Contents

Financial Planning
Worksheet A: Short-Term and Long-Term Goals ................................................................. 3
Worksheet B: Plan to Save ......................................................................................................... 4

Budgeting
Worksheet A: Create a Short-Term Budget ............................................................................ 5
Worksheet B: Budget Your Time ............................................................................................ 6

Risk and Reward
Worksheet A: The Risk and Return Trade-Off ....................................................................... 7
Worksheet B: Calculate Return on Investment ........................................................................ 8

Jobs and Careers
Worksheet A: Develop Your Competitive Advantage ........................................................... 9
Worksheet B: Choose the Right Career ................................................................................... 10

Opportunity Recognition
Worksheet A: Recognize Business Opportunities ................................................................ 11
Worksheet B: Minimize Your Opportunity Cost ....................................................................... 12

Investing
Worksheet A: Design Your Portfolio ....................................................................................... 13
Worksheet B: Choose Stocks ................................................................................................... 14

Employment and Taxes
Worksheet A: Calculate Your Net Take-Home Pay ............................................................... 15
Worksheet B: What the Government Does with Tax Revenues .............................................. 16
Saving for College
Worksheet A: The Value of Education ................................................................. 17
Worksheet B: Create a Savings Plan ................................................................. 18

Calculating Future Value
Worksheet A: Calculate the Future Value of Your Savings .................................................. 19
Worksheet B: Predict the Future Value of Your Stock Investments ........................................... 20

Managing Credit
Worksheet A: Build Your Credit History ........................................................................ 21
Worksheet B: Know Your Credit Rights ........................................................................ 22

Home Ownership
Worksheet A: Choose a Mortgage Loan ........................................................................ 23
Worksheet B: Financial Advantages of Home Ownership ....................................................... 24

Economic Factors
Worksheet A: Leading Economic Indicators ........................................................................ 25
Worksheet B: The Political Environment of Investment .......................................................... 26

International Trade
Worksheet A: How Exchange Rates Are Set ........................................................................ 27
Worksheet B: How Exchange Rates Influence Trade .............................................................. 28

Leadership
Worksheet A: What Makes a Person a Leader? ..................................................................... 29
Worksheet B: Develop Leadership Skills ............................................................................ 30

Philanthropy
Worksheet A: Evaluate Charitable Organizations ............................................................... 31
Worksheet B: Charitable Giving and Your Taxes ................................................................. 32
Everyone wants to make good decisions—decisions that maximize benefits and minimize costs. However, it can be hard to make good decisions when you aren’t sure what you want to achieve. That’s why setting goals and creating and following a financial plan with your goals in mind is so important. When you know where you want to be in the future, it is often easier to get there.

Most of the day-to-day decisions you make are only single parts of the larger problem of getting what you want from life. Suppose you spend $20 to see a movie and go out for pizza with your friends. Your decision was made to achieve a short-term goal of immediate enjoyment. Remember, however, that whenever you make a choice, you also make a trade-off. The $20 you spent for pizza and a movie can’t be spent or saved for something else. All of your decisions are related to each other, and so are your goals. The $20 you spent for entertainment helped you reach a short-term goal. However, you no longer have that $20 to help you reach more important long-term goals. Suppose you had also decided to save $20 each week to make a down payment on a car in three years. The decision to save is a short-term goal, but it’s one that can help you reach your long-term goal of owning a car. Your chances of reaching your most important long-term goals are better when you set short-term goals that help you reach them.

**Directions:** Identify and explain two short-term goals that you could set today that would help you achieve the long-term goal identified.

1. **Long-term goal:** Become the owner of a clothing boutique.
   - A short-term goal that would help achieve this would be to
     - Another short-term goal that would help achieve this would be to

2. **Long-term goal:** Become a special-education teacher to help disabled children learn.
   - A short-term goal that would help achieve this would be to
     - Another short-term goal that would help achieve this would be to

3. **Long-term goal:** Become a bank manager and help people and businesses obtain credit.
   - A short-term goal that would help achieve this would be to
     - Another short-term goal that would help achieve this would be to
Financial Planning

Worksheet B—Plan to Save

You will need to spend money to achieve most of the long-term goals you set in your life. It could be money to pay for your education, buy a house, raise a family, travel, start a business, and so on. Because you need money to achieve your most valued long-term goals, you also need to create a savings plan as a part of your overall financial plan. Saving is not something that just happens for most people. It is the result of careful planning and controlled spending.

Consider Walter, who would like to save $300 per month toward the purchase of a home. Walter’s income and spending in the past month are shown below. Use this information to answer the questions that follow.

Walter’s Income and Spending

<table>
<thead>
<tr>
<th>Income</th>
<th>Spending</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net (after tax) Wages</td>
<td>$2,850.00</td>
</tr>
<tr>
<td>Interest Earned</td>
<td>Rent/Utilities</td>
</tr>
<tr>
<td>Stock Dividends</td>
<td>$751.76</td>
</tr>
<tr>
<td></td>
<td>Food</td>
</tr>
<tr>
<td></td>
<td>Clothing</td>
</tr>
<tr>
<td></td>
<td>Transportation</td>
</tr>
<tr>
<td></td>
<td>Loan Payments</td>
</tr>
<tr>
<td></td>
<td>Entertainment</td>
</tr>
<tr>
<td></td>
<td>Insurance</td>
</tr>
<tr>
<td></td>
<td>Other</td>
</tr>
</tbody>
</table>

1. How much was Walter’s income?

2. How much did Walter spend?

3. What change was there in Walter’s savings?

4. Which types of spending could Walter adjust in the short run? Which types could he not adjust?

5. What would you recommend Walter do to reach his savings goal?
Budgeting

Worksheet A—Create a Short-Term Budget Worksheet

Some people spend their incomes without thinking of what they are doing or whether their buying decisions make much sense. They may realize that they must pay their rent and insurance bills, or make monthly car payments. However, beyond these large and regular expenditures, things can get kind of “fuzzy.” It is not uncommon for people to run out of money from one paycheck to the next. Making and following a budget is an obvious answer to this problem, but it is hard to do when you’re not really aware of where your money goes.

To take control of your financial situation, you should first create a series of short-term budget worksheets. These are documents that record all income and spending that takes place over a specific period of time, most often one month. When bills, such as insurance, are paid only once or twice a year, you must include an appropriate share as spending in each worksheet.

Directions: Consider Gretchen’s budget worksheet for June, and then answer the questions that follow.

<table>
<thead>
<tr>
<th>Date</th>
<th>Source</th>
<th>Amount</th>
<th>Date</th>
<th>Purpose</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>6/07/20</td>
<td>wages</td>
<td>$423.52</td>
<td>6/03/20</td>
<td>new sweater</td>
<td>$33.86</td>
</tr>
<tr>
<td>6/09/20</td>
<td>birthday gift</td>
<td>50.00</td>
<td>6/12/20</td>
<td>car insurance</td>
<td>48.29</td>
</tr>
<tr>
<td>6/21/20</td>
<td>wages</td>
<td>423.52</td>
<td>6/15/20</td>
<td>rent</td>
<td>350.00</td>
</tr>
<tr>
<td>6/23/20</td>
<td>babysitting job</td>
<td>25.00</td>
<td>6/23/20</td>
<td>credit card bill</td>
<td>296.04</td>
</tr>
<tr>
<td>6/30/20</td>
<td>savings interest</td>
<td>8.92</td>
<td>6/25/20</td>
<td>telephone bill</td>
<td>53.41</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>6/26/20</td>
<td>groceries</td>
<td>69.30</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>6/29/20</td>
<td>doctor’s visit</td>
<td>50.00</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td></td>
<td><strong>$930.96</strong></td>
<td></td>
<td></td>
<td><strong>$900.90</strong></td>
</tr>
</tbody>
</table>

1. How much was Gretchen able to save in June?

2. Which sources of her income may not be the same from month to month?

3. Which types of spending might not be the same from month to month?

4. Why would a series of short-term budget worksheets be needed to develop a long-term budget?

5. Create a short-term budget worksheet of your own. Do you find any surprises in how you receive or spend your income?
**Budgeting**

*Worksheet B—Budget Your Time*

Are there things you want or need to do but never seem to find time to do them? It might be something as simple as cleaning your closet or as important as keeping records of your income and spending as you follow your budget. The fact is, you have a limited amount of time just as you have a limited amount of income. To get the most satisfaction from your life, you need to budget your time just as you need to budget your spending.

Create a budget for your time for next week by following these steps.

- Construct a grid similar to the one below with seven vertical columns and as many rows as there are hours when you expect to be awake. Label the columns for the days of the week and the rows for the hours of the day.
- Fill in the columns for time commitments you know you have. Hours for school, homework, sports practice, work, or necessary household tasks are examples. The rest of your time is discretionary, or up to you to decide how to use.
- Make a list of tasks you want to complete during the week. Fit these into the empty time slots.
- Make a list of activities you enjoy but are not really necessary. Fit as many of these as possible into any remaining time slots.

<table>
<thead>
<tr>
<th>Day/Hour</th>
<th>Monday</th>
<th>Tuesday</th>
<th>Wednesday</th>
<th>Thursday</th>
<th>Friday</th>
<th>Saturday</th>
<th>Sunday</th>
</tr>
</thead>
<tbody>
<tr>
<td>7:00 A.M.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8:00 A.M.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9:00 A.M.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10:00 A.M.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11:00 A.M.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12:00 A.M.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1:00 P.M.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2:00 P.M.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3:00 P.M.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4:00 P.M.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5:00 P.M.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6:00 P.M.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7:00 P.M.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8:00 P.M.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9:00 P.M.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10:00 P.M.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11:00 P.M.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Risk and Reward

Worksheet A—The Risk and Return Trade-Off

What if one of your friends offered to pay you $200 one year from today if you agreed to lend her $100 today? Would you be suspicious? What would you want to know before you agreed to such a loan? Would you expect such an offer to involve much risk? Would you be confident that your loan would be repaid? Might you be less suspicious if she only offered to repay you $110 in one year? Most people realize that there is a relationship between the risk and expected return from an investment. The higher the promised return, the greater the risk.

You might wonder why this relationship between risk and return exists. The simple answer is competition. Some people have money to invest. Others want to borrow funds and compete for loans by offering different returns for investments. The greater the risk, the larger the return investors will require. Suppose your friend intended to use your $100 to purchase a pair of rabbits that she planned to breed and sell. You think there is a good chance that her proposed business will fail, and you will never be repaid. You might choose to invest your money by lending it to someone who plans to do something that involves less risk. A person who will use your money to buy a bicycle so he can work for a delivery service might be an example. Even if he only offers a $10 return on your investment, you are more certain he would repay the debt.

**Directions:** Consider each of the possible investments below. Which would you choose if you had $500 to invest? Explain each of your choices in terms of the risk and return trade-off.

1. A neighbor asks to borrow your $500 to buy a lawnmower to start a grass-cutting service in your neighborhood next summer. He offers to pay you $600 after one year.
   
   I would/would not accept this offer because

2. You could buy 10 shares of stock in a large corporation that has paid a $3 per share dividend every year for the past ten years.
   
   I would/would not accept this offer because

3. You could deposit your money in a bank account that is insured by the government. It offers $10 in interest for a one-year, $500 deposit.
   
   I would/would not accept this offer because
Risk and Reward

Worksheet B—Calculate Return on Investment

Suppose a friend tells you that he had earned a $200 return on an investment he made after only one year. How would you know whether you should be impressed? If he had invested only $200 in the first place, he would have doubled his money. That would be an impressive return. If, however, he had invested $100,000, a $200 return would look pretty small. He could have deposited his $100,000 in a government-insured bank account and earned much more with essentially no risk at all.

When you evaluate different investment opportunities, you probably will want to calculate the return you expect to receive as a percent of the amount you might invest. There is a simple formula you may use to calculate this value. The rate of return on investment (ROI) is found by subtracting the amount of an original investment from its value at the end of a period of time, dividing this amount by the value of the original investment, and then multiplying by 100. The answer is expressed as a percent of the original investment. This formula appears as

\[
\frac{(A - B)}{B} \times 100 = ROI
\]

where:

- \(A\) = the value of the investment at the end of a period of time
- \(B\) = the value of the original investment

In the $100,000 example above, this formula becomes:

\[
\frac{($100,200 - $100,000)}{($100,000)} \times 100 = 0.2\% = ROI
\]

Directions: Use this formula to calculate the ROI in each of the examples from worksheet 3A.

1. A neighbor offers to pay you $600 to borrow your $500 for one year.

   \(\text{ROI} = \)

2. A corporation pays $3 per share in annual dividends for each of the ten shares you purchase for $50 each.

   \(\text{ROI} = \)

3. A bank offers $10 in interest for your one-year deposit of $500.

   \(\text{ROI} = \)

4. What ROI would you demand if you loaned money to one of your friends? Explain.
Everyone is better at some things than they are at others. In basketball, you might be able to sink 95 percent of your shots from the free-throw line while your best friend can play the piano better than anyone else you know. When it comes to choosing a career and earning a living, the trick is to develop your natural abilities or aptitudes into skills that other people are willing to pay for. When you can complete a task more quickly or with better quality than other people, you have a competitive advantage.

For most people a competitive advantage doesn’t just happen. If you want to have a competitive advantage that will help you earn a better income, you will have to work for it. To do this, you need to consider your own interests and aptitudes. Then you should investigate ways in which you can develop them into skills that will give you a competitive advantage when you choose a career.

**Directions:** Identify aptitude(s) that are demonstrated in each situation and describe how they could be developed into a skill to give the person a competitive advantage in his or her career.

1. Troy enjoys taking things apart to see how they work. He can almost always put them back together again.
   Troy has a(n) __________________ aptitude that could be developed into a skill as a(n) ________________________
   He could develop this skill by ________________________

2. Louise likes to write stories. She always gets good grades on her essays. Sometimes she writes for no other reason than because she enjoys it.
   Louise has a(n) __________________________ aptitude that could be developed into a skill ________________________
   She could develop this skill by ________________________

3. Anthony enjoys learning about biology. He spends hours wandering through fields and woods collecting plant specimens that he identifies and records in a journal. He often explains his findings to others.
   Anthony has aptitudes for __________________________ that could be developed into a skill ________________________
   He could develop this skill by ________________________
Jobs and Career

Worksheet B—Choose the Right Career

A job and a career are not the same things. A job is something you do to earn money. A career is a profession that you pursue throughout your life that brings you satisfaction as well as income. People should be very careful when they choose a career. If you work 40 hours a week for 40 years in a job, you will work for 83,200 hours. That’s a long time to be doing something you don’t like to do.

Before you set a career goal, you should take the time to evaluate yourself. What do you enjoy, what interests you, what are your values, and what are your preferences? Probably the best way to do this is to evaluate how you spend your time and what hopes you have for your future.

Directions: Consider the students described below. What interests does each demonstrate? How might these interests lead the person to set a career goal?

1. Dennis spends at least two hours each day working out at the gym. He isn’t the strongest, fastest, or most coordinated athlete there, but he loves working out.

   What interests Dennis?

   How might this interest help him choose a career?

2. Carmen volunteers at her high school’s bookstore. She sells pencils, pens, and paper to students who have run out or forgot their supplies at home. She orders supplies for the store and keeps its inventory. Although she doesn’t get paid for her work, she thinks it is good experience and a better use of her time than sitting in study hall.

   What interests Carmen?

   How might this interest help her choose a career?

3. Juan plays his guitar for at least an hour every day after school. He realizes that he is no great talent but he enjoys making music anyway. A few months ago he started teaching his younger brother how to play.

   What interests Juan?

   How might this interest help him choose a career?

4. What interests you and how might your interests help you choose a career?
Opportunity Recognition

Worksheet A—Recognize Business Opportunities

At one time or another it happens to everyone. You go to a store to buy something but you can’t find it, or you aren’t given courteous service, or the product turns out to have low quality, or something else happens that causes you to be dissatisfied. You might look on this as a source of irritation. But you also might look on it as an opportunity. If you are dissatisfied, there is a good chance that other customers feel the same way. You might consider starting a business of your own to compete with the one that is lacking.

Directions: Evaluate each situation described below. Define the problem and suggest a way that the problem could be an opportunity for another business to compete successfully.

1. While going to work one day you stop at a doughnut shop for a cup of coffee and a bagel. There is a line half way to the door of people waiting to be served. It doesn’t seem to be moving. Only one employee is waiting on customers. He appears to be moving in slow motion. After waiting for five minutes, you decide it isn’t worth your time, and you leave without your coffee or bagel.

   The problem is

   This could be an opportunity for another business that

2. Just before a holiday you decide to go shopping for a new coat. The store is mobbed, but you find a coat you like and buy it without examining it carefully. When you get it home you find that its zipper is broken and the lining is coming undone. When you take the coat back to the store, it takes almost an hour to return it and the clerk is rude. She suggests that you damaged the coat yourself. The problem is

   This could be an opportunity for another business that

3. You decide to build some bookshelves for your bedroom, so you go to a local lumber yard to purchase the wood you need. You are shown pine boards that have large knotholes and are splintered along their edges. You doubt that they could ever be sanded enough to make them look good. You decide to buy a pre-finished bookshelf at an office supply store. It costs more than you wanted to spend, but you don’t see an alternative. The problem is

   This could be an opportunity for another business that
Opportunity Recognition

Worksheet B—Minimize Your Opportunity Cost

Every time you make a choice, you give up a different alternative. The value of the second-best alternative that you give up is the opportunity cost of the choice that is taken. When you spend $15 to buy a new CD, that’s $15 you can’t spend for anything else. If a new belt was your second choice for the $15, its value is the opportunity cost of choosing to buy the CD. Opportunity cost is not the value of what you choose—it is the value of the second-best choice you give up.

To maximize the total satisfaction you enjoy in your life, you should minimize the opportunity costs you pay.

Directions: Consider each of the following situations. Identify the opportunity cost in each, and explain how this opportunity cost could be minimized.

1. You need to buy a car to drive to your new job. The more you spend on the car, the less you will have to spend on furniture for your new apartment.

   The opportunity cost of buying a car is

   This opportunity cost could be minimized by

2. You want to see your favorite musical group perform at a concert. Tickets range in price from $30 to $250, depending on their location. You also want to save money to take a trip over spring vacation.

   The opportunity cost of buying a ticket is

   This opportunity cost could be minimized by

3. You need to choose an Internet service provider (ISP) for your computer. The fastest ISPs cost more than $40 per month. A slower dial-up ISP can be purchased for $10 per month. You also want to buy a digital camera for $300.

   The opportunity cost of buying the fastest ISP is the

   This opportunity cost could be minimized by
Investing

Worksheet A—Design Your Portfolio

You know that there is a trade-off between risk and the return when you choose an investment. The greater the return you expect to receive, the larger the risk you must take. Most people cannot afford to risk much of their money on investments that offer a high return. This, however, does not mean that they must accept only low returns on their investments. Through diversification, a fair return can be achieved without taking unreasonable risks.

Diversification is the process of choosing a variety of investments that offers different combinations of risk and return. Then, if one investment fails to do well, others may make up for its poor performance by being successful. The objective for each investor is to select a portfolio of investments that meets his or her individual financial goals.

Directions: Evaluate each of the portfolio choices. What would you suggest to improve each person’s selection?

1. Sandra is a sales associate at a discount store. She earns $23,000 a year and is engaged to be married next year. Her fiancé is an automotive mechanic who earns $28,000 a year. They have decided to save for a down payment on a house by putting all their savings into a bank account that offers 2 percent interest.

   This portfolio decision is

2. Brian is a recent college graduate who has accepted a job as a store manager. He is married and has two children. His wife works part-time as a server at a restaurant. They have decided to purchase stock in an oil-exploration firm. If it is successful, it will pay them a 50 percent return. If it fails, they could lose all their investment.

   This portfolio decision is

3. Frieda is a 34-year-old corporate vice president who earns $90,000 a year. She is single and plans to pursue her career rather than have a family. She has invested $150,000 in a variety of stocks. Some involve high risk but most do not. She also has $30,000 saved in her bank accounts.

   This portfolio decision is
Although purchasing stock in a corporation always involves some risk, there are many stocks to choose from. Stocks are often classified into categories according to the trade-offs between risk and return they offer. The kind of stocks that people should purchase depends on their personal and financial situations. Stocks that involve little risk are more appropriate for people who have relatively low incomes or greater financial responsibilities. Consider each of the stock choices below. Create a portfolio for Romero and Anya, who both work. They earn $65,000 a year, have two children, own a small house, and want to create a college fund for their children. What part of their remaining savings should be invested in each of the alternatives after they set aside six months of income in cash in one or more bank accounts?

A. **Blue chip stocks** are large, well-established corporations that have histories of steady sales, profits, and dividend payments. They involve relatively low risks.

Romero and Anya should invest ______ percent of their remaining savings in this type of stock because

B. **Growth stocks** are usually new firms that produce new types of goods or services. They do not have a long history of steady sales, profits, or dividend payments. They do offer the possibility of rapid growth in sales and profitability if their new products are successful. They involve relatively high risks.

Romero and Anya should invest ______ percent of their remaining savings in this type of stock because

C. **Combination growth and return stocks** are large, well-established firms that have histories of steady sales and profits but also are moving into new types of production that offer the possibility of rapid growth in the future. They involve moderate risks.

Romero and Anya should invest ______ percent of their remaining savings in this type of stock because

D. **Foreign stocks** are firms located in foreign nations. The returns on these stocks are affected by both the success of the firms and the exchange rate for the currency of the nation where the firm is located. If the value of the Japanese yen grows, for example, the value of Japanese stocks will also increase in terms of U.S. dollars. This type of stock often involves high risks.

Romero and Anya should invest ______ percent of their remaining savings in this type of stock because
There is a difference between the gross pay that you earn from a job and the net or take-home pay that you are able to spend or save after you pay your taxes. When you accept a job, you must complete a federal W-4 form that helps your employer determine how much should be withheld from your earnings for federal income tax, Social Security and Medicare taxes, state income tax, and possibly local income tax as well. Additional amounts may be withheld for savings plans, union dues, loan payments, charitable contributions, medical insurance, or contributions to retirement programs. When you receive your paycheck, there will be a stub attached to explain the amounts that were withheld. When you create a budget, you need to consider your net income rather than your gross income. Otherwise you are likely to spend more than you have.

**Directions:** Calculate the amount of her earnings that Maxine took home last week based on the following information.

Maxine’s gross income was $652.30.
Her federal income tax withholding was $72.29.
Her Social Security (FICA) withholding was 6.20 percent of her gross pay.
Her Medicare withholding was 1.45 percent of her gross pay.
Her state income tax withholding was $38.52.
She had no local income tax withheld.
She pays $76.00 on a credit union loan each paycheck.
She contributes $10.00 to the UGF from each paycheck.
She has $33.75 withheld from each paycheck for medical insurance.

<table>
<thead>
<tr>
<th>Maxine’s Take-Home Pay</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Pay</td>
</tr>
<tr>
<td>Federal income tax</td>
</tr>
<tr>
<td>FICA</td>
</tr>
<tr>
<td>Medicare</td>
</tr>
<tr>
<td>State income tax</td>
</tr>
<tr>
<td>Subtotal</td>
</tr>
<tr>
<td>Medical insurance</td>
</tr>
<tr>
<td>Credit union</td>
</tr>
<tr>
<td>UGF</td>
</tr>
<tr>
<td>Net pay</td>
</tr>
</tbody>
</table>
Employment and Taxes

Worksheet B—What the Government Does with Tax Revenues

The government does not impose taxes on people and businesses because it thinks people have too much money to spend. Taxes are collected to pay for the many goods and services that are provided by the government. Without the government, these goods and services would be unavailable to most people because they could not afford to pay for them by themselves. The government also imposes regulations on the economy to help it work better.

Directions: Consider a typical day in your life. Identify the good or service that is provided by the government, or the regulation that allows you to accomplish each of these goals.

1. You want to know what is happening in the world so you listen to the national news on network television. The government helps you achieve your goal of finding out what is happening in the world by

2. You want to go to school so you take a school bus to your high school. The government helps you achieve your goal of getting to school by

3. You want emergency health care available when you need it. The government helps you achieve your goal of having access to emergency health care by

4. You want to check the local weather forecast on the Internet to see whether your after-school baseball game is likely to be rained out. The government helps you achieve your goal of planning your afternoon by

5. You want to live in a nation that is safe from attack by foreign powers. The government helps achieve the goal of national security by
Would you be interested in investing your time and money in a business that promises a 10 to 20 percent return with virtually no risk? You may think it would be difficult to find such a wonderful investment, but in fact, many millions of people achieve this type of return every year when they invest in their own educations.

There are two basic costs of obtaining a higher education: the cost of the education itself, and the forgone income that is not earned while attending classes. These can be very substantial costs. Tuition at even the least expensive public-supported colleges runs several thousand dollars each year. Adding fees, books, and other supplies typically increases these costs to $10,000 or more each year. More expensive public institutions can cost two to three times this amount, and private institutions often reach a total of $50,000 a year or more. Lost earnings vary widely from person to person but are typically from $20,000 to $40,000 per year. Higher education, then, is likely to have a total cost of from $30,000 to $80,000 per year.

The benefits of obtaining a higher education, unlike its costs, last a lifetime. According to the 2012 Statistical Abstract of the United States, an average person could expect to achieve the following levels of income according to his or her educational achievement in 2009. Calculate the financial benefit a person would receive over 40 years of employment if each year of education had a total cost of $50,000. The cost, benefit, and return for an Associate’s Degree are provided as an example.

<table>
<thead>
<tr>
<th>Educational Attainment</th>
<th>Years of School Beyond High School</th>
<th>Average Annual Income In 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>High School</td>
<td>0</td>
<td>$23,520</td>
</tr>
<tr>
<td>Associate’s Degree</td>
<td>2</td>
<td>$36,012</td>
</tr>
<tr>
<td>Cost: $50,000 × 2 = $100,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Benefit: ($36,012 − $23,520 = $12,492) × 40 = $499,680</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return: $499,680 − $100,000 = $399,680</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bachelor’s Degree</td>
<td>4</td>
<td>$51,108</td>
</tr>
<tr>
<td>Cost:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Benefit:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Master’s Degree</td>
<td>6</td>
<td>$66,768</td>
</tr>
<tr>
<td>Cost:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Benefit:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Doctorate</td>
<td>8</td>
<td>$89,592</td>
</tr>
<tr>
<td>Cost:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Benefit:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return:</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Saving does not simply happen for most people. It most often is the result of creating and following a savings plan. If you want to have enough money to pay for your future education, you need to establish a savings plan now. The steps for creating a savings plan typically include:

1. Setting goals for your savings plan.
2. Determining how much you are able to save per period of time.
3. Deciding where you want to place your savings.
4. Periodically evaluating and adjusting your savings plan.

Imagine that you want to save $2,000 per year to put toward the cost of an advanced education. Create a savings plan you think you could achieve following the steps above. Why is it important for you to evaluate the results of your plan every so often? What would you do if you found you were not achieving your savings goals?

1. My goal for a savings plan would be to save $2,000 each year to put toward the cost of

2. How much do you think you could you save per week? What would this amount to per year?

3. Where would you place your savings?

4. How often would you evaluate your savings plan? What would you do if you found you were not meeting your goal?
Calculating Future Value

Worksheet A—Calculate the Future Value of Your Savings

When savings are deposited in most bank accounts, they earn interest. The rate of interest that is paid, however, can vary widely, depending largely on the term, or length of time that the funds will be left on deposit with the bank. When banks know they will have the use of deposited funds for long periods of time, they are able to invest them in ways that earn a better return for them. They are, therefore, willing to pay higher rates of interest to depositors who agree to leave their funds on deposit for extended periods of time.

Regardless of how often interest payments are made, they must be reported to depositors using the same method that has been established by the government. This is the Average Percentage Rate (APR). The APR makes it easy for savers to compare interest rates. A bank account that pays 2.1 percent APR for a one-year deposit offers 0.1 percent less than a bank that pays 2.2 percent APR for a similar deposit.

The value a deposit will reach over a number of years may be calculated by using this formula:

\[
\text{Value} = P \times (1 + i) \times (1 + i) \times (1 + i) \ldots \text{for as many years as there are in the term of the deposit}
\]

Where:

- \( P \) = Principle (original deposit)
- \( i \) = interest rate expressed as a decimal (APR)

**Directions:** Use this formula to calculate the final values of each deposit.

1. $1,000 deposited for three years at an APR of 3.5 percent

2. $1,000 deposited for two years at an APR of 3.0 percent

3. $1,000 deposited for four years at an APR of 4.0 percent
Calculating Future Value

Worksheet B—Predict the Future Value of Your Stock Investments

There are two methods of earning a return from investing in stock. First, many corporations pay a portion of their profits to stockholders in dividends. Second, when the price of stock increases over time, it may be sold for a capital gain. Of course, there is also the possibility that the price of stock may fall, which would result in a capital loss if it were sold. A stock’s total return on investment (ROI) is the combined dividend and change in its value per period of time divided by the amount invested in the stock, or

\[
\text{ROI} = \frac{(D + P)}{I} \div T,
\]

where:

\( D \) = Dividend

\( P \) = Change in price

\( I \) = Initial investment

\( T \) = Period of time

Directions: Calculate the ROI for the following stocks.

1. Teresa buys 200 shares of XYZ Corp. at $30 per share. XYZ pays a $1.50 dividend per share per year. She sells her XYZ stock for $36 per share two years after she bought it.

2. Benny buys 500 shares of ABC Corp. at $15 per share. ABC pays a $.50 dividend per share per year. He sells his ABC stock for $19.50 per share three years after he bought it.

3. Paula buys 400 shares of LMN Corp. at $25 per share. LMN pays no dividend. She sells her LMN stock for $20 per share four years after she bought it.
Managing Credit

Worksheet A—Build Your Credit History

At one time or another almost everyone borrows money. You might need to borrow to buy a car, pay for your education, or purchase a place to live. There are very few people who can buy these goods or services without the use of borrowed funds. To borrow funds, however, you need to convince lending institutions that you are a good credit risk. The best way to accomplish this is to build a good credit history or personal financial record that shows you use money responsibly and pay your debts on time.

Directions: Explain why each of the following individuals is making a mistake that will harm his or her credit histories in ways that may prevent the person from obtaining credit when it is needed in the future.

1. Katrina rents an apartment for $600 each month. She often fails to make her rent payments on time. Last year she skipped her rent for more than two months and paid only when her landlord threatened to have her evicted.

   This could harm Katrina’s credit history because

2. Tad never holds a job for more than a few months at a time. He always finds a reason to quit or is fired because he doesn’t come to work on time. Last year he held six different jobs.

   This could harm Tad’s credit history because

3. Betty has a number of credit cards that she uses to buy clothing and other products. She often forgets to make her payments on time and is forced to pay late fees. She has also run up charges that exceed her credit card limits from time to time.

   This could harm Betty’s credit history because
Managing Credit

Worksheet B—Know Your Credit Rights

A number of laws have been passed by the federal government to protect the rights of people who borrow. Among these are:

- The Truth in Lending Act of 1968 requires lending institutions to calculate interest they charge in the same way and report it as the annual percentage rate (APR).
- The Equal Credit Opportunity Act of 1975 made it illegal to refuse credit based on a person’s race, color, religion, national origin, gender, marital status, or age.
- The Fair Credit Reporting Act of 1971 and the Consumer Credit Reporting Act of 1996 allow individuals access to their credit histories and the opportunity to have mistakes corrected or to add explanatory notes to these records.
- The Fair Credit Billing Act, which is part of the Truth in Lending Act, gives consumers 60 days to correct credit-billing mistakes.
- The Fair Debt Collections Practices Act of 1977 sets rules for how collection agencies must treat people who are in debt.

Directions: Identify the act that would protect each of the consumers described below.

1. Nancy was refused credit because she was recently divorced and never had credit in her own name. She would be protected by the

2. Vera got sick and could not pay her bills on time. She was called repeatedly by collection agencies at 2:00 A.M. in the morning. She would be protected by the

3. Ken could not get banks to tell him the interest rate he would be charged if he took out a home mortgage. He would be protected by the

4. Tony was refused credit when he applied for a credit card but the bank would not tell him why they wouldn’t let him have the card. He would be protected by the

5. Rita found a charge for $47.99 on her credit-card statement for a purchase she did not make. The bank said she had to pay it anyway. She would be protected by the
Home Ownership

Worksheet A—Choose a Mortgage Loan

Banks and other lending institutions offer a wide variety of mortgage loans that can be tailored to the financial situations of most people who want to buy a house. Several of the more common types of mortgage loans are described below.

- Conventional fixed-rate mortgages charge the same rate of interest over the term of the loan. They typically require a substantial down payment of 20 percent or more of the home’s purchase price and have terms that can last from 15 to 30 years.

- Adjustable-rate mortgages charge an interest rate that initially is lower than that charged on a conventional fixed-rate mortgage. This rate, however, will be adjusted as prevailing interest rates change. They also require a substantial down payment and have terms that last from 15 to 30 years.

- Federal Housing Authority (FHA) mortgages are available to first-time homeowners at fixed interest rates that are normally similar to those charged on conventional fixed-rate mortgages. Because these loans are insured by the government, they require smaller down payments that can be as small as 5 percent of the purchase price. They typically have terms of 30 years.

- Graduated payment mortgages require smaller payments when they are first taken out and then higher payments at later times. Their interest rates typically are slightly higher than conventional fixed-rate mortgages. They require relatively smaller down payments that can range from 10 to 20 percent. Their terms typically are for 30 years.

Directions: Choose a mortgage loan that would be appropriate for each of the following individuals.

1. Alex and Meredith recently graduated from college and have both taken teaching jobs. Although they do not earn much income now, they expect to earn more in the future.

2. Vera and Jose both have good jobs and are able to make a substantial down payment. Interest rates are currently relatively low.

3. Yoshido and Kim have little money to put down on a home although they both have jobs. They have never owned a home before.

4. Carlos and Juana are worried about the high interest rates that are currently being charged for loans. They can make a substantial down payment but don’t want to pay high rates for many years.
Home Ownership

Worksheet B—Financial Advantages of Home Ownership

There are financial advantages that are available to homeowners that are denied to people who do not own homes. These include the following:

- Homeowners may deduct the interest they pay on their mortgages from their income when they calculate the amount of federal and state income tax they owe.

- Homeowners may deduct the property tax they pay from their income when they calculate the amount of federal and state income tax they owe.

- Homeowners may borrow at lower interest rates using the equity in their homes as collateral.

- When homeowners borrow against the equity in their homes, the interest they pay may be deducted from their income when they calculate the amount of federal and state income tax they owe.

- Homes often increase in value over time. When homeowners sell a home for a profit, the first $500,000 in profit is not taxed.

Directions: Write a story that demonstrates how Ron and Nancy might have benefited from each of these advantages. Assume they bought a home for $100,000 and raised a family in it before they sold it 30 years later for $300,000.
Economic Factors

Worksheet A—Leading Economic Indicators

If you owned a business, it would be helpful to know whether the economy would grow or fall into recession in the next six months. This knowledge could help you decide whether to expand your business by hiring more workers or cut back on production. If you were thinking of buying a home, it would be helpful to know whether your job was safe. Everyone could benefit from knowing how the economy will be doing in the future. It helps us make better decisions in our lives.

Fortunately, there are a number of leading indicators that can help people, businesses owners, and government leaders predict how the economy will be doing a few months in the future. The government collects and reports data about these indicators every month.

Directions: Explain how each of the following indicators would help you predict the future of the economy.

1. Business inventories of unsold goods are falling rapidly. This shows that

2. The value of stocks has increased by 10 percent in the past three months. This shows that

3. The number of permits issued to build new homes has fallen by 20 percent from last year. This shows that

4. The number of back-ordered goods from manufacturing businesses has declined 15 percent. This shows that
Much of what happens in the U.S. economy is influenced by decisions made by government leaders. Government leaders work to achieve many goals that are not all primarily intended to help the economy. When there is rapid inflation, for example, the best policy for the government to follow might be to increase taxes or cut spending to reduce demand for goods and services. Such a policy, however, would not be popular among most voters. Government leaders who are elected to office are often slow to increase taxes or reduce government spending for political reasons, even when these policies might be best for the economy.

Another political reality is the fact that different political leaders have different ideas about what would be best for the U.S. economy. Some leaders believe that cutting taxes for businesses that invest in new machines will help the economy grow. Others believe that providing farmers with price supports for the products they produce is a good idea. Still others want to allocate government funds to create a national medical-care system. By studying what political leaders who hold power believe, it is possible to predict how government policies will impact the economy.

Directions: Investigate the economic policies that are advocated by political leaders who currently hold power in the U.S. Congress and the White House. Write a paragraph describing these policies that answers the following questions: What impact would these policies probably have on the U.S. economy during the next few years? How might this knowledge help you make better decisions in your own life?
International Trade

Worksheet A—How Exchange Rates Are Set

When international trade occurs, there is a flow of money among nations that pays for goods and services that are traded. For this flow of money to take place, currencies must be traded for each other at a price that is called the exchange rate. For example, if a business in the United States sells computer chips to another business in Germany for $10 million, the firm in Germany must trade its euros for dollars to pay its debt. Suppose the exchange rate is $1.0 = E1.25. The quantity of euros needed to buy $10 million is:

\[
\text{Quantity of Dollars} \div \text{Exchange Rate} = \text{Quantity of Other Currency}
\]

\[
10,000,000 \div 1.25 = 8,000,000
\]

Exchange rates do not remain constant over time. They are set according to the demand and supply for different currencies. Anything that causes people to demand more of a currency will increase its value (cause it to appreciate) relative to other currencies. Anything that causes people to supply more of a currency will decrease its value (cause it to depreciate) relative to other currencies.

Directions: Consider each event and explain what it would do to the value of the U.S. dollar.

- U.S. residents buy $100 million worth of computer equipment from Japan. This would cause the value of the U.S. dollar to
- U.S. banks offer much higher interest rates than banks in other nations. This would cause the value of the U.S. dollar to
- U.S. businesses make large investments in other nations. This would cause the value of the U.S. dollar to
- Many foreign people purchase corporate stock in businesses in the United States. This would cause the value of the U.S. dollar to
International Trade

Worksheet B—How Exchange Rates Influence Trade

The price that you pay for an imported good, or the price a U.S. business receives for an exported good, depends on the exchange rate that exists between the U.S. dollar and other currencies. Suppose you decide to purchase a Toyota automobile that will be imported from Japan. The Japanese producer sets a price of ¥960,000 (yen) for the car. If the exchange rate is $1 = ¥120 the price of the car in dollars is ¥960,000/120 = $8,000. The cost of transportation, taxes, and dealer markups might bring the price you would pay to $12,000.

If the exchange rate had been $1 = ¥100, the price would have been quite different. Then the initial price of the car in dollars would have been ¥960,000/100 = $9,600. This $1,600 increase in the car’s price would discourage U.S. residents from buying the car. However, if the exchange rate had been $1 = ¥150, the initial price of the car in dollars would have been ¥960,000/150 = $6,400. This $1,600 decrease in price would encourage U.S. residents to buy the car.

Anything that causes the value of a nation’s currency to grow makes its exports more expensive to foreigners and foreign products less expensive to its own people. Anything that causes the value of a nation’s currency to fall makes its exports less expensive to foreigners and foreign products more expensive to its own people.

Directions: What would each of the following events do to U.S. exports and imports?

- The value of the U.S. dollar falls relative to the euro. What effect would this have on the amount of U.S. exports to and imports from Europe?

- The value of the U.S. dollar grows relative to the Canadian dollar. What effect would this have on the amount of U.S. exports to and imports from Canada?

- The value of the British pound falls relative to the U.S. dollar. What effect would this have on the amount of U.S. exports to and imports from Britain?

- The value of the Mexican peso grows relative to the U.S. dollar. What effect would this have on the amount of U.S. exports to and imports from Mexico?
Leadership

Worksheet A—What Makes a Person a Leader?

Every organization needs leaders to function efficiently. This is true of the government, businesses, and community organizations. Think of organizations that affect your life, and choose the one that is most important to you. Let a mental picture of the organization’s leader form in your mind.

Directions: Answer the following questions about this leader. Evaluate whether you believe this person is an effective leader.

1. Does this person have a personality that causes others to trust and follow him/her? Write a sentence that justifies your answer.

2. Does this person have organizational skills? Write a sentence that justifies your answer.

3. Does this person communicate clearly and concisely in writing and in person? Write a sentence that justifies your answer.

4. Does this person delegate responsibility effectively to others? Write a sentence that justifies your answer.

5. Is this person able to learn and change her/his policies when a situation changes? Write a sentence that justifies your answer.

6. Do you believe this person is an effective leader? Why or why not?
Leadership

Worksheet B—Develop Leadership Skills

Some people seem to be natural-born leaders, but this is not true of most people. Most leaders have chosen to develop a variety of skills to become effective leaders. There are many steps you could take now, as a high school student, that would help you become a leader in the future.

Directions: Evaluate each of the following decisions. Could you make similar choices to develop your own leadership skills?

- Nora decided to run for the office of vice-president of her school’s student senate. This could help Nora become a leader by

- Michel became the student manager of his school’s swimming team. This could help Michel become a leader by

- Katarina agreed to be assistant choirmaster for her church. This could help Katarina become a leader by

- Jamal accepted a job as editor of his school’s newspaper. This could help Jamal become a leader by

- Irene took a course in public speaking. This could help Irene become a leader by

- Will was chosen to be the captain of his school’s debate team. This could help Will become a leader by

- I could prepare to become a leader by
Philanthropy

Worksheet A—Evaluate Charitable Organizations

There are more than 100,000 charitable organizations in the United States that solicit contributions from the public. Most of these groups are responsible and work to make good use of the funds they receive. Unfortunately, some are not. Before you contribute to any charity, you should take the time to learn how your contribution will be used.

Several organizations evaluate charitable organizations according to how they use the funds they receive. One of these is the American Institute of Philanthropy (AIP), which publishes a Charity Rating Guide and Watchdog Report three times each year. This periodical lists major charitable organizations and rates them according to standards that are easily understood. These standards include each of the criteria listed in the bullet points below.

Directions: Evaluate each criterion. Why do you believe each was set? Do you believe that the criterion is reasonable?

- **Percent of funds spent on charitable purpose.** AIP regards 60 percent or more as reasonable.

- **Cost to raise $100 in contributions.** AIP regards a cost of $35 to raise $100 in contributions as reasonable.

- **Amount of available assets measures the time the charity would be able to continue to function if it received no additional contributions.** AIP regards amounts over three years as excessive.

- **Compensation for three top-paid executives reported to the IRS on Form 990.** AIP reports this amount but has not set a standard.
Philanthropy

Worksheet B—Charitable Giving and Your Taxes

Most people make charitable contributions to help people who are disadvantaged in some way, or to support causes in which they believe. However, they are also able to take advantage of laws that allow them to reduce their federal and state income tax liabilities because of their contributions. Taxpayers who file their federal income tax returns using Form 1040 can deduct their charitable contributions on Schedule A. Government leaders have written tax laws in this way to encourage charitable giving. It makes sense for people to take advantage of these laws when they make charitable contributions.

Directions: Calculate the tax benefit that could be realized by each of the following individuals.

- Brian pays combined federal and state income taxes at a marginal rate of 31 percent. He donated $500 to his church. By how much could his tax liability be reduced?

- Mandy pays combined federal and state income taxes at a marginal rate of 35 percent. She donated her used car that had a value of $3,000 to a charity. By how much could her tax liability be reduced?

- Vivian pays combined federal and state income taxes at a marginal rate of 23 percent. She drives her car to deliver meals to elderly people. She drove 1,200 miles last year making these deliveries. She is allowed to deduct $.32 per mile she drives. By how much could her tax liability be reduced?

- Geraldo helped paint a community center. He donated 20 hours of labor and five gallons of paint that cost $10 each. He pays combined federal and state income taxes at a marginal rate of 28 percent. By how much could his tax liability be reduced?