once the offer is accepted, the realtor will help you navigate the contract. They'll help ensure that all necessary documents and inspections are completed. If any issues are discovered, your realtor can negotiate repairs with the seller. When you're finally ready to close, your realtor will guide you through the process. This involves finalizing the mortgage and signing legal documents to transfer ownership. They'll ensure that all necessary paperwork is in order.

Realtors get paid when they help someone buy or sell a house. They get paid on a commission basis, usually around 6% of a home's sales price. This is split between the buyer's agent and the seller's agent. The fees usually come out of the sellers' proceeds, however. Buyers typically don't pay the agent who represents them.

### Practical Application

→ Imagine you are buying a house and considering working with a realtor who charges a 3% commission on the final sale price of the property. The house you are interested in costs \$300,000. Calculate how much the realtor would make in commission if you decide to work with them.

To calculate the commission you would pay to the realtor, use the following formula:

$$\text{Commission} = \text{Commission Rate} \times \text{Property Price}$$

In this case, the commission rate is 3% (0.03 as a decimal), and the property price is \$300,000.

$$\text{Commission} = 0.03 \times \$300,000 = \$ \underline{\hspace{2cm}}$$

→ How much would your realtor make if the house cost \$228,000?

\$

# Mortgages

When you secure a mortgage, you're borrowing money to purchase a home. Your mortgage is a loan that you're obligated to repay over a certain amount of time, usually 15, 20, or 30 years.

Payments on a mortgage are made monthly. Your monthly payments consist of two primary components: the principal and the interest. The principal is the amount you borrowed to purchase your home. Over the course of your mortgage term, you'll pay this amount back.

Interest is the cost of borrowing money. Lenders charge interest on the amount of your outstanding loan balance. This can make up a significant portion of your monthly payment, especially in the early years of the mortgage. The interest rate you get on your mortgage has a large effect on the overall cost of your home. A lower interest rate can save you tens of thousands of dollars over the life of the loan.

There are different types of mortgages you can get. The most common are fixed-rate and adjustable-rate mortgages. In a **fixed-rate mortgage**, your interest rate remains constant throughout the loan term. This helps provide stability in your monthly payments. **Adjustable-rate mortgages**, on the other hand, have interest rates that can change. This can potentially lead to varying monthly payments. Since interest rates typically rise from year to year, a fixed interest rate is usually the safest way to go.

Property taxes and homeowners insurance are often bundled with your mortgage payment and held in an **escrow account**—a holding place for the money until it is due to be paid. This ensures that you have the necessary funds to cover these expenses when they come due.

As you pay down the principal on your mortgage, you build equity in your home. Building equity in your home means increasing your ownership of it. **Equity** represents the portion of the home that you truly own, as opposed to the portion still owned by your lender.

When you first purchase a home, your initial equity is the down payment you make. For example, if you buy a \$250,000 home and make a 20% down payment of \$50,000, you start with \$50,000 in equity. As you make monthly mortgage payments, a portion of each payment goes towards reducing the principal balance of your loan. You are slowly building equity in your home.

# Project—Establishing a Home

For this project, let's work through two scenarios.

## 1. Renting

When do you plan to establish your own home? Will you move out after high school, college, when you get your first job, after you've saved a certain amount of money, or at another time?

- \_\_\_\_\_

Depending on the amount of money you will have saved or will be earning at your job at this point, calculate how much you can afford to rent.

\$ \_\_\_\_\_

How does this compare to the cost of rentals in the area where you will live?

\_\_\_\_\_  
\_\_\_\_\_

Can you rent a place on your own, or will you need a roommate to share expenses?

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## 2. Buying

Let's say your goal is to eventually purchase your own home.

What is the average price of homes in the area where you would like to live?

- \_\_\_\_\_

What percentage of the total price of a house do you plan to save for a downpayment? Do some research on what might be reasonable for you and the kind of loan you might need to get.

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.....  
.....  
.....  
.....  
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When you buy a home, you'll also need to pay 3% in closing costs. How much will you need to save in order to have both a downpayment and closing costs for buying a home based on the average home price in your area?

\$ \_\_\_\_\_

Based on your budget for working in your chosen profession from Unit 5, how long would it take you to save that amount?

• \_\_\_\_\_

If it will take longer than you expected to buy a home, what adjustments can you make to be able to purchase a home sooner?

\_\_\_\_\_  
\_\_\_\_\_

**One Step Further**

Buying a home is just the first step! Once you purchase a home, you'll need to furnish it. What types of furnishings will you need? What about dishes? Trash cans? Window blinds?

Create an idea board on page 156–157 (it can be as simple or as elaborate as you like) of what you want the rooms in your future home to look like. An idea board is a visual tool or a collage that helps you organize and express your ideas and preferences. You can use magazines, websites (like social media or interior design blogs), or take photographs of spaces you like. Consider color schemes, furniture styles, decor items, and layouts that appeal to you as you think about your new home.

Now, walk through your current home and make a list of the things you would need for each room in your own home you hope to buy one day. Then, list the prices for these items and find the total to create a budget for furnishing your first home.

# Housing Idea Board

Kitchen

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Living Area(s)

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Bathroom(s)

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Laundry Room

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Bedroom(s)

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Miscellaneous

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Total needed = \$ \_\_\_\_\_

## A Biblical View of Maintaining Your Home

A home of any kind is a blessing, whether it's a tiny home or a mansion, whether you're buying the home or renting it. The Bible teaches that we are stewards of the possessions God has given us, and this includes our homes.

Read *Luke 12:48* again, and write the second part of the verse here.

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Maintaining your home is a way of being a faithful steward of the space and resources God has given you. One way to do this is through order and cleanliness. Keeping a home clean and organized can promote a sense of peace and well-being for you and your family. It is also a way of showing how much you value and appreciate your home.

The writer of Ecclesiastes expressed it another way.

Read *Ecclesiastes 10:18*. What is the result of sloth or laziness?

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When we don't put in the effort to maintain our homes, it shows. The roof sags, the house leaks, and we have a lot of expensive repairs. There's a lot of wisdom in taking care of things right away instead of waiting until they turn into a crisis.

Read *Proverbs 6:6-8*. What does this verse say about the ant?

- ---

How do you think this relates to maintaining a home?

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These verses tell us that the ants are wise in storing up food for a later time when it will be scarce. In other words, the ants take care of things now so they won't have problems later. In the same way, taking care of our home today means less problems with it in the future.

Read *Proverbs 14:1*. What does wisdom do?

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God has given us the responsibility to take care of our house—both the structure itself and the people within it. We can build it up and make it a place of peace and contentment by taking care of the things we have, or we can tear it down by neglecting the good things God has given us. It's up to us—God has given us the freedom to choose.

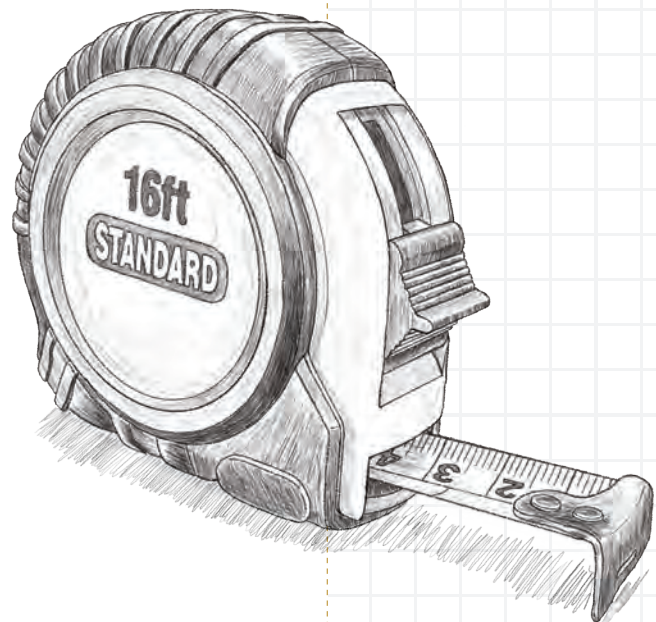
Keeping up your home has another benefit, too. When you take care of your home, you're more inclined to open it up to others. The Bible places a high value on hospitality, or sharing your home.

Read *Hebrews 13:2*. What does this verse mean?

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The writer of Hebrews is telling us not to forget to make our home welcoming to others. We are to show caring, Christian love to whoever God may send our way, whether they be family members, strangers who come to our door, or even angels. When we keep our homes clean and in good repair, we will be ready to ask them inside at any time. We'll be able to do what God's asked us to do—show His love to others.



# The Cost of Maintaining Your Home

When you own a home instead of renting one, you are responsible for all of the costs for its maintenance and repairs.

## Practical Application

Do some research to find out how much the items or services below will cost.

### → Lawn Care

How much does it cost to have someone else care for your yard? \$ \_\_\_\_\_

How much would it cost if you bought the equipment yourself? \$ \_\_\_\_\_

Price the following items.

Push mower = \$ \_\_\_\_\_

Riding mower = \$ \_\_\_\_\_

Weed eater = \$ \_\_\_\_\_

Clippers = \$ \_\_\_\_\_

Leaf blower = \$ \_\_\_\_\_

Rake = \$ \_\_\_\_\_

Shovel = \$ \_\_\_\_\_

### → Cleaning Gutters

You could do this yourself, or you could hire someone to come do it. If you do it yourself, you'll need to purchase a ladder.

Ladder = \$ \_\_\_\_\_ Cost to have someone else do it: \$ \_\_\_\_\_

### → Pest Control

You may find unwanted insects or spiders in your home. You could spray them yourself or use non-toxic traps. However, these often don't get rid of all of the pests. Pest control companies spray not only in your house but around the outside and underneath it as well.

Cost to hire a pest control company: \$ \_\_\_\_\_

### → Security

You may live in an area where you need more security than just locks on the doors. You may need to invest in a security system for your house. Most alarm companies require a monthly fee. Research a couple companies to see what an average monthly fee would be.

• \_\_\_\_\_

Below are some less-frequent (but important!) home maintenance tasks. Do some research to find out how much each of these costs.

→ **HVAC Cleaning**

(This only needs to be done about once every five years.): \$ \_\_\_\_\_

→ **HVAC Replacement**

Even if you keep up with the regular cleaning and maintenance of your HVAC unit, it will eventually need to be replaced.

New HVAC unit = \$ \_\_\_\_\_

→ **Plumbing Repairs**

Since it's difficult to know how much a repair will cost unless you know just how long it will take to complete, look up the per hour price of plumbers instead. You can assume that a plumbing task would take at least 2 hours to finish. This cost also doesn't include materials. In addition, many companies charge a fee for the trip to your home to diagnose the problem and give you a quote on how much the job will cost.

Consultation Fee = \$ \_\_\_\_\_ Price per hour = \$ \_\_\_\_\_

→ **Roof Repairs**

Find an average cost for:

Minor repair \$ \_\_\_\_\_ Major repair \$ \_\_\_\_\_

How much would it cost to replace the whole roof?

Shingle \$ \_\_\_\_\_ Metal \$ \_\_\_\_\_

→ **Appliance Repairs**

Your refrigerator, stove, or dishwasher may seem like Old Faithful, but eventually it's going to need repairs. Most likely, you'll need to call in a repairman to fix it. Do some research to find the average price to repair each of these items. Also, find how much it would cost to replace them with a new one (which you will have to do eventually).

Refrigerator = repair \$ \_\_\_\_\_ replace \$ \_\_\_\_\_

Stove = repair \$ \_\_\_\_\_ replace \$ \_\_\_\_\_

Dishwasher = repair \$ \_\_\_\_\_ replace \$ \_\_\_\_\_

Washer = repair \$ \_\_\_\_\_ replace \$ \_\_\_\_\_

Dryer = repair \$ \_\_\_\_\_ replace \$ \_\_\_\_\_

**→ Homeowners Association (HOA) Fees**

If you live in a community with a homeowners association, you may be required to pay monthly or annual fees. These are used for maintaining common areas and community amenities, such as pools or tennis courts. They could also be used for services like landscaping, road repair, or snow removal.

If you live in a neighborhood with HOA fees, write down that amount. Otherwise, find out what a typical fee could be.

- \_\_\_\_\_

**→ Renovations**

You may decide you want to renovate your home. This could be a kitchen remodel, bathroom renovation, or any other improvement projects. Kitchens are one of the most expensive rooms to renovate.

Find the average cost of a small kitchen remodel and a large kitchen remodel.

*Small \$* \_\_\_\_\_ *Large \$* \_\_\_\_\_

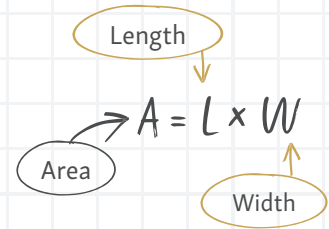
As you can see, it costs a lot to maintain a home. Many homeowners decide to try to do the work themselves. Learning how to make home repairs and renovations can save you a lot of money.

# Home Improvements—Replacing Flooring

Imagine you want to replace the flooring in your living room. However, instead of hiring someone, you decide to save money by doing the job yourself.

The first thing to do is to figure out the size of your floors. To do this, you'll want to know the square footage. You find the square footage by finding the area.

The formula for area is:  $A = L \times W$  where A represents area, L represents length, and W represents width.



## Practical Application

→ What is the area of your living room if it's 11 feet wide and 18 feet long?

• \_\_\_\_\_

→ Let's say your living room is currently carpeted, and you want to replace it with new carpet. Go online and look at carpets in a do-it-yourself store. Choose the carpet you like best. Write down the dimensions the carpet is available in. For example, the carpet may be 12 feet wide and then cut to length.

• \_\_\_\_\_

How much is the price per square foot?

\$ \_\_\_\_\_

How much would you have to pay for that carpet if you want it to cover the whole floor (go wall-to-wall)? To figure this out, multiply the price per square foot with the total amount of carpet to cover the square footage of your living room.

To cover the floor, you'll need to cut the carpet at 18 feet. You know you'll have an extra foot along the edge, since your floor is only 11 feet wide and the carpet is 12 feet wide.

Before you install the carpet, you'll most likely want to install new carpet padding underneath. Look online for pricing for carpet padding. Based on the size of your room, how much will you need to spend on the padding?

• \_\_\_\_\_

Add the two amounts together. \_\_\_\_\_

This is how much you would spend on just the materials if you do all the labor to install the carpet yourself. Keep in mind you may need special tools to be able to complete this work yourself.

How much would it cost to have someone from the store come and install it?

\$ \_\_\_\_\_

-> Let's look at the flooring again. This time, instead of carpet, let's say you're going to replace the floor with new hardwood flooring. Like you did before, search the home improvement store website and choose a type of hardwood flooring. Write the cost of the flooring per square foot here.

- \_\_\_\_\_

You'll notice most hardwood flooring comes in boxes or cases. How much flooring comes in one box?

- \_\_\_\_\_

How many boxes do you need to buy to cover your floor?

- \_\_\_\_\_

What is the total cost of the hardwood flooring?

\$ \_\_\_\_\_

Look up a video on how to install new flooring in a room. Record the tools needed and the time it requires as well as any costs of the project the person in the video mentions.

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# Creating a Raised Flower Bed

Home improvements aren't just indoor improvements—changes to your lawn or landscaping are home improvements as well.

Let's say you want to create a flower bed in front of your house. While you could hire a landscaper, it could cost a thousand dollars or more. It would be less expensive if you did the work yourself. You decide to create a raised flower bed.

You want to create a flower bed that is 8 feet long and 4 feet wide and 1 foot deep. You have \$500 set aside for the project.

Find a video about how to create a raised flower or garden bed. As you watch the video, make a list of any tools and other supplies you may need to construct the bed itself. Find out how much these items cost and write the information below.

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Deduct this amount from your starting budget of \$500.

- ---

You will also need soil for your beds. You can use topsoil, compost, or a mixture of both. Listed below are the amounts of each that you'll need for this size bed.

- Topsoil and compost in equal parts: approximately 36 cubic feet of soil
- Only topsoil (it's denser and takes up less space): approximately 45 cubic feet of soil
- Only compost: approximately 27 cubic feet of soil

Look online at a garden, nursery, or home improvement store website to find prices for topsoil and/or compost.

How much soil is in one bag? 

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How much does one bag cost? 

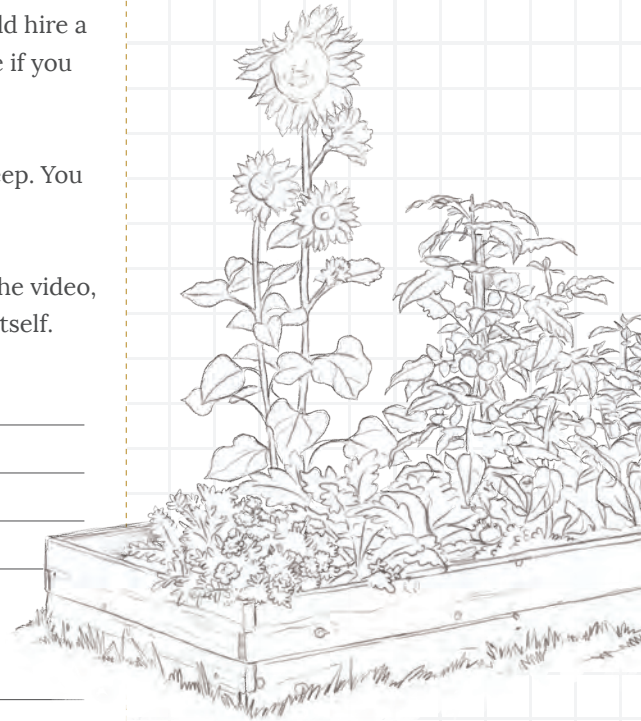
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Based on the amount of soil needed (listed above), how much would it cost to fill your flower bed?

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Deduct this amount from your current project balance.

- ---



Look online at a garden, nursery, or home improvement store website to find out what types of flowers are available. Make a list of your favorite kinds and include the prices for each in the second column.

Flowers	Store Name	Price

Look up a second garden, nursery, or home improvement website. Search for the same types of flowers and write the prices above in the third column. Which store offers the best value?

Based on your list and the prices of the plants, choose which plants and how many you will purchase for your flower bed. Remember, you must use your current project balance (\$500 minus cost to build the beds and the cost of the soil).

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Next, decide where you will plant the flowers. Design your garden on your own paper. Be sure to include all of the plants you purchased. Remember to space out your flowers so they have room to grow.



## Property Taxes and Insurance

**Property taxes** are taxes on the value of real estate properties. These include land, buildings, and our homes. These taxes are typically collected by local city or county governments. The money generated from property taxes is used to fund various public services and projects within the community. These include schools, parks, police and fire departments, libraries, and other community services.

The first step in determining property taxes is the assessment of the property's value. Appraisal offices evaluate the value of the property from time to time. This assessed value is usually based on things like the property's size, location, market value, and any improvements made to it.

Once the assessed value is determined, the local government sets a property tax rate. This is often expressed as a percentage of the property's assessed value. Property owners receive annual or semi-annual tax bills based on the assessed value and tax rate. These bills tell the amount due and the due date for the payment. However, if the property owner believes the amount is too high, they have the right to appeal it to try to get it changed.

Even if your mortgage is completely paid off, you will still owe property taxes every year. If you fail to pay, there are a number of consequences you may have to deal with. You may have to pay penalties and interest on the unpaid taxes. Sometimes the local government can place a tax lien on your home. A tax **lien** is a legal claim that gives the government the right to collect the unpaid taxes, penalties, and interest if you decide to sell your home. In extreme cases, the local government may initiate foreclosure proceedings. This means they can seize and sell your home to recover the unpaid taxes.

### Practical Application

→ Let's say you own a home with an assessed value of \$250,000. The local property tax rate is 1.5%. What would your annual property tax bill be?

To find the answer, you would use this formula:

$$\text{Annual Property Tax} = \text{Assessed Value} \times \text{Tax Rate}$$

First, change the property tax rate to a decimal. \_\_\_\_\_

Next, multiply the assessed value of the property by the tax rate.

• \_\_\_\_\_

**Homeowners Insurance**

Like renters insurance, **homeowners insurance** provides financial protection for your home and personal belongings. It is designed to cover various risks and potential losses associated with owning a home.

Homeowners can get personal property coverage that covers personal belongings inside the home if they are damaged or stolen. This includes furniture, appliances, clothing, and electronics. Homeowners may also be able to purchase extended coverage for items such as jewelry and watches that have values above your personal property coverage limits.

Dwelling coverage covers the physical structure of your home (the walls, roof, floors, and foundation) against things like fire, wind, hail, and lightning. It may also help cover other structures that are attached to the home, such as a deck or garage.

Homeowners insurance also includes liability protection. If someone is injured on your property or if you accidentally damage someone else's property, your policy can help cover the medical expenses or legal costs. It can also provide coverage if your pet injures someone.

If you're not able to stay in your home because of a covered event such as a house fire, your homeowners insurance may pay for temporary living expenses. This may include hotel stays, meals, and rent.

It's important to note that regular homeowners insurance policies don't protect your home from floods. If your home is near a body of water, you may be required by the mortgage lender to pay extra for flood insurance. Flood insurance covers physical loss caused by flooding.

Like other forms of insurance, homeowners insurance policies typically require you to pay a deductible before the insurance coverage kicks in. The deductible is the amount you are responsible for paying out of pocket. Higher deductibles often result in lower premium costs. The cost of premiums can also vary based on factors such as the location of your home, its age and condition, and the coverage limits you choose.






# Project—Pricing a Roof Replacement

Home repairs happen to everyone! It's important to be able to learn about different repairs that need to be made to your home so that you can speak knowledgeably to contractors about making those repairs or learn to make them yourself.

In this project, let's assume that your roof was damaged in a storm and needs to be replaced. Research and create a report that answers the following questions.

What type of materials can a roof be made of? List them below.

- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_

In the margin, make notes on any benefits or possible downsides to the materials you listed. 

Which material would you choose to repair your roof with? Why?

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

What is the average cost of roof replacement in your area? \$ \_\_\_\_\_

With the material you chose, would a roof replacement cost more or less than the average in your area? What are the reasons for this?

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Assuming you are using the same insurance company as your parents are now, will your insurance help cover the cost? If so, how much will they cover? (Hint: Find out the company's policy regarding storm damage.)

\_\_\_\_\_  
\_\_\_\_\_

Research the contractors and roofing companies in your area and list 5 options below.

- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_

How will you find one that is reputable?

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Of the choices you listed above, which one would you choose to repair your roof? Why?

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**Reflection and Evaluation**

Did this process seem overwhelming, or was it fairly easy for you? Explain your answer.

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## Bonus Project—Adding a Fence

Home improvements are a fun (and often costly!) part of owning a home. They can add value and increase your enjoyment of your home. In this project, we're going to add a fence to your backyard for your dogs to play in.

Begin by calculating the area that you'll need to fence in linear feet. \_\_\_\_\_

Decide how many gates you'll need and how large they should be. You can find sizes of gates by searching home improvement websites.

Number of gates: \_\_\_\_\_ Size of gates: \_\_\_\_\_

Then, research the types of fencing material available to you and choose which kind you'd like to use for your project. *→ Possible materials:*

Chosen material: \_\_\_\_\_

Where could you go to learn about how to install a fence if you didn't know anything about it?

• \_\_\_\_\_

What other materials or tools will you need?

\_\_\_\_\_  
\_\_\_\_\_

Now that you have all the information, estimate the cost for you to purchase the materials and install the fence yourself.

\$ \_\_\_\_\_

Finally, get an estimate on the cost of having a company install the fence for you.

\$ \_\_\_\_\_

How does it compare? Were you surprised by the outcome?

\_\_\_\_\_  
\_\_\_\_\_

Which option would you choose if this were a real life situation?

• \_\_\_\_\_

# A Biblical View of Food

Do you think very much about the food you eat every day? Many people all over the world are concerned about where their next meal is coming from, yet we often overlook God's gracious provision of our daily need for food. Though we may not think much about it, the Bible is full of principles that should influence the way we think about food.

Read *Matthew 6:9-13*. How did Jesus show the importance of our daily need for food?

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When Jesus modeled prayer for His disciples, He included asking God to provide "our daily bread."

Why do you think we should ask God to provide for us in this way?

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Asking God to provide for our everyday needs reminds us that He is truly the One who provides these things for us! We may work and our parents work, but ultimately, God gives us the ability to work and earn the money we need to buy food, clothes, and pay for a home. Everything we have comes from Him! But does that mean we just sit back and wait around for food to appear in front of us?

Read *2 Thessalonians 3:6-12*. What do these verses teach us?

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It is our responsibility to be industrious and work hard to earn the money we need for food. This is a gift from God just as much as the provision of our needs is because God's plan for providing for our needs is that we would work. Sometimes He intervenes and gives us unexpected gifts or provides in unexpected ways, but it is still our responsibility to take the earning and stewarding of our resources seriously. This is a task and a gift from God!

How do these truths change how you think about the job of earning money, shopping for food, and stewarding that money and food as wisely as possible?

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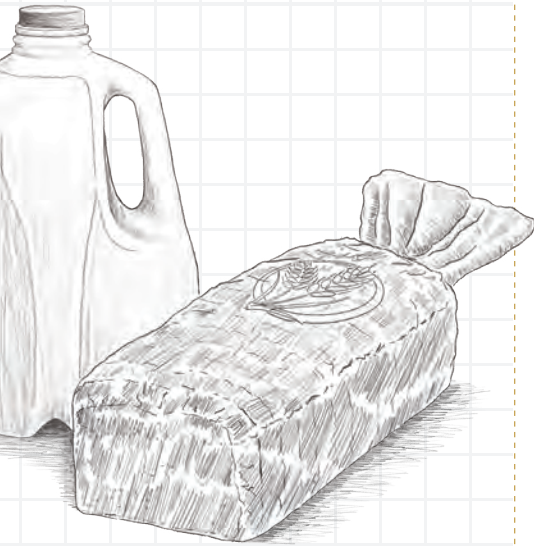
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## Your Food Budget

Today we're going to talk about how we decide how much money to spend on food. Look back at what you budgeted for food in Unit 6. Each month's food budget should amount to about 10–20% of your monthly income. For example, if your monthly income is around \$4,000, your food budget could be anywhere from \$400 to \$800 for the whole month.

The amount you spend on food each month will vary depending on a few factors.

The number of people you have to feed is one very big factor related to how much you end up budgeting and spending for food. A family of 4 may be able to use one loaf of bread for 2–3 meals, but a family of 8 may go through 2 loaves in just one meal! The age of the people in the family will also affect how much they eat as well as their activity level. A family with two teen guys who play sports and stay active outdoors will eat more food than a family with a toddler and a baby. The energy and calories needed by these two families will be dramatically different.

Buying organic food is another thing that can significantly affect your budget because it can often be more expensive than non-organic food choices. Organic options may not always be more expensive, but can range from a few cents more than conventional to several dollars more—it really depends on what you buy!

In addition, the kind of food you buy will impact the cost of one grocery trip. Dietary restrictions, personal preference, fresh produce as opposed to frozen, and whole foods as opposed to processed foods can all make a difference on the amount you spend at the grocery store.

Have you noticed your family eats more of certain kinds of foods than others? Which ones?

- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_

Is it because your family especially likes these particular things, or does it have to do with the cost of various ingredients? Ask the person who does the shopping in your family if you don't know.

### Practical Application

→ Take a trip to the grocery store, use the grocery store ads you get in the mail, or use the online shopping features of a major grocery store in your area to compare the cost of the shopping lists here and on the next page. Write the price of each food or ingredient in the blank next to the item, and then add them up to find the total. (Hint: make sure you notice whether the price is per pound or per item and calculate accordingly!)

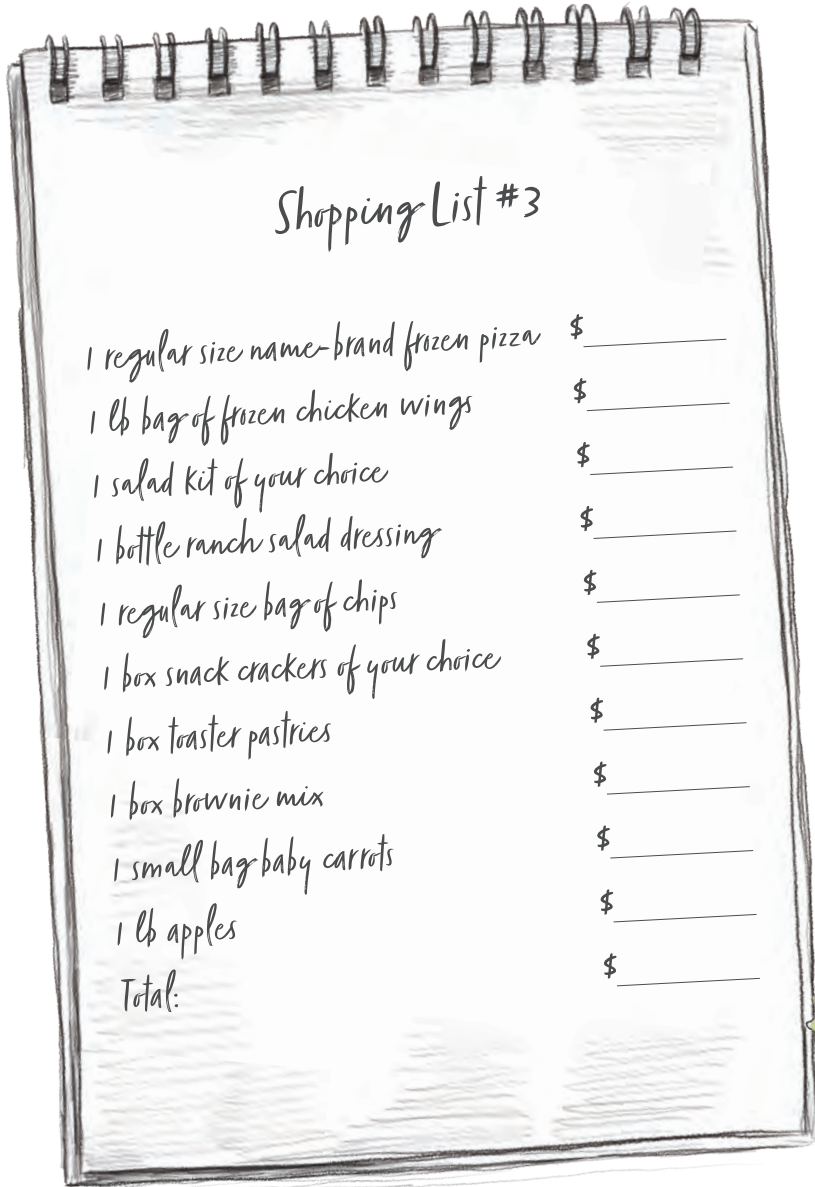
#### Shopping List #1

- 2 lbs New York Strip steak \$ \_\_\_\_\_
- 3 large russet potatoes \$ \_\_\_\_\_
- or 2 lbs russet potatoes \$ \_\_\_\_\_
- 1 pint heavy cream \$ \_\_\_\_\_
- 8 oz block of cheddar cheese \$ \_\_\_\_\_
- 1 box name brand cereal \$ \_\_\_\_\_
- of your choice \$ \_\_\_\_\_
- 1 gallon of milk \$ \_\_\_\_\_
- 1 loaf of French bread \$ \_\_\_\_\_
- 1 container of garlic butter spread \$ \_\_\_\_\_
- 1 bottle steak sauce of your choice \$ \_\_\_\_\_
- 1 frozen key lime pie \$ \_\_\_\_\_
- Total: \$ \_\_\_\_\_

#### Shopping List #2

- 2 lbs chicken breast \$ \_\_\_\_\_
- 1 head romaine lettuce \$ \_\_\_\_\_
- 1 package tomatoes on the vine \$ \_\_\_\_\_
- 1 bottle ranch salad dressing \$ \_\_\_\_\_
- 1 avocado \$ \_\_\_\_\_
- 1 loaf of sandwich bread \$ \_\_\_\_\_
- 1 dozen eggs \$ \_\_\_\_\_
- 1 gallon of milk \$ \_\_\_\_\_
- 8 oz shredded cheddar cheese \$ \_\_\_\_\_
- 1 box ice cream bars \$ \_\_\_\_\_
- Total: \$ \_\_\_\_\_





Based on the prices of individual items and the total of each shopping list, what have you learned about types of food and food prices?

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A cart full of fresh vegetables and some chicken for roasting will often cost much less than a cart full of frozen box dinners. A cart with steaks and dairy products will usually cost significantly more than a cart with mostly salad, chicken, and other veggies. For this reason, practicing moderation and balance in the types of foods you buy makes budgeting and shopping easier.

# Food Cost Fluctuation

Have you ever heard your parents or maybe your grandparents talk about what food used to cost? Maybe you've heard your mom mention how she didn't buy eggs this week because the prices were too high. What causes all these prices to fluctuate—sometimes by multiple dollars—up and down all the time?

Probably the number one cause of food cost fluctuation is inflation! (Remember, **inflation** is simply the rate at which the cost of products rises.) Inflation is largely related to time and the general trend is always up. There's a reason your parents talk about what things used to cost. Most things were cheaper 10 years ago than they are now or ever will be in the future. If an apple costs \$0.69 now, it will probably cost more than that in the future.

## Practical Application

→ Use the Internet or the help of your parents to compare the prices of the food items.

	Price in 2015	Price in _____ <small>CURRENT YEAR</small>
1 lb of apples		
1 gallon of milk		
1 dozen eggs		
1 loaf of sandwich bread		
1 frozen pizza		

Another reason food costs may fluctuate is because of shortages or surpluses. Shortages are often the biggest effect we see; maybe the grocery store is out of eggs, or they can't get a certain type of rice. These shortages can be caused by disease in animals (i.e. meat and dairy products), or they may be caused by supply chain issues (i.e. trade relationships with other countries or poor harvests).

On the other hand, sometimes a store will have more food on hand than people want. This is called a surplus and can happen for a variety of reasons including change of seasons, unpopular flavor, or an accidental overbaking of fresh baked goods. Stores will usually mark down these items to help them sell before their "use by" date.

Finally, labor and energy costs will always affect food costs. If there are labor shortages or the price of water and electricity go up, so will food costs!

## Practical Application

→ What food shortages or surpluses has your community seen in the last 6 months? What effect did that have on food availability and prices? If you don't know, ask an adult.

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## Getting the Most for Your Money

Buying groceries for a family is a big job! Not only do you have to buy the groceries, but you have to stick to your budget to avoid overspending. So what are the best ways to get the most with the money God has given you to steward? Well, there are several options!

### Buying in Bulk

One way many families ensure they have enough food for their families without spending quite so much money is by buying in bulk. This refers to buying larger quantities of product than most people want to buy at one time. For example, a bulk store might sell 20 lb bags of rice whereas your normal grocery store only sells 1 lb and 5 lb bags.

In order to bulk shop, you have to be observant. Since one 20 lb bag of rice will obviously cost more upfront than one 5 lb bag, how do you know if you're getting a good deal? This is where something called a "unit price" comes in! If you look at the price labels in stores, you will see two number amounts—the total price for an item AND its unit price. In most grocery stores, the unit price tells you how much you are paying per pound or ounce.

### Practical Application

→ For example, a store carries two brands of white rice. Bag #1 is a 5 lb bag that costs \$4.97 total at a unit price of \$0.062 per ounce. Bag #2 is a 2 lb bag that costs \$3.52 total at a unit price of \$1.76 per pound. Maybe you would start to just reach for the "cheaper" bag that costs \$3.52. But you notice it's smaller than the bag that costs \$4.97. You go to look at the unit price but then realize one is measured in ounces and the other is measured in pounds. So how can you know which one is actually the better price?

First of all, we can do some unit conversion! There are 16 ounces in 1 lb, so we need to multiply the \$0.062 per ounce unit price by 16 to get the price per pound. Use a calculator to find the solution to the equation below.

$$16 \times 0.062 = \$ \underline{\hspace{2cm}} \text{ per pound}$$

Now, by comparing this unit price to the unit price of bag #2, we can actually know which bag is truly "cheaper" in that it will provide more product for the same amount of money. You can also multiply the unit prices of the two products by the same number of pounds to see what you would pay total for the same amount of product. See the example below.

$$5 \text{ lbs of rice at the unit price of bag \#1 (your answer from the equation above)} = \$4.97$$

$$5 \text{ lbs of rice at the unit price of bag \#2 (\$1.76)} = \$8.80$$

Many times, the opportunity to buy in bulk comes from having a membership in various buying clubs, sometimes called wholesale or warehouse stores. These opportunities may be found online or in physical stores and most require subscriptions or memberships in order to buy from them.

**Comparing Prices or Shopping Online**

Another way families can keep costs down is by comparing prices at various stores! You can do this by looking through the ads grocery stores send in the mail, by shopping at several different stores, and even by using the online shopping many grocery stores offer.

**Practical Application**

→ Using the online shopping features or mail ads for two local grocery stores in your area, compare the prices of the items below. Write the name of the store in the blanks above each column and record the prices below the correct store name.

	_____ STORE NAME _____	_____ STORE NAME _____
5 lb bag of apples		
5 lb bag of flour		
1 lb of chicken		
1 15–16 oz can of black beans		
1 gallon of milk		
1 dozen eggs		
1 loaf of bread		
1 lb ground beef		
Online shopping fee		

Which store would be a better shopping choice for your family? Why?

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# Eating Out

Eating out was always my favorite thing as a kid. Usually I got to choose what I ate and could try things not everyone else liked or enjoyed. While eating out is a fun thing to do, most people with big families don't do it very often.

Can you think of why that might be true?

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How often does your family eat out?

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Eating out is rarely cheaper than making food at home. This is why many people save eating out for special occasions! However, other people do not enjoy cooking and order take out almost every single night, despite the expense.

One thing to remember when you are eating out or even getting food delivered is tipping. Many servers and delivery drivers depend on tips in order to make a livable wage, so it is kind to be as generous as possible with the tips you give.

Generally, tips range anywhere from 18% or more of your total meal cost. Some restaurants will automatically apply gratuity—a certain percentage tip—to your bill when you have over a certain number of people in your party (usually parties of 6 or more), and some apply it automatically no matter what. Other restaurants leave it up to the customer to leave the tip amount they desire. A good way to know if you really have the money to eat out or not is to evaluate if you can pay for your meal AND a tip for the server. If the tip puts it over your budget or seems too expensive, you should probably not eat out.

## Practical Application

→ Let's say you want to tip 20%. Did you know that mental math can help you know what your bill will look like before you get it? Let's say a meal for you and a friend costs \$25.99. First, round up to \$26 so you have an easier number to work with. Then, since you want to tip 20%, multiply your meal cost by 2 ( $2 \times 26 = 52$ ). Now, since you multiplied by 2 instead of 0.2 (20%), simply move the decimal point to the left one place ( $52 \rightarrow 5.2$ ). You now know your tip amount will be \$5.20! You can check the equation below with a calculator to see how this works.

$$0.2 \times 26 = \underline{\hspace{2cm}}$$



## Ways to Reduce Food Expenses

As you have seen in the past few lessons, food is expensive! You may even feel like sticking to a food budget seems impossible, but it's not! With the help of buying bulk, comparing prices, and a few more methods we will discuss today, you can reduce the amount of money you spend on groceries and stick to a budget.

### Eating at Home

As you saw in 11.5, eating out can be pretty expensive. One huge way to reduce food expenses for your family is committing to cooking and eating at home instead of eating out.

### Discount and Salvage Stores

Another way to reduce the amount you spend on food is shopping at discount or salvage grocery stores! These stores carry perfectly edible food that is just less attractive or desirable than the food your typical grocery store wants to put on their shelf. Maybe boxes are dented or produce is oddly shaped, but the food itself is still perfectly safe. Not only can you get better deals for your family, but you can also combat food waste!

Are there any discount or salvage grocery stores in your area? Use the Internet to research or ask your parents if they know of any. List them below for future reference.

→ \_\_\_\_\_ → \_\_\_\_\_  
 → \_\_\_\_\_ → \_\_\_\_\_

### Homemade Goods

Finally, you can reduce food costs for your family by making some products at home! Maybe instead of buying a brownie mix for \$4.99, you can simply use the flour, eggs, cocoa, sugar, and oil you have in your pantry already. Or instead of buying a \$3.59 bottle of ranch salad dressing, you can use mayonnaise, sour cream, buttermilk, and spices you already have at home. It may take a little extra time, but these small things can add up to significantly reduce your family's food costs!

### Practical Application

→ One of the easiest things to do this with is bread. Let's say you want to compare the price of buying sandwich bread to making it. You'll need flour, water, butter, salt, sugar, and yeast. Using the prices below, compare whether buying bread or baking it is the cheapest per loaf.

5 lb bag flour (18 cups): \$4.99

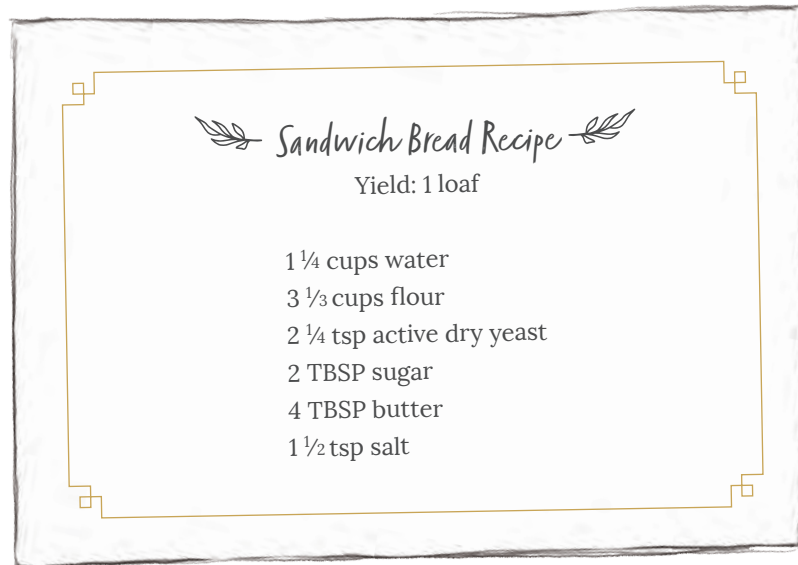
1 16 oz pack of butter (2 cups, 32 TBSP): \$3.78

1 4 oz jar active dry yeast (24 tsp): \$5.24

1 26 oz canister salt (156 tsp): \$1.43

1 20 oz canister of sugar (120 tsp): \$2.20

Total cost of ingredients = \$ \_\_\_\_\_



How many loaves of bread can you make from one bag of flour? \_\_\_\_\_ *loaves*

How much would each of those homemade loaves cost? (Hint: divide the total cost of the ingredients by the number of loaves you can make from one bag of flour.)

*Homemade* = \$ \_\_\_\_\_

Your Favorite Grocery Store Sandwich Loaf: \$ \_\_\_\_\_

Which one costs more? \_\_\_\_\_

Check your pantry. What ingredients would you have to buy to follow the recipe?

• \_\_\_\_\_

How much would those ingredients cost? \$ \_\_\_\_\_

If you made the same number of loaves, how much would each one cost? \$ \_\_\_\_\_

Going homemade might not always seem cheaper at first, but when you have the necessities at home, you can use those ingredients to make food you would have to buy otherwise.





# Project—Feeding a Family of Four

## Grocery List

Everyone needs to eat! In this project, your job is to create a weekly menu for a family of four and plan your grocery shopping within your budget from Lesson 6.7. (Hint: divide your monthly food budget by 4 to get the weekly amount you can spend.)

What will be on your menu plan? What ingredients are already in your kitchen and which ones will you need to buy at the store? Make sure to include plans for breakfast, lunch, dinner, and snacks. Don't forget to include any beverages like milk, orange juice, or coffee!

1. Plan what you want to have each day for all three meals. Write out what recipes you will make (or the name of a pre-made item you will buy) in the blanks for each day of the week.
2. Go through your meals and write out what ingredients and products you will need to buy on the grocery list. Make sure you include amounts so you know how much to buy (i.e. 2 apples, 3 cups of rice).
3. Check to see what you have in the pantry already. Cross out any items you have and will not need to buy.
4. Using the online shopping feature of a local store, check the price of each item you will need to buy and record it next to the item on your list.
5. Add up the total of the items you plan to use for your meals. If the total is over your budgeted amount for the week, adjust your meal ideas or implement some of the strategies you learned about in this unit to lower food costs.

You may want to have similar things for breakfast each day, eat the same snack all week, or plan meals that use similar ingredients in order to save on how many different things you need to buy!

### Breakfast

Sun: \_\_\_\_\_

Mon: \_\_\_\_\_

Tues: \_\_\_\_\_

Wed: \_\_\_\_\_

Thurs: \_\_\_\_\_

Fri: \_\_\_\_\_

Sat: \_\_\_\_\_

Additionally, extra drinks like juice or soft drinks may need to be bonus items you buy only if you have room in your budget after buying essentials.

# Grocery List



## Lunch

Sun: \_\_\_\_\_

Mon: \_\_\_\_\_

Tues: \_\_\_\_\_

Wed: \_\_\_\_\_

Thurs: \_\_\_\_\_

Fri: \_\_\_\_\_

Sat: \_\_\_\_\_

## Dinner

Sun: \_\_\_\_\_

Mon: \_\_\_\_\_

Tues: \_\_\_\_\_

Wed: \_\_\_\_\_

Thurs: \_\_\_\_\_

Fri: \_\_\_\_\_

Sat: \_\_\_\_\_

## Snacks and Drinks

Sun: \_\_\_\_\_

Mon: \_\_\_\_\_

Tues: \_\_\_\_\_

Wed: \_\_\_\_\_

Thurs: \_\_\_\_\_

Fri: \_\_\_\_\_

Sat: \_\_\_\_\_



# Biblical View of Preparing Food

The process of preparing food may make you excited, or it may cause you to groan. Which of these reactions do you have to this topic? Why?

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No matter what feelings you have about carefully measuring and following recipes, this is blessed work!

Read the passages in the margin and write a quick description of what is happening in each of them.

Each of these passages describe important events—God confirming His promises to Abraham, the children of Israel being freed from Egypt, Jesus’ last supper with His disciples before going to the cross, His appearance to them after His resurrection, and the final celebration in heaven once Jesus has brought God’s justice to earth and destroyed His enemies.

Food, feasting, and dinners accompany each of these celebrations! This tells us something about the importance of food. God hasn’t just made us to eat the same thing over and over whether we enjoy it or not. We don’t eat flavorless mush every single day. We don’t eat just so we stay alive.

God has given us taste buds, the ability to create recipes, and a huge variety of foods to choose from and combine with each other. In a way, every meal we eat is a celebration of the good things God has given us! Instead of merely refuel opportunities, meals can be beautiful, tasty reminders of how kind God has been to us.

What is your favorite meal? How can this meal remind you of the kindness and goodness of God?

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Genesis 18:1-8

Exodus 12:1-20

Matthew 26:17-29

John 21:4-14

Revelation 19:1-9

## Food and Measurement

The **metric system** is a standardized system of measurement based on the decimal (increments, parts, and powers of 10) and uses meter, liter, and gram as units of measurement for length, capacity, and weight or mass respectively.

Behind all good food is the basic exercise of careful measuring. Measurements are what allow your mom to make perfect chocolate chip cookies every time and help her know when to pull the roast out of the oven. From measuring cups, to food scales, to oven thermometers, measurements help us cook well!

### Temperature

Fahrenheit and Celsius are the two systems of temperature measurement used in cooking and baking. Fahrenheit is most commonly used in the United States while Celsius is used in countries where the **metric system** of measurement is used.

If a recipe gives directions in one unit of measurement but you only have the tools for the other unit of measurement, knowing how to convert from one to the other will really help you out!

Look at the formula for converting Fahrenheit to Celsius below.

$$^{\circ}\text{C} = \frac{5}{9} (^{\circ}\text{F} - 32)$$

### Practical Application

→ Let's say the recipe tells you to grill some chicken thighs until the internal temperature reaches 165°F. Your meat thermometer only gives readings in °C, so you need to find what °C is equivalent to 165°F.

$$^{\circ}\text{C} = \frac{5}{9}(165 - 32)$$

$$^{\circ}\text{C} = \frac{5}{9}(133)$$

$$^{\circ}\text{C} = 73.89 \text{ (rounded to the nearest hundredths place)}$$

$$\text{So } 165^{\circ}\text{F} = 73.89^{\circ}\text{C}$$

If you need to go from Celsius to Fahrenheit, the equation looks very similar, except you can see the reverse happening.

$$^{\circ}\text{F} = ^{\circ}\text{C} \times \frac{9}{5} + 32$$

Let's do the reverse of the equation above.

$$^{\circ}\text{F} = 73.89 \times \frac{9}{5} + 32$$

$$^{\circ}\text{F} = 133.002 + 32$$

$$^{\circ}\text{F} = 165.00 \text{ (rounded to the nearest hundredths place)}$$

$$\text{So } 73.89^{\circ}\text{C} = 165^{\circ}\text{F}$$

As you see, because we need to round our answers, there is a chance the equation will not reverse perfectly. However, if the answers are not exactly the same, they will be very close. As far as temperature in cooking and baking goes, rounding to the hundredths place will give you as precise a temperature as you need.

## Practical Application

→ Convert the following temperatures to Celsius.

$$89^{\circ}\text{F} = \underline{\hspace{2cm}}^{\circ}\text{C} \qquad 350^{\circ}\text{F} = \underline{\hspace{2cm}}^{\circ}\text{C} \qquad 32^{\circ}\text{F} = \underline{\hspace{2cm}}^{\circ}\text{C}$$

→ Convert the following temperatures to Fahrenheit.

$$45^{\circ}\text{C} = \underline{\hspace{2cm}}^{\circ}\text{F} \qquad 100^{\circ}\text{C} = \underline{\hspace{2cm}}^{\circ}\text{F} \qquad 32^{\circ}\text{C} = \underline{\hspace{2cm}}^{\circ}\text{F}$$

### Volume or Mass?

As it does with temperature, the United States uses its own customary measuring system for other types of measurements. You're probably familiar with teaspoons, tablespoons, cups, pints, quarts, and gallons to measure volume, and ounces and pounds to measure weight. Depending on the situation, these units of measurement can be used for dry or wet ingredients.

The metric system, however, uses grams as its base measurement for **mass** and liters as its base measurement for **volume**. Generally, dry ingredients are measured by their mass and wet ingredients are measured by their volume.

When it comes to converting between metric measurements and U.S. customary measurements for volume and mass, it is usually easier to use an online calculator than to convert the measurements yourself. However, most food scales and glass measuring cups will enable you to measure in grams and liters if a recipe is written that way.

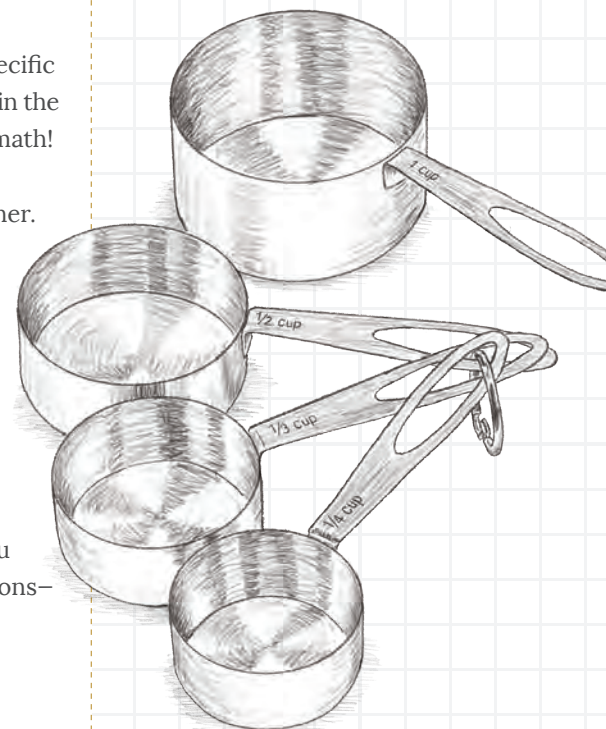
Thankfully, conversions within the same measuring system do not involve very specific equations. Instead, we use ratios to show relationships between measurements within the same system. Most of these conversions are just a matter of some simple mental math!

Look at the examples below and the ratios that show their relationship to each other.

3 teaspoons (tsp)	= 1 tablespoon (TBSP)	(3:1)
4 tablespoons (TBSP)	= $\frac{1}{4}$ cup (c)	(4:1)
16 tablespoons (TBSP)	= 1 cup (c)	(16:1)
2 cups (c)	= 1 pint (pt)	(2:1)
2 pints (pt)	= 1 quart (qt)	(2:1)
4 quarts (qt)	= 1 gallon (gal)	(4:1)

Whenever you can, it's best to use the biggest unit of measurement possible. If you needed 2 cups of flour, it would take a long time to measure that out using teaspoons—you might even lose count!

**Volume** refers to the amount of space taken up by an object. **Mass** refers to the amount of matter contained in an object.



$$32 \text{ TBSP} = \underline{\hspace{1cm}} \text{ c}$$

$$18 \text{ c} = \underline{\hspace{1cm}} \text{ pt}$$

$$\frac{1}{2} \text{ TBSP} = \underline{\hspace{1cm}} \text{ tsp}$$

$$10 \text{ qt} = \underline{\hspace{1cm}} \text{ gal}$$

$$24 \text{ qt} = \underline{\hspace{1cm}} \text{ gal}$$

$$10 \text{ pt} = \underline{\hspace{1cm}} \text{ gal}$$

$$36 \text{ c} = \underline{\hspace{1cm}} \text{ gal}$$

$$7 \text{ pt} = \underline{\hspace{1cm}} \text{ c}$$

### Practical Application

→ Using the table and ratios on page 187, convert the units of measurement in the margin to the indicated unit. If they do not convert perfectly, tell how many of the new unit AND the original unit are needed.

*Example: 4 tsp = 1 TBSP and 1 tsp*

In the next lesson, you'll see why it might sometimes be necessary to convert between these units of measurements.

For the metric system, it's even easier because they are all related to each other in parts or powers of 10. So once you have 1,000 grams, you have a kilogram, or when you have 0.001 of a gram, you have a milligram. It works the same way for liters as well! Take a look at the tables below.

kilogram (kg)	1000	1000 grams (1000:1)
hectogram (hg)	100	100 grams (100:1)
dekagram (dag)	10	10 grams (10:1)
gram (g)	1	1 gram (1:1)
decigram (dg)	0.1	1/10 grams (0.1:1)
centigram (cg)	0.01	1/100 grams (0.01:1)
milligram (mg)	0.001	1/1000 grams (0.001:1)
<hr/>		
kiloliter (kl)	1000	1000 liters (1000:1)
hectoliter (hl)	100	100 liters (100:1)
dekaliter (dal)	10	10 liters (10:1)
liter (l)	1	1 liter (1:1)
deciliter (dl)	0.1	1/10 liters (0.1:1)
centiliter (cl)	0.01	1/100 liters (0.01:1)
milliliter (ml)	0.001	1/1000 liters (0.001:1)

The most commonly used of these units are the milligram, gram, kilogram, milliliter, liter, and kiloliter. Because the space between these measurements (1000 parts) is large, conversion is not usually necessary unless you have an extremely large or extremely small amount to measure.

## Following Recipes

Now that we've talked about measurements and conversions, it's time to talk about recipes! Recipes tell us everything we need to know in order to get a similar result every time. Some recipes are written with specific measurements in order to get a certain number of servings. Other recipes are written in specific ratios so they can easily be halved, doubled, tripled, etc. However, it is important to recognize that the amounts of ingredients that recipes call for do represent ratios.

One example of this is the "baker's ratio" or "baker's percentages" used for making sourdough bread. In this case, the amount of flour is the standard with which all the other ratios are aligned. This is why flour is the "100%" amount and everything else is measured in a percentage of the amount of flour. The flour is the largest amount in the recipe, so all other ingredients can be written as percentages of that large amount. These measurements are written as follows:

100% flour (1)

75% water (0.75)

15% sourdough starter (0.15)

2% salt (0.02)

So, if we're using 500 grams of flour, the recipe looks like this:

500g flour ( $1 \times 500$ )

375g water ( $0.75 \times 500$ )

75g sourdough starter ( $0.15 \times 500$ )

10g salt ( $0.02 \times 500$ )

### Practical Application

→ How many grams of each ingredient would you need if you used the same percentages but wanted to use 800 grams of flour?

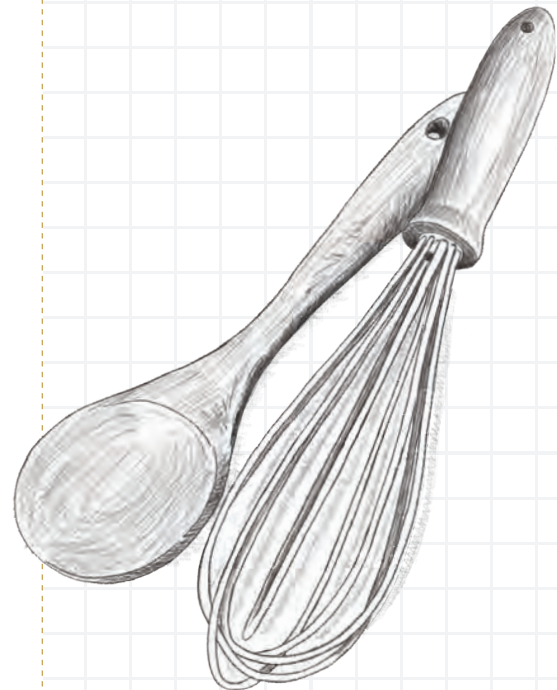
800g flour ( $1 \times 800$ )

\_\_\_\_\_g water ( $0.75 \times 800$ )

\_\_\_\_\_g sourdough starter ( $0.15 \times 800$ )

\_\_\_\_\_g salt ( $0.02 \times 800$ )

This exercise will work for any recipe where the ingredients are written in metric measurements. All you need is one ingredient that you use to define 100% and then measure every other ingredient in relation to that one.



When you are baking, you are dealing with leavening ingredients like baking soda or baking powder. In most cases, instead of halving, doubling, or tripling a recipe, it is best to do multiple batches instead of trying to expand the recipe and do it all at once.

Changing the size of a recipe can get a little trickier when you're using teaspoons, tablespoons, and cups, but it can still be done! Most ingredients can just be halved, doubled, tripled, or quadrupled. Some ingredients, however, need a little more attention. Salt and spices are ingredients you should pay a little more attention to. Instead of doing two times the amount of salt and spices, try just 1.5 times and then taste.

So what would this look like? Well, in order to double a recipe, you multiply everything by 2. If you're dealing with fractions like  $\frac{2}{3}$  c and  $\frac{3}{4}$  c, though, it can take a little extra thinking. Mathematically, doubling fractions looks like this:

$$\frac{2}{1} \times \frac{3}{4} = \frac{6}{4} = 1\frac{1}{2}$$

Remember, this is true because 2 written as a fraction looks like  $\frac{2}{1}$ , and if unsimplified, can look like  $\frac{4}{2}$ ,  $\frac{8}{4}$ , and so on. In addition, any time you have a fraction where the numerator is the same as the denominator, that fraction equals 1 (i.e.  $\frac{4}{4}$ ,  $\frac{5}{5}$ ,  $\frac{1}{1}$ ,  $\frac{9}{9}$ ). Therefore, to simplify fractions into whole and mixed numbers, you have to determine if the numerator and denominator can be simplified by a common factor (i.e.  $\frac{6}{4}$  where both the numerator and denominator can be divided by 2 can be simplified to  $\frac{3}{2}$ ). Then, you can easily evaluate how many times the denominator can fit into the numerator and then simplify the remainder as shown in the example above.

When you need to double a recipe, multiply the whole numbers by 2 and then multiply the fractions by  $\frac{2}{1}$ . When a measurement is a mixed number (a whole number and a fraction), multiply the whole number, then the fraction, and then add them together to find your doubled amount. See the example below.

$$4\frac{2}{3} \text{ c milk} \times 2 = (4 \times 2) + (\frac{2}{3} \times \frac{2}{1}) = 8 + \frac{4}{3} = 8 + 1\frac{1}{3} = 9\frac{1}{3} \text{ c milk}$$

Alternatively, you can put the mixed number into fraction form and then simplify back into a mixed number once the doubling operation is performed. See the example below.

$$4\frac{2}{3} \text{ c milk} \times 2 =$$

$$\frac{14}{3} \times \frac{2}{1} = \frac{28}{3} = 9\frac{1}{3} \text{ c milk}$$



## Practical Application

→ Below, practice simplifying the fractions.

$$\frac{16}{4} = \underline{\quad\quad} \quad \frac{20}{5} = \underline{\quad\quad} \quad \frac{16}{8} = \underline{\quad\quad} \quad \frac{2}{4} = \underline{\quad\quad} \quad \frac{17}{8} = \underline{\quad\quad}$$

$$\frac{15}{2} = \underline{\quad\quad} \quad \frac{14}{3} = \underline{\quad\quad} \quad \frac{3}{9} = \underline{\quad\quad} \quad \frac{8}{21} = \underline{\quad\quad} \quad \frac{12}{16} = \underline{\quad\quad}$$

Now, write these whole numbers as fractions.

$$7 = \underline{\quad\quad} \quad 10 = \underline{\quad\quad} \quad 20 = \underline{\quad\quad} \quad 1 = \underline{\quad\quad} \quad 4 = \underline{\quad\quad}$$

→ Double and triple the amounts of ingredients listed below. Don't forget to convert between teaspoons, tablespoons, and cups when it is helpful!

1x	2x	3x
3 tsp dried basil		
1 1/2 TBSP butter		
2 1/4 c milk		
6 c chicken broth		
2 3/4 c diced carrots		
4 1/3 c flour		
5 TBSP oil		
3 1/4 c sugar		
1/4 c tomato paste		

## Project—Cooking for a Crowd

Now that you have learned about cooking and following recipes, plan a dinner party for a small group of friends!

- First, you should talk to your parents to determine a budget for your meal, what day and time you can open your home in this way, and who you will add to your guest list.
- Once you have that worked out, it's time to plan what you will cook! Choose your recipes and print them out to keep with this project or write them out by hand on your own paper. Be sure to adjust the recipes for the amount of people you need to feed! Double, triple, or quadruple your recipe as needed and record those ingredient amounts on your copies of the recipes.
- Look at the time each recipe will take to make. What time will you need to begin the preparation and cooking process in order to have dinner ready by the time people arrive? Record these times and any notes below.

Begin preparations: \_\_\_\_\_ Begin cooking: \_\_\_\_\_

-Budget: \$ \_\_\_\_\_ -Date and Time: \_\_\_\_\_

-Guest List

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

*Recipes*

A large grid of small dots for writing recipes, consisting of 20 columns and 30 rows.

A large grid for workspace, consisting of 10 columns and 30 rows.



## A Biblical View of Transportation

Transportation has changed a lot since Bible times! In fact, except for Egyptian and Assyrian chariots and horses, the main mode of transportation we read about in the Bible is walking! Of course, the known world of that time was much smaller than what we know today to be the size of the world. Whereas most long journeys would take several days, we can now travel just about anywhere in a matter of minutes, hours, or at the most, two days.

Whether we own nice cars or ride the subway, always drive on vacation or book airline tickets, we have to put a certain amount of trust in our mode of transportation to get us where we want to go! But when our car breaks down or an airplane must make an emergency landing, we can get very fearful or stressed about our situation. We often forget who's in control of even these things.

Read *Psalm 20:7*. What does this verse say?

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This psalm was sung by God's people, the Israelites. Verse 7 tells us something about the trust they had in their God. Though other nations surrounding them had better transportation (horses and chariots) for battle, Israel chose to trust in their God. It didn't matter what they had or didn't have—their God was in control and protecting them.

When might we be tempted to trust in our car, the subway, a bus, or an airplane to provide us safety, comfort, and stability?

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My friend recently bought a new car. She was so excited because her previous car was unpredictable—sometimes it wouldn't even start, and often, SOMETHING was broken or not working correctly. She learned she couldn't trust her transportation! But ultimately, she learned how to depend on God's protection and care when her car broke down on the highway. She learned how to rely on others to pick her up or get her to work though she got frustrated at having to ask for help. But she also learned that even a new car doesn't give us security, certainty, or safety. Only God does this!

No matter what kind of transportation we have—public buses, the subway, an old, beat up car or a brand new one, our trust must stay in God. He is the only thing in our lives that is certain, safe, and completely dependable.

How can you depend on God for safety and security in your life instead of trusting in other things? Use the margin to write your explanation.



# Transportation

Whether it's getting to work, going to church, or making it to soccer practice, we all need transportation! Most places in the United States are too spread out for us to walk to them, and even in cities, sometimes we need to use public transportation to get to the opposite side of the city.

## Practical Application

→ What kind of transportation does your family use? Do you use multiple kinds? Explain your answer.

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*Talk to your parents about how they made the decision to use their chosen form of transportation.*

Was cost their biggest concern? If not, what was?

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What needs of your family does this mode of transportation meet?

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Are they thinking about buying any new transportation soon or changing how they use public transportation? Record their answers below.

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*If your family has one or more cars, answer these questions too.*

What car(s) do you own? List them by their year, make, and model.

→ \_\_\_\_\_ → \_\_\_\_\_  
→ \_\_\_\_\_ → \_\_\_\_\_

Are all your cars paid off? Which ones are not? Circle them.

How much did they pay for each car? List the downpayment or price of each next to the corresponding car.

When was the last time they got the oil or tires changed on each car? Will these or any other maintenance items need to be completed soon?

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Have your parents needed to have the car(s) repaired recently? What repairs have been made? List them and the cost of each below.

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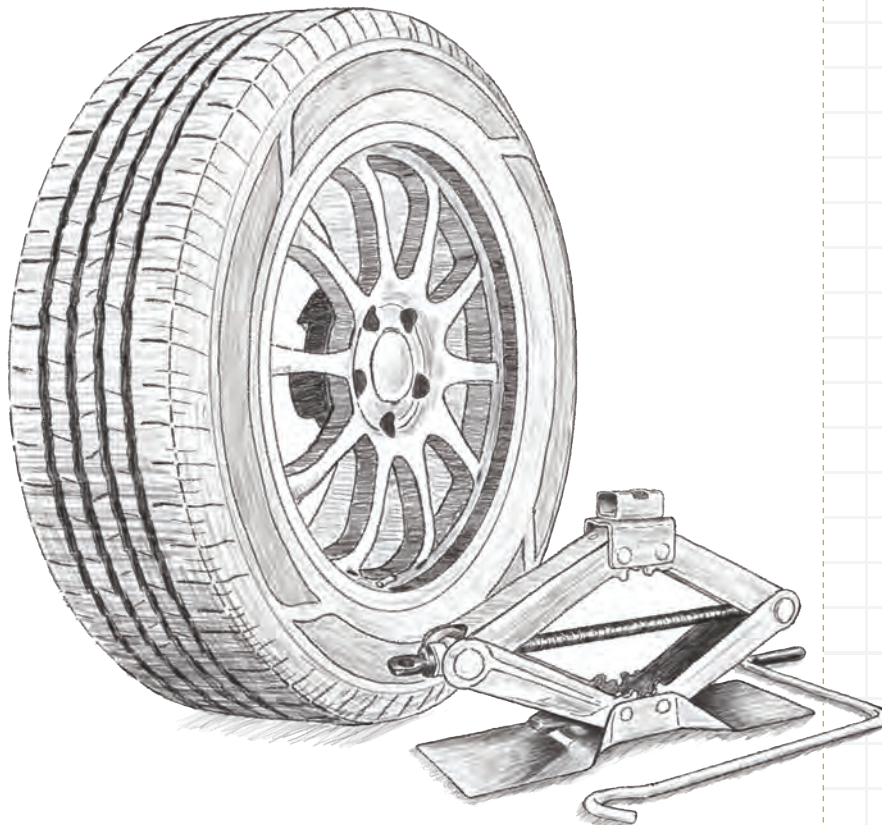
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Maybe you own a car, or maybe you've realized at this point that there's a lot that comes with buying and owning a car. Since this is the most common form of transportation for most American families, you will be learning all about buying and owning a car in this unit!



# Buying a Car—New or Used?

**Depreciation** is a reduction in the value of an asset with the passage of time, due in particular to wear and tear.

So you want to buy a car, but you don't know where to start. Well, by the end of this lesson, you should know a few things!

Maybe it seems like buying a brand new car is the best way to go—it won't need any repairs, is clean and nice, and hasn't been owned by anyone else! Sounds pretty perfect, right? Surprisingly, buying a new car is not usually the best move. So why is this?

First of all, the price of a new car is the most expensive that car will ever be unless the car becomes a collectible (which is not common). Even if you buy a brand new car and sell it the next day, **depreciation** ensures that the car will rarely have a resale value that is the same or higher than the price you paid for it.

## Practical Application

→ Look up a car depreciation calculator online and use it to assess the value of your family's car(s).

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Are you surprised about what you learned? Why or why not?

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→ Answer the following questions filling in the chart below.

- If you could buy any car brand new, what would it be? What would your second and third choices be?
- Look up the exact car you want and write its brand-new price to the right of its name below.
- Now, using a social media marketplace or a used car website, search for the make and model of the car(s) you listed. How much does a 5-year-old car cost? A 10-year old one?



CAR	NEW PRICE	5-YEAR PRICE	10-YEAR PRICE

↖ What is the exact price difference between the newest model of the car you want and the 5- and 10-year-old models? Record them in the margin.



## Paying for a Car

When it comes to buying a car, there are so many options! You may put a cash payment down and have monthly payments in order to pay off the rest, pay for a car in full with cash, or lease a car for a certain amount of time. In order to make a wise decision about which of these methods you should use, you need to know a little more about each one.

*Lease or Buy? If you need a car, the two ways you can get one are leasing or buying. So what's the difference?*

### Leasing

When you lease a car, you do not own it. Much like leasing an apartment, a lease agreement with a car dealership gives you the right to drive the car as long as you make your monthly payments. While leasing may allow you to drive a nicer car, you also must abide by the terms of the lease agreement which may include mileage limits, maintenance requirements, and wear and tear penalties. When the lease is up, you will not own a car. At that point, you must renew your lease or buy a car elsewhere, though some dealerships will allow you to buy the car you had been leasing if you want to.

### Buying

When you buy a car, you take ownership of it. The car belongs to you and you are free to use it how you wish. You are also responsible to register it in your state, pay taxes on your purchase, care for it through necessary maintenance, and be sure you are covered by insurance. You may take out an auto loan in order to buy a car, and as long as you make your payments, when you pay it off in full, you will own the car entirely.

### Paying For Your Car

When you decide to buy a car, you also have options! You may decide to take out an auto loan (review Unit 8), pay with your credit card, or you may choose to pay in full at the time of purchase. So what are the pros and cons of each?

### Taking Out a Loan

You have already learned a lot about borrowing money and loans. Benefits of taking out a loan for a car include the possibility that you may be able to get a nicer car than you currently have the money to pay for. In addition, though you will have a monthly payment, you will own a car when you finish paying for it! Making your payments on time may also help you build your credit score. The main con or disadvantage of taking out a loan to buy a car is that you will have a monthly payment to make. In addition, if you miss a payment, the lender can take the car back since it serves as the collateral for that loan.

### Paying with a Credit Card

For some, paying for a car with their credit card may be a way to earn rewards on their credit card account. This also eliminates the need for an auto loan. However, not all credit card companies will allow a purchase as large as a car. In addition, the interest rates on a purchase of this size may be high and cost you more money than you originally thought it might. It is helpful to be aware that most dealerships will also charge a percentage of the sales amount as a transaction fee if a card is used to pay.

*Which of these seem like better options to you? Why?*

**Paying in Full**

If you pay for a car in full, there are multiple ways to do it. First of all is with cash. If you are buying from a private seller rather than a dealership, you may want to meet in a public place to ensure your safety if you intend to pay in cash.

Most used-car and new-car dealerships will allow you to pay in cash, but if you do not want to do this or can't for some reason, there are other options. You may be able to pay with your debit card if your bank will approve a large purchase. However, it is good to keep in mind that many dealerships will charge a processing fee for any card transaction. A 5% fee is not much when you're paying \$20 for a pizza, but it really adds up when you're paying thousands of dollars for a car.

Another payment option would be a check—usually a certified check or cashier's check. The reason most dealerships require these kinds of checks rather than personal ones is to protect the seller. Certified checks and cashier's checks are guarantees that the cash being promised by the check actually exists, whereas personal checks may be written by people who intend to mislead the person they're paying and get away with the car before the check bounces when the dealer tries to cash it.

**Practical Application**

→ Using an online auto loan calculator, find the monthly payment for a \$20,000 car with a \$5,000 down payment. Choose a 72-month repayment plan at a 4% interest rate. Assume you have no trade-in value because you will not be trading in a car you already own for part of the payment. If asked, select "good" for your credit score.

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*How much will you have paid for the car total at the end of the 72-month payment period?*  
\$ \_\_\_\_\_

→ Now, imagine you didn't have a monthly payment because you used cash to buy a used car for \$10,000. How much money would you save in total compared to paying back a loan for a \$20,000 car?

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As you can see, the freedom of not having a car payment frees up not only the money you would pay monthly, but gives you the ability to save it and buy a nicer car or some other bigger purchase later!

# Expenses Part 1

In addition to paying for the car itself, there are some other expenses you should know about and be prepared to pay when you own or are working to own a vehicle.

## Registration and Taxes

Any time you buy a car, you must register it with the state you live in and will be driving it in. This enables you to get a license plate and ensures the title of the car is recorded in your name. You will also have to pay tax on the purchase of the car. These are all things you can take care of at the DMV (Department of Motor Vehicles), City Hall, or the County Clerk's office, depending on your state. Each year, you will need to pay your registration fee to renew the licensing of your car.

## Insurance

The purpose of car insurance is to be sure that, were an accident to occur, the damage to the cars involved in the accident or any injuries caused by you or to you would be covered by an insurance company. Depending on whose fault the accident is, either your insurance company or the insurance company of the other person involved will be responsible to cover the costs of the accident. Various insurance policies (the agreement between you and the insurance company) offer different coverage and deductibles. You can look online to find the minimum amount and type of coverage (in dollars) you are legally required by your state to have. If you have an auto loan or lease, the lending agency may require additional coverage.

Your premium, the amount you pay the insurance company for the coverage policy you have, often depends on your driving record, the type and year of the car, marital status, age, and yes, even gender. For example, if you have received a speeding ticket in the past, your premium will likely be higher than someone with no violations on their record. Generally, married men will pay less of a premium than single men, and teenage boys will almost always pay more for insurance than teenage girls. If you are interested in the reasoning behind these things, feel free to do some research!

However, there are ways to lower your auto insurance premiums. Many insurance companies offer lower premiums for teens who have completed Driver's Education classes, have good grades, and who have no violations on their driving record. Adults may have their premiums lowered if they have multiple cars on the same policy, take defensive driving courses, or download the insurance company's app that tracks driving habits such as phone usage, hard braking, acceleration, and speed while driving.

## Practical Application

→ Are you driving currently? If so, talk to your parents about how much they pay to have you on their insurance policy and record that amount below. Do they require you to help pay for your insurance coverage?

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**Liability coverage** pays for both bodily injury and property damage in an accident where you are at fault.

**Collision coverage** pays for the damages incurred when your car hits or is hit by something or someone else.

**Medical coverage** may pay for medical expenses resulting from a car accident.

**Comprehensive coverage** refers to payment toward other misfortunes like fires, floods, theft, vandalism, etc.

You may pay your premium monthly or choose to pay in bulk every 6 months or 1 year. Depending on your insurance company, they may offer these or different payment options.

Now, use the online site or app of your parent's insurance company to get an estimate of what you would pay for insurance on your dream car from Lesson 13.3. Assume you're 16, have completed Driver's Ed., and are able to drive on your own. Be sure to look up your state's minimum coverage so you choose the right options!

A large grid of dotted lines for taking notes.

# Expenses Part 2

## Routine Expenses

In order for your car to operate efficiently, you will have to make sure it has what it needs! These needs are mainly like the needs our bodies have. Just like we need food, water, and clothes, cars need gas, oil, and tires. These three things are the largest routine expenses you will have, though you may need to top off the coolant every once in a while or refill the windshield wiper fluid.

## Car Repairs

Whenever we own something, it's pretty certain we will have to maintain it and repair it in order to keep it in good, functioning condition! Because car repairs can be very cheap OR very expensive, it's good to have a savings account you add to regularly so you're ready to take care of any repairs when you need them.

Many times, people will try to do their own maintenance or repairs on their vehicles so they don't have to pay a mechanic to do it. This is often helpful, but not always. Mechanics have access to many tools we might not have access to and may also get better prices on parts, tires, or oil than we would be able to get. In addition, some cars are easy to work on, while others are very difficult to work on because of how they are designed. This is why it's helpful to compare the cost of doing maintenance and repairs on our own to the quote the mechanic can give us in order to know which thing is most cost effective. It may not always be the option you expect!

## Practical Application

→ Research the materials you would need in order to change the oil on a car your family owns. Look online at an auto parts store or visit one in order to price out the cost of the materials. Record your findings below.

<i>Materials Needed:</i>	<i>Cost</i>
.....	
.....	
.....	
.....	
.....	

Now, either ask your parents or call your mechanic to get a quote for what an oil change would cost at their shop. Record the amount below.

Mechanic Oil Change Cost: \$ \_\_\_\_\_

According to your research, which of these options is more affordable? Which would you choose and why?

\_\_\_\_\_  
\_\_\_\_\_



# Project—Planning How to Save for a Car

It's time for things to get a bit more real! Imagine you're 23 and getting ready to buy a car. What kind of car will you buy? How much does it cost?

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Get an auto insurance estimate from your parents' insurance company on liability and collision insurance at the state-required amount for the car you wrote above.

How much will you pay in one month for insurance? \$ \_\_\_\_\_

How much will you be paying in one year for insurance? \$ \_\_\_\_\_

Assume you will drive 600 miles per month to and from work and your car gets 25 miles per gallon. How many gallons of gas will you need in one month? (Hint: Divide the total number of miles by the miles per gallon to find the number of gallons.)

How much will you spend per month on gas at the current gas prices where you live? \$ \_\_\_\_\_

If you drive 600 miles per month and you should get an oil change every 5,000 miles you drive, how many oil changes will you need to get in a year? \_\_\_\_\_

If you divide the cost of the oil changes you will need in one year out over the 12 months of the year, what is your monthly cost for this maintenance? (Hint: Use the cost of an oil change from Lesson 13.6 for your calculations here.) \$ \_\_\_\_\_

How much would you want to put into a savings account each month for maintenance and repairs? \$ \_\_\_\_\_

Including all the factors above, determine your monthly and yearly cost of owning and operating a car without a monthly payment.

Monthly Cost: \$ \_\_\_\_\_      Yearly Cost: \$ \_\_\_\_\_

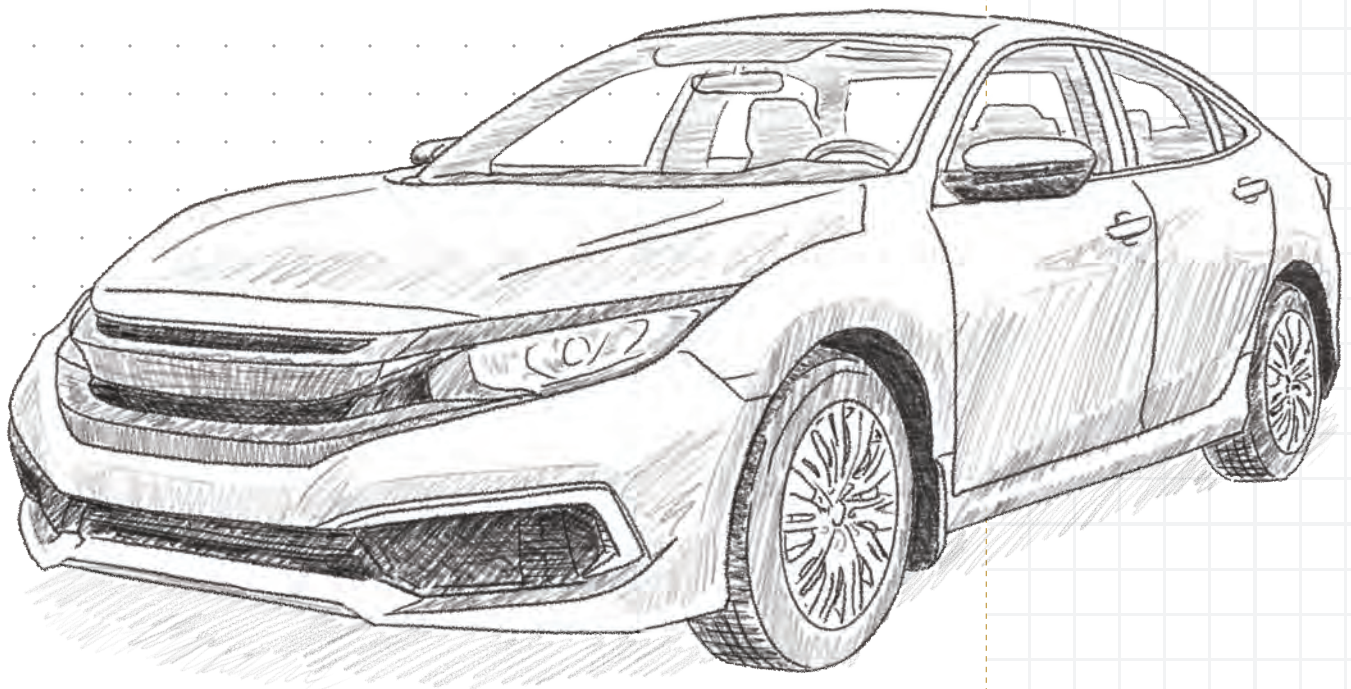
How much money will you need to save in order to pay for this car without a loan?

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How long might it take you to save up the amount you wrote above? How could you plan to do this?

A large area of dotted lines for writing answers.



## Biblical View of Clothing

How often do you think about clothes? What clothes in particular do you think about and enjoy shopping for?

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Since clothing is a need we have, we can get a little preoccupied with it. Maybe we want to look cool to our friends and have the expensive basketball shoes or the newest soccer cleats. Maybe we just want to have as nice an outfit as our best friend at church.

Even if you don't care so much about clothes, maybe you make certain choices about your clothes based on what other people will think of you. But did you know this isn't the purpose of clothes? Our clothes are not for the purpose of making ourselves feel good and getting attention.



Read *1 Timothy 6:7-8*. What do these verses teach us about clothes?

We see in these verses that clothes should not be our preoccupation. Though they are a need we have, we should be content when that need is met and not constantly obsess over the newest styles or the coolest shoes. Just like we didn't have any clothes when we were born, we won't be able to take our clothes with us when we die. Clothes have their purpose right now, but they aren't the most important thing!

Read *Matthew 6:25*. What else do you learn about how we should view clothes?

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Jesus tells us in this verse that we should not worry too much about what we will wear. God will provide and meet the needs of our bodies. Instead, He points us to the truth that life is about more than just these physical concerns we have. There is something that's even more important about the physical clothes we wear!



Read *Colossians 3:12* and *Galatians 3:26-27*. What should Christians be "clothed" with?

These verses tell us about something infinitely more important than what our clothes look like. As God's people, what sets us apart should be our kindness, humility, gentleness, compassion, and patience—the things Christ had when He was on this earth. Ultimately, we shouldn't be known for having the most beautiful dresses or coolest shoes—our clothes shouldn't call everyone's attention to us.

God's people should have Christlike gentleness, love, and patience for others that points their attention to Christ! These things are more precious than gold and more valuable than any item of clothing we could ever buy.



# Clothing Budget

As you learned in Unit 6, clothing is a regular expense that should be included in our budgets! We often need different types of clothing for our jobs, leisure, outdoor activities, church, and even special occasions like a recital or attending a wedding. In order to make sure we're not constantly spending lots of money on clothes or feeling guilty when we need a new item of clothing, it's helpful to designate a certain amount of money towards this need.

## Practical Application

→ Ask your parents about their clothes budget. Do they have one? How much do they assign to this category of their budget?

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What activities, jobs, trips, or occasions do you need clothes for? Be as specific as possible and don't forget all the parts of clothing like socks and jackets!

- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
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- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_

Do you or your parents usually take care of buying your clothes?

- \_\_\_\_\_

Depending on whether you or your parents buy your clothes, try looking back on the last three months to see how much money has been spent on your clothing needs.

If you don't have receipts or bank statements to look back on, try looking at your wardrobe and noticing what things have been added. Then, check their current prices online to use as a basis for your estimations.

Record the average amount you or your parents have spent on your clothes in the last three months.

\$ \_\_\_\_\_

# Price, Fit, and Quality

Whenever we shop for clothes, we must consider a few important things in order to be careful that we are using the money God has given us in the wisest way possible.

## Price

Though it may seem obvious, price is one factor in buying clothes that we often ignore or obsess over. Maybe we get our eyes on a certain hoodie, sneakers, or dress that we just HAVE to have, so we don't pay attention to the price. Or, maybe we truly need an item of clothing, but can't get over how much it costs no matter where we buy it from.

**Market value** refers to the price for which something can be sold in a given market.

Price is dependent on many things—brand names, materials, supply and demand, market value, as well as labor costs and so on. So how do we know what a good price for something is? Usually, comparing prices is the best way to determine this.

If you're shopping for something like jeans, you might want to see what store carries the least expensive option for the type and quality you're looking for. However, if you're looking for a specific item from a certain brand, you may have to be okay with spending a little more. The amount of use you will get out of a piece of clothing is also something to consider. If you only wear jeans occasionally, but use athletic shorts every day, you may decide to spend more on quality shorts that will be comfortable and hold up through everyday use and less on jeans. When the clothing item you need or want is not available at a cheaper price, you may need to save up and wait to buy the item until you have enough money for it.

## Practical Application

→ Of the clothes you listed in Lesson 14.2, which ones are you able to compare prices on and which are specific items you have to get from a particular company or store? (For example, do you need to buy a specific brand of cleats for soccer, or are you able to look for the best price at various sporting goods stores?)

<i>Compare Prices</i>	<i>Specific Store</i>

Choose one item from each column and circle it. Find the range of prices (lowest-highest) for that item in the “Compare Prices” column and write it next to the item. Then, write down the price of the “Specific Store” item next to that item.

**Fit**

Another important part of buying clothes is how they fit! Sometimes it's tempting to buy clothes that fit uncomfortably just because we like them. But usually, we'll end up not wearing those clothes because they aren't comfortable! This ends up being a waste of money, so it's good to avoid it if possible.

If you do buy something that doesn't fit, sometimes a tailor can help hem the length of some pants or take in the waist of a dress. However, this will require an additional sum of money, so be sure to think of that when you're buying the item. If you get a pair of pants inexpensively at the thrift store it may be worth spending the extra money at a tailor. But if you're at the max you can spend in your clothes budget after buying an item, you won't have the money to get it tailored.

**Practical Application**

→ Look up the average cost in your area to get a dress or pants hemmed. Circle the item of clothing you're getting the pricing for. Make your notes in the margin.

→ dress/pants

If your family knows a tailor or someone who does alterations, ask them what they charge.

Name of Seamstress/Tailor: \_\_\_\_\_

\$ \_\_\_\_\_

Keep this amount in mind when you're shopping—it may help you make wise decisions about what items are worth purchasing!

Of course, if you are buying online, you may want to order several sizes and return the ones that don't fit. Be sure that you don't buy things online without checking the size charts. You will save time and expense by being careful and intentional when shopping online.

**Quality**

Finally, when you are shopping, quality can play a big part in helping you decide whether a purchase is wise or not. Even when prices look really good, it's important to steer clear of fabrics that feel really thin or stiff, and items that have poor or loose stitching. Whereas you might pay a bit more for a better quality product, it's usually worth it because you will not have to replace the item as often.

Shopping online can be one way we might end up with a poor-quality product. For this reason, it is important to check the return policy of an online store before buying with them so you can be sure to get your money back if you receive the item and it is not the quality you expected. In addition, carefully reading the descriptions and the reviews on various products online may help you decide whether or not to spend the money on those particular products.

← The "fast fashion" industry is especially notorious for their poor quality products. By using cheap labor and cheap products, they can sell their products for below the normal market value, but the clothes usually look and feel poor in quality. It is wise to avoid companies that function this way.

## What to Do With Clothes You No Longer Use

It's inevitable—all of us have clothes that don't fit or that we no longer wear. So what do we do with them? Just like everything else God has provided for us, our clothes are a valuable resource that should be used well and wisely. When we no longer need certain items or they don't fit us anymore, it's good to DO something with them!

### Sharing with Others

The Bible teaches us that when we have extra, we should give it to others (Luke 3:11)! One great way to do this is to offer the clothes and shoes you don't need anymore to your friends or even younger siblings. This way, they don't have to spend the money on what you are able to give them!

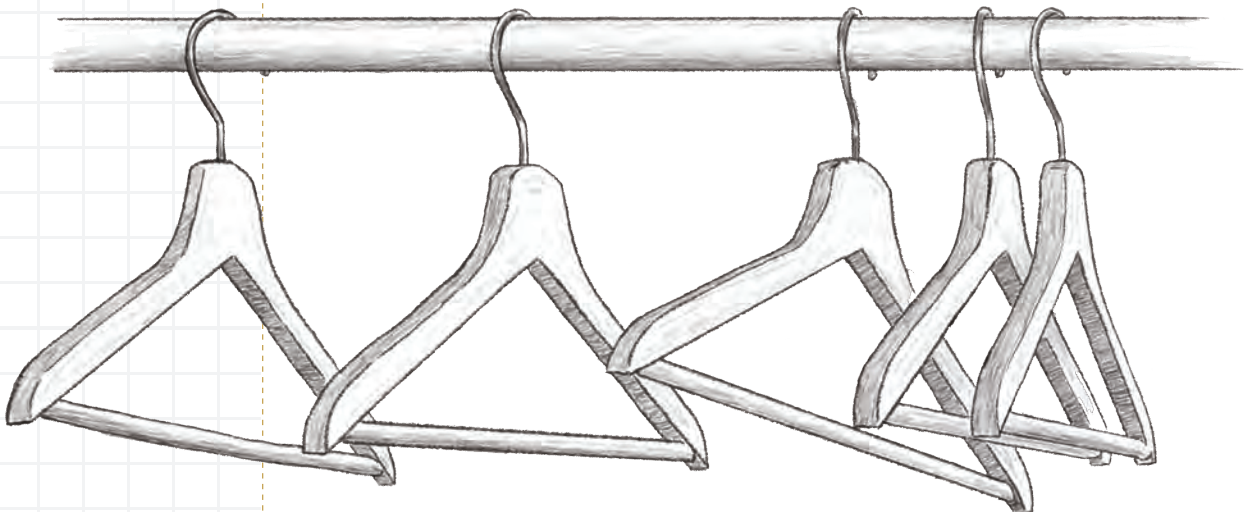
Another way to share with others is by donating your clothes and shoes to local thrift stores. Many of them are very grateful to receive donations because they run their business based on the donations of others! These stores often donate the profits they make from selling second-hand clothes to help people who need jobs or even to support other charity work.

### When to Repurpose or Dispose of Clothing

Remember to be thoughtful and kind when you give away or donate clothes. If something is stained, ripped, or in poor condition for some other reason, it's best to repurpose or dispose of it. Maybe a stained shirt can be used for working outside or ripped jeans could be patched and used a little longer. Sometimes old clothes make great bedding for pets or can be used as cleaning rags. If you can't find a good use for something, just dispose of it. Recycle if you can, but otherwise, it's okay to put it in the trash. Just be sure you let your parents know if you are throwing away clothes.

### Reselling

Another option you may want to consider is reselling your clothes yourself! You can do this on social media (of course, with a parent's permission), or you can use second-hand websites to post your clothes for sale.



### Practical Application

→ Do some research on the options available for reselling your clothes online. Find a website or app that allows you to do this and record your answers to the questions.

What website or app did you research? \_\_\_\_\_

How does the resale process work?

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Look at some of the postings for clothes people are trying to sell on the website. Do they look like good prices? Why or why not?

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What protection policies are in place for the seller and the buyer on this platform?

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

How is shipping handled? Does the seller or the buyer pay for it?

\_\_\_\_\_

\_\_\_\_\_

Look through your closet for clothes and shoes you can't or don't wear anymore. Find out how much money you could potentially make by selling these. Would the amount you could make cover a new item of clothing you need?

\_\_\_\_\_

\_\_\_\_\_

# Project—The Cost of Clothing

It's project time! Clothes are often a very important part of the job that we have. Do some online shopping or window shopping to find the cost of 5 complete work outfits for the profession you'd like to go into in the future. Don't forget coordinating shoes!

Outfit #1

Outfit #3

Outfit #2



Outfit #4

Outfit #5



Shoes

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Total Cost: \$ \_\_\_\_\_



## Biblical View of Bargain Shopping

Maybe you love shopping or maybe you don't. A trip to the thrift store or that once a year Black Friday shopping may be your favorite, or you may not care about shopping at all! But did you know all Christians should view shopping for necessities as a challenge to use wisdom in order to best utilize the resources God has given us?

Read *Proverbs 31:10–27*. What does this passage tell you about this wise woman?

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This passage tells us about what a wise woman—specifically a wife—looks like. While the wife is the example in this particular passage, the principles she shows us are valuable for every Christian to learn!

We see from these verses that this woman is not lazy! She works hard, invests, finds food and clothes for her family, helps those in need, evaluates how to make things profitable, and so much more. This industrious, careful mindset evaluates the best options and chooses wisely.

If we apply these principles of diligence, hard work, evaluation, and wisdom to our lives, it could help us in many ways. But I want us to take the time to think about these principles in relation to the idea of bargain shopping. Bargain shopping involves patience, intentionality, and hard work, but it brings great blessing and satisfaction when it's done well!

What do you know about bargain shopping? Does your family shop this way?

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The example of the wise woman in Proverbs 31 shows us that we are responsible for what God has given us to use! We have already learned that we should not hoard our money or resources, but neither should we waste them through carelessness or laziness.

So how can bargain shopping be biblical? What do you think?

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There are three main ways bargain shopping can help us live biblically and wisely use the resources God has given us.

**1. Bargain shopping evaluates true needs and appreciates God’s sovereignty.**


Many times, when we are seeking to be wise about when and what we buy, we have to trust God to provide something we need at the right time. Whether it’s praying you find a good deal before your shopping trip or even passing up a seemingly good deal because it doesn’t fit that month’s budget, acknowledging God in what we do sets us on the path of wisdom (Proverbs 3:5–6).

**2. Bargain shopping seeks to save money when possible to conserve it for other needs.**

Sometimes it’s tempting to splurge on an item because we want it immediately. We may also want to spend more for a certain product we don’t necessarily need just because it’s easier or more convenient. However, wisdom can help us determine when saving money is necessary and most expedient with the future in mind. Ultimately, it’s good to evaluate in our hearts whether our purchases are coming from a heart of greed or from a place of true need (Proverbs 28:25).

**3. Bargain shopping requires humility and the ability to pass up what we do not need.**

Finally, bargain shopping requires humility because buying the name brand item or the gadget that everyone else has may not be possible if it would go over budget or require us to spend more money than we intended. God warns us about asking Him for things so we can use them selfishly (James 4:3). Our desire in making purchases should always be for the glory of God and not for the glory of ourselves. Because this is true, we might need to humble ourselves before God (James 4:10), realizing He is the treasure we truly need.

What are some needs you have or purchases you need to make soon? Make a list. 

How could the principles you learned today help you make wise purchases?

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Write a prayer you can pray before going shopping to seek the Lord’s wisdom in the purchases you make.

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## Recognizing Good Sales

Probably the most important part of bargain shopping is learning to recognize good sales. When you can estimate how much an item will cost after the sale or discount being offered, you can see if you are actually willing to pay the discounted price or not. Sometimes knowing the sale price will help you compare that sale with another item's price and choose which option is best for you and your budget. Using mental math will enable you to do this! Let's look at two methods of calculating sales prices mentally.



### Practical Application

#### Method #1

If the price of a pair of jeans is \$49.99, but there is a 30% sale, how do you estimate what they will cost? Round the price up to the nearest whole number so you have an easy number to work with.

$$\$49.99 \rightarrow \$50.00$$

Find 10% of the original price (\$50.00). Remember, ten percent is written as 0.1 in an equation, so you know when you multiply anything by 0.1, the decimal point in the original number moves to the left 1 time. (You can check this on a calculator with any number.)

$$0.1 \times 50.00 = 5.00$$

Multiply 5.00 (10% of the original price) by 3 to find 30%.

$$10\%(50) \times 3 = 30\%(50), \text{ or}$$

$$5.00 \times 3 = 15.00$$

Subtract 30% of \$50.00 (\$15.00) from \$50.00 and you have your total.

$$\$50.00 - \$15.00 = \$35.00$$

You will pay about \$35.00 for the jeans.

However, there is a way to do this a little bit faster! If you are getting a 30% discount, you know that instead of paying 100% of the price (\$50.00), you are actually paying 70% of the price ( $100\% - 30\% = 70\%$ ). So instead of finding 30% and subtracting it from \$50.00, we can actually find the amount we will pay by finding 70% of \$50.00! Check out the example below.

#### Method #2

Round the price up to the nearest whole number.  $\$49.99 \rightarrow \$50.00$

Find 10% of the original price (\$50.00).  $0.1 \times 50.00 = 5.00$

Multiply 5.00 (10% of the original price) by 7 to find 70%.

$$10\%(50) \times 7 = 70\%(50), \text{ or } 5.00 \times 7 = 35.00$$

There you have it! By finding the percent of \$50.00 that you will be paying instead of the percent of the discount, you can cut out one whole step of mental math! However, if you like going through Method #1 better than Method #2, you can absolutely stick with that. Whatever helps you estimate most quickly is the best choice.

→ Use the indicated method to find the sale prices below. Don't forget to round up to the nearest whole number to help you mentally calculate! (Hint: Sometimes, rounding to the nearest tens place will give you an easier number to work with mentally. Just know that it will give you a less accurate estimation.)

Method #1      Sale Price

$$40\% \text{ off } \$21.98 = \$ \underline{\hspace{2cm}}$$

$$25\% \text{ off } \$69.99 = \$ \underline{\hspace{2cm}}$$

$$15\% \text{ off } \$82.00 = \$ \underline{\hspace{2cm}}$$

$$5\% \text{ off } \$23.99 = \$ \underline{\hspace{2cm}}$$

$$70\% \text{ off } \$256.00 = \$ \underline{\hspace{2cm}}$$

Method #2      Sale Price

$$25\% \text{ off } \$63.89 = \$ \underline{\hspace{2cm}}$$

$$40\% \text{ off } \$84.49 = \$ \underline{\hspace{2cm}}$$

$$20\% \text{ off } \$25.00 = \$ \underline{\hspace{2cm}}$$

$$30\% \text{ off } \$489.99 = \$ \underline{\hspace{2cm}}$$

$$60\% \text{ off } \$34.89 = \$ \underline{\hspace{2cm}}$$

# Evaluating Sales and Deals

There are more ways to save than waiting for stores to have sales or doing all your shopping on Black Friday! You can get bargains by using coupons, shopping at thrift stores, scouring online and social media sale sites, and by shopping at re-sale or outlet stores. Sometimes, you might be able to repurpose something you no longer use and turn it into something else! There is almost always a way to avoid paying full price for most items you need.

You're almost ready to start hunting for bargains! However, you need to know something about sale prices. Some companies will raise their prices and then offer a sale like "70% off" or "buy one, get one 50% off" that seems really good. But when you take the time to think about how much you will end up paying, you may discover that it is not a very good sale after all. Maybe you even know of a place where you can get the exact same item or a similar one for much less than this "sale price." This is why it is important to quickly think through what a price will look like with the discount offered instead of assuming the discount will automatically give you a good price.

Another situation is when prices are given as "2 for \$50" or "3 for \$25." If you need multiple items, this kind of sale really might save you money. However, when you only need one item, buying two is not necessary. You may be saving \$1-2 per item, but still spending \$10 or more than you originally intended. See the example below.

Let's say you're looking at a sale where you can get two t-shirts for \$30 or pay \$16.99 each. So then if you buy two t-shirts, you're getting them for \$15 dollars each which is about \$2 less per shirt than the original price. If you need two new t-shirts, this may be just what you were looking for! However, if you only need one t-shirt, you shouldn't buy two simply because they're on sale. You'll be spending about \$13 (\$30-\$16.99) more than necessary to get what you need. More stuff is not always better!

## Practical Application

→ Find the price per item for each of the sales listed below. (Hint: to find the price per item, find the total sale price and divide it by the number of items. For example, the price per item for \$10 beach towels on sale for "buy one get one free" will cost \$5 each.)

- office chairs for \$95 on a buy one get one 50% sale

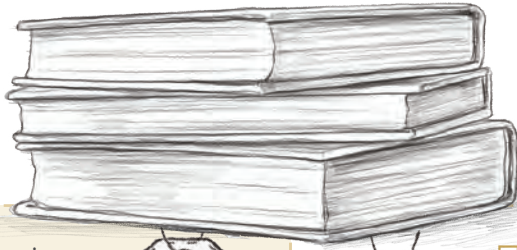
Price per item = \$ \_\_\_\_\_



- throw blankets for \$29.99 each at a sale price of 2 for \$50

Price per item = \$ \_\_\_\_\_





Compare prices and check the box with the best deals!

7 books in a series for \$15 each on a buy one get one free sale

Price per item = \$ \_\_\_\_\_



Or



7-book series whole set for \$55

Price per item = \$ \_\_\_\_\_

6 lb packages of chicken thighs that cost \$13.50 each on a buy one get one free sale



Or



chicken thighs sold regularly for \$1.99 per lb

Price per pound = \$ \_\_\_\_\_ Price per pound = \$ \_\_\_\_\_



Or



headphones cost \$131.99 on a Black Friday sale of 20% off

Price per item = \$ \_\_\_\_\_

headphones that cost \$218.89 on a Black Friday sale of 50% off

Price per item = \$ \_\_\_\_\_







## Project Part 2—Upcycling

Upcycling—taking something damaged, unusable, or outdated and turning it into something new and useful—is a great way to save money! Whether it’s sanding down old chairs from a garage sale and spray painting them to match your dining room or turning old shirts into aprons, improving something and finding a new use for it is a rewarding process!

- Find a project piece in your room, your home (with a parent’s permission!), from a garage sale, or at a nearby thrift store and upcycle it to create something of higher quality and value! Then, record what you spent on the project itself compared to what you would have to spend to buy it as a new item from a store. →
- Take pictures of your project, print them out, and tape them below.

## Biblical View of Vacation

Have you ever wondered if Christians should take vacations? If we're supposed to be good stewards, work hard, and care for the needs of others, maybe vacations seem like they don't quite fit into our lives. Or, maybe you haven't really thought about it, but now you're wondering. Though the Bible doesn't say specifically if we should take vacations or not, there are some principles we find in God's Word that help us understand what is wise in this area.

← Read *Genesis 1:1–25*. What about how God created the world is most beautiful or interesting to you?

Now read *Genesis 1:26–31*. What is different about God's creation of mankind from His creation of the rest of the universe?

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When God made man and woman, He gave them the world to work in and to make beautiful! He even commanded them, "be fruitful and multiply." God gave them work to do and it was good!

Read *Genesis 2:1–3*. What did God do on the seventh day? \_\_\_\_\_

God, the all-powerful, infinite Creator of the universe, set an example for us by stopping and taking the time to rest when He had finished His creative work. God instituted this Sabbath rest for His people, the Israelites, and to this day, Christians set aside one day a week to rest and focus their minds on their Creator.

← So what does this have to do with us? What do you think?

God has created a whole world and given it to us to enjoy. He has given us work to do and resources to steward well, and He has given us the example of rest. This is why Christians can have perhaps the best vacations of anyone! We understand this world and our purpose better than those who do not believe in God or live for Him.

By traveling, we can discover and appreciate more of this beautiful world God created. By working hard and saving to pay for a vacation with our family, we learn to value God's gift of work and the satisfaction it brings. Then, we get to enjoy resting from our work and partaking in the blessings of God with thankful, peaceful hearts.

How does this change your view of vacation?

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# Let's Take a Vacation

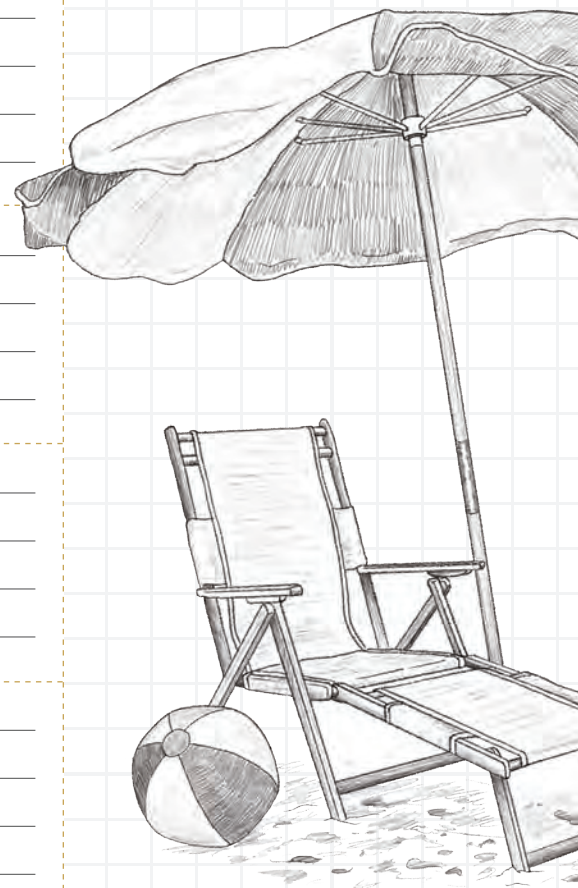
Throughout this unit, you will get to gather information and knowledge about traveling, accommodations, and other vacation details. Then, your project will entail putting together the details for a fun family trip. So let's get started!

## Practical Application

→ First of all, you need to come up with a place to take your vacation! Considering your family's interests, needs, and traveling ability, make a list of at least 5 ideas for vacation destinations for a 7-day trip. Be sure to list what details make this a good destination as well as any reasons it might not be.

Pros & Cons

1.	
2.	
3.	
4.	
5.	







**Flights**

Whether your vacation destination is too far away to drive or you have to cross an ocean, flying may be your go-to transportation option. Though airfare can be expensive, there are some ways to make it more affordable. Often, if your family uses a certain airline regularly, you can earn points or miles that can go towards the cost of a flight. There are also some apps that can search for the cheapest flights for you. Most airlines offer credit cards that earn travel miles as you use them. If your family has a credit card, it might be helpful to check into the benefits that card offers.

**Practical Application**

→ Look up airline tickets to one of the destinations you wrote down in Lesson 16.2. List the 3 best prices you can find for a single two-way ticket.

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_

How many hours will each flight take including layovers?

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_

**Going on a Cruise**

Maybe your dream vacation is a cruise. Once you get to the boat, the transportation everywhere else is taken care of! In order to arrive at the harbor where the boat takes off, however, you may need to drive or fly. This is important to keep in mind if you're thinking of booking a cruise.

**Practical Application**

→ Look up an all-inclusive cruise to a location of your choice. How much does one ticket cost?

\$ \_\_\_\_\_

How much would it cost for your whole family to take a cruise like this? Is this possible within your budget?

\$ \_\_\_\_\_



A **meridian** is a circle of constant longitude passing through a given place on the earth's surface and the terrestrial poles.

# Time Zones

As you travel, you may find that you get pretty tired. Traveling takes a lot of energy and time, but it often involves crossing time zones as well!

Our world is divided into 24 time zones. Each of these time zones covers 15 degrees of longitude each. These time zones are calculated from the Universal Coordinated Time, also called Greenwich Mean Time (GMT) located at the Greenwich meridian.

Some people prepare weeks in advance if they're going on a trip where the time zone change will be extreme. Other changes such as 1-3 hours are not quite so difficult to deal with, even though you might be a little sleepy for a few days.

## Practical Application

→ Find out the time difference between where you live and the 5 destinations you listed in Lesson 16.2. List the destinations and the time difference below.

5 destinations	my time	destination time

→ Find the time difference between the locations listed below. Check your work by using an online world time zone map. (Hint: Some states and countries are divided into multiple time zones.)

- Honolulu, Hawaii.....Greymouth, New Zealand \_\_\_\_\_
- Phoenix, Arizona.....London, England \_\_\_\_\_
- Ghat, Libya.....Sydney, Australia \_\_\_\_\_
- Anchorage, Alaska.....Atlanta, Georgia \_\_\_\_\_
- Turks and Caicos Islands.....Indianapolis, Indiana \_\_\_\_\_

## Where You'll Stay

When you travel, there are so many options for where you can stay! If you're going on a cruise, of course, your transportation and where you stay are wrapped up into one package. Otherwise, you're going to need a place to sleep and relax when you're not exploring and sightseeing.

### Hotels

Hotels are a common choice for traveling accommodations. They can be found almost anywhere as long as there is a city or tourist attraction nearby. Many hotels include fitness centers, pools, jacuzzis, and free breakfast, though some hotels may charge extra for these things. Hotels may have family suites with kitchenettes available so you can make food in your room and not eat out quite as much. However, these suites usually cost extra as well. Depending on the hotel, you may be able to use credit card reward points towards the payment.

### Short-Term Rentals

One great option for families is a short-term rental. Owners may lease their condo, house, or apartment, for a matter of days or even longer. Short-term rentals are great for many reasons. You will probably have a kitchen, multiple bedrooms, and possibly a living space, backyard, patio, or pool to hang out in.

Short-term rentals are often less expensive than hotel rooms or at least cheaper than the equivalent amount of space you could have at a hotel. One thing to keep in mind, however, is that short-term rentals often charge a cleaning fee and require a safety deposit that will be refunded at the end of your stay as long as your family has not damaged the property in any way.

### Bed & Breakfasts

Another idea for travel accommodations is a bed and breakfast! These homey overnight accommodations are not ideal for long-term stays but will provide a comfortable place to stop for the night. These are great if you need to rest on your way to your final destination or if you plan to be on the move for most of your vacation (like a cross-country road trip).

### Lodges and Resorts

Lodges and resorts are similar to hotels in that they usually rent out multiple rooms to multiple guests at the same time. These accommodations may be found in destination spots like beaches or mountain getaways. Some resorts and lodges are all-inclusive, meaning you pay one fee for lodging and food. Some inclusive prices also include certain activities like evening entertainment, beach passes, horseback riding, hiking trails, or other fun attractions. These choices can be very expensive at full price. However, they could potentially save you money if you choose to visit in the off-season or find other coupons or group deals.

**Off-season** refers to the time when a certain destination is less busy due to weather conditions or time of year.



## What You'll Eat

Other than where you'll stay, what you'll eat may be one of the most important parts of a trip! You can have an amazing day, but if you don't have a plan for dinner, searching for restaurants and reading reviews while everyone is starving is not a fun job. This is why it's always good to find places ahead of time. This way, if you want to try a place you've noticed or that people have recommended, you can, but you always have ideas to fall back on.

### Restaurants

No matter where you stay (unless you're out in the woods!) there will probably be restaurants. From fast food, to local hole-in-the-wall diners, to fancy 5-star restaurants, there are so many options! Restaurants can be tricky, though. You may want to use online reviews or travel apps that show ratings for the restaurants you're interested in. If you have a friend who has traveled to that destination, it's a great idea to ask them for their recommendations! You will also need to make sure any dietary needs or restrictions your family has can be accommodated at the restaurants you choose.

In order to save a little money, try checking for restaurants that offer family-style meals or a lower price kid's meal option. Also keep in mind that portion size varies at restaurants. Remember, you will need to tip your servers at restaurants—don't be surprised by that extra bit on your check at the end of the meal.

### Street Food

A really fun idea for lunch while you're out exploring in a city or urban area is street food! Whether it's food trucks parked on the side of the road or carts set up in parking lots or parks, street food can be absolutely delicious—especially when the cuisine is local to the area. Be sure to check that their health inspection grade is visibly posted and their truck looks clean inside.

### Cooking at Your Accommodations

A great way to save money on food while traveling is to buy groceries and cook in the kitchen of your accommodations! Of course, this does require that you book accommodations where you are able to cook. Even if you want to eat in for most meals and eat out only a couple times, cooking at your accommodations will usually save you money and may even provide leftovers for breakfast or lunch the next day!

What would your family most enjoy while on vacation? Eating out or staying somewhere that you can cook your own food? Explain.

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## Practical Application

→ Choose one destination from your list in Lesson 16.2. Check out the eating options in that area by researching online or by using travel apps. Write out a meal plan for 7 days. Remember, breakfast can be simple like granola bars or yogurts—be creative with how your family could eat!

<i>Day of the Week</i>	<i>Breakfast</i>	<i>Lunch</i>	<i>Dinner</i>
#1			
#2			
#3			
#4			
#5			
#6			
#7			

Using the average price of a meal at each restaurant, how much will it cost your family to eat one meal at each of the restaurants you have found?

How much do you estimate you will need for groceries based on your plan for feeding your family for the week?

\$ \_\_\_\_\_

*How much in total will you need for this part of your trip budget?*

\$ \_\_\_\_\_

Is this a reasonable amount? What could make this more reasonable if necessary? Talk to your parents and record their answers.



## How You'll Get Around

When you make it to your vacation destination, you will still need to be able to get around while you're there! Unless you are driving your own car or on a cruise, having some kind of transportation from place to place is a must.

### Renting a Car

One option your family may want to consider is renting a car. You will usually pay a base rental price, and then a fee to cover cleaning and refueling. If you have to change the dates of your rental or decide to change which car you're renting, those changes will likely come with fees. You will also be charged if you damage the car in any way.

Rental cars can be nice because they are available in pretty much any size. Since you are driving, you are free to go where you like regardless of mileage or public transportation schedules. However, some rental companies may restrict driving in certain areas due to road conditions. You can check with the company to ensure the places you want to go will not be off limits or require extra fees. Consider that many places you go will have paid parking so you may be spending extra in addition to the gas and rental fees. When you fly, sometimes airlines, credit cards, or traveling apps will give you a discount on car rentals associated with the airport you fly into.

### Public Transportation

Of course, if you vacation in a destination that has public transportation, you may want to consider using this method! Cabs, the subway, trains, and buses all charge fares to board and ride. If you use the train, subway, or buses, just be sure to carefully look at the map and know the location of your stop. If you call a cab, remember that the drivers usually expect tips!

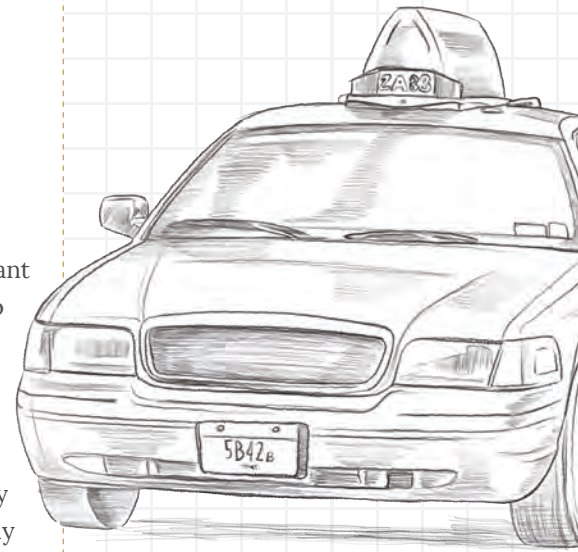
If you're not in a densely populated area like a city, other transportation services may be available through booking platforms. However, these rideshare services are usually fairly expensive because they charge per person and not just for the trip.

### Walking

If you are in an area where your accommodations and the activities you plan to do are nearby, consider walking for the week! You may get to see and experience more than you would by driving or taking public transportation. In addition, you won't need to pay for fuel, parking, or any other fees and fares.

### Practical Application

Check out rental car prices at the airport closest to you to get an estimate of what it would cost your family to rent a car for 7 days. Make sure the car is big enough to fit everyone and your luggage! Is the rental price calculated per mile or per day? Are there any extra charges in addition to the base rental fee? Make your notes in the margin. →



# Traveling Abroad

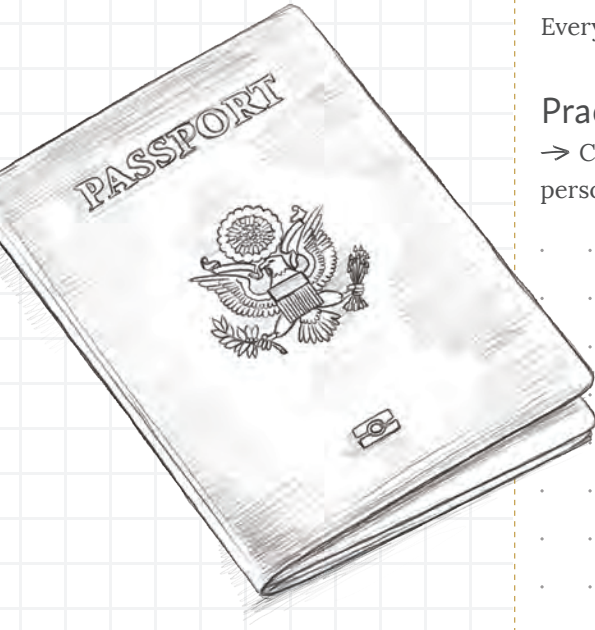
If your family wants to travel to a different country, there are a few things that will be different when you get there! Proper identification and money are two things that you should make sure you have BEFORE leaving for your trip.

## Passports

In order to travel to countries outside the U.S., you'll need more than just a state ID! Every single person in your family—including all children—will need a passport.

## Practical Application

→ Check out the [travel.state.gov](http://travel.state.gov) website and research what it will cost for each person in your family to get a U.S. passport.



A large rectangular area filled with a grid of small dots, intended for students to take notes or show their work.

What is the processing and delivery time for passports for your family?

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If you completed all the paperwork today and ordered passports, when would you expect the passport to be delivered to your mailbox?

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**Money**

Other countries have their own currencies and will not accept U.S. dollars, so you need to know how to pay for things like food, transportation, and souvenirs while you're there! Most American banks will convert your currency for you in the states before you travel. Be sure to ask them if there are fees for converting currency and if they will buy back any remaining currency when you return home.

If you were unable to convert your currency before traveling abroad or didn't want to be carrying the money with you, you may be able to withdraw currency at your destination from your bank's ATM if they operate in that country. Use airport kiosks or currency exchange shops only as a last resort because they often charge larger fees for converting currency.

You may also be able to pay with your credit or debit card while in some countries. Just make sure you know whether your destination accepts cards or only accepts physical money!

**Practical Application**

→ Using an online currency converter, find out what \$100 converts to in the currencies of the countries listed below.

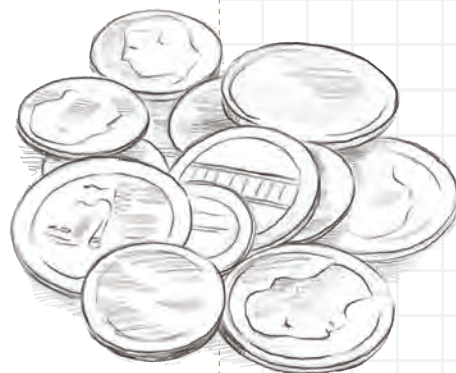
England (Euro) = \_\_\_\_\_

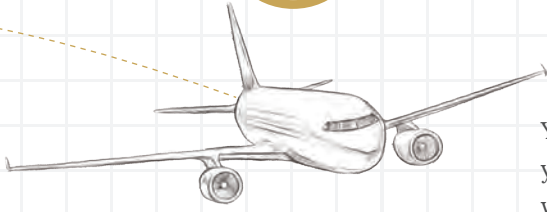
Mexico (Mexican Peso) = \_\_\_\_\_

Canada (Canadian Dollar) = \_\_\_\_\_

Japan (Japanese Yen) = \_\_\_\_\_

New Zealand (New Zealand Dollar) = \_\_\_\_\_





## Project—Planning a Family Vacation

You have thought about your dream vacation, and now it's time to plan it! Pick one of your destination ideas (or another one if you have decided none of your original ideas will work for your family) and get ready to plan.

**How will you get there?** Be sure to give specific details about your mode of transportation, airline or cruise company (if applicable), how far you will be traveling, and how much it will cost for your entire family to travel to your destination and back.

**Where will you stay?** Note the exact location(s), number of days and nights you will be staying there, amenities (such as kitchen, pool, TV, coffee maker, free breakfast, etc), and total cost.

**What will you eat?** List each restaurant, the average price per meal, and what meals the restaurant is open for. If you plan to cook, list 2 grocery stores close to your accommodations, and talk with a parent about an estimated budget for grocery shopping.

**How will you get around when you're there?** Include a list of options available in the area where you are staying and the total cost for each transportation option. Note if you will also need to pay for parking and fuel.

*Are there any special things you need to note and prepare for like a different time zone, travel documents, or currency conversions? Record the details of what your family needs, where you can obtain it, and the price of each service.*

**What will you do for entertainment?** Will you go to a theme park or participate in any tours or excursions? Will you hike or hang out on the beach? Note the details of what you plan to do while you are on vacation! Be sure to research the cost for your entire family to participate in each excursion or activity.

Add up your total expenses for your travel and those 7 days and record the total for each category in the blanks provided at the end of your itinerary. Now that you have these details figured out, organize it into a 7-day itinerary and record your budget for each category. Make sure you include any travel within your 7 days!

Day #1

---

Breakfast

Morning activity

Lunch

Afternoon activity

Dinner

Evening activity

---

Day #2

---

Breakfast

Morning activity

Lunch

Afternoon activity

Dinner

Evening activity

---

Day #3

Breakfast

Morning activity

Lunch

Afternoon activity

Dinner

Evening activity

Day #4

Breakfast

Morning activity

Lunch

Afternoon activity

Dinner

Evening activity

Day #5

---

Breakfast

Morning activity

Lunch

Afternoon activity

Dinner

Evening activity

---

Day #6

---

Breakfast

Morning activity

Lunch

Afternoon activity

Dinner

Evening activity

---



Day #7	
Breakfast	
Morning activity	
Lunch	
Afternoon activity	
Dinner	
Evening activity	

Travel = \$ \_\_\_\_\_

Transportation = \$ \_\_\_\_\_

Accommodations = \$ \_\_\_\_\_

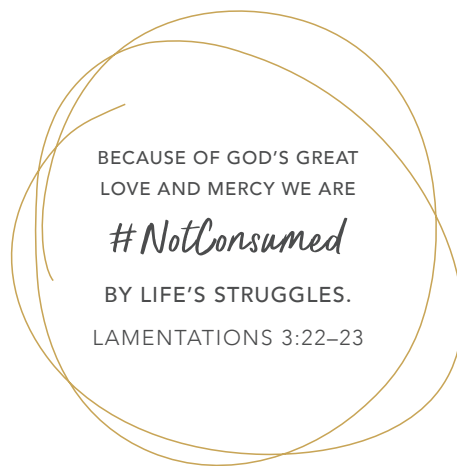
Food = \$ \_\_\_\_\_

Entertainment and Activities = \$ \_\_\_\_\_

Miscellaneous = \$ \_\_\_\_\_

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number of daily hours × number of days worked = total hours worked

$$4 \frac{2}{3} \text{ c milk} \times 2 = 9 \frac{1}{3} \text{ c milk}$$



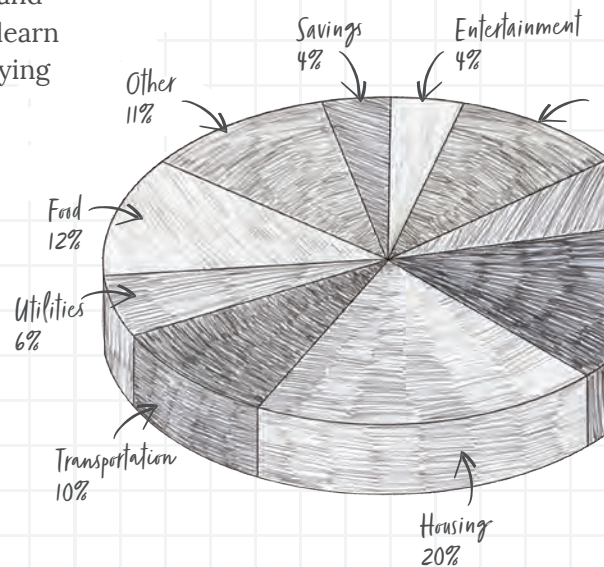
Math is not just a subject you learn in school. This discipline tells us all kinds of things about the world around us and helps us understand God's creation! Math helps us use our money wisely and set goals, and it even enables us to make the perfect chocolate chip cookies every time by following a recipe. Math is everywhere—all around us for our whole lives—and this is why we need to understand it.

$$P(1 + \frac{r}{n})^{nt} = A$$

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### Budgeting



$$\text{Square Footage} = \text{Length (in feet)} \times \text{Width (in feet)}$$



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