

MONEY MINDED ILLINOIS CURRICULUM
TEACHING
FINANCIAL LITERACY
&
INQUIRY



Illinois State Treasurer
MICHAEL FRERICHs

MONEY
MINDED
illinois



Illinois State Treasurer
MICHAEL FRERICHs

Dear educator,

Every child needs financial education to prepare them for the future. Students who participate in financial education lessons become more fiscally responsible adults, including having better credit scores, stronger saving and investing habits, and personal budgeting strategies. Part of my responsibility as the State Treasurer is to provide teachers and students with the financial education resources they need to succeed.

To achieve this, we are providing teachers like you with Money Minded Illinois. This free program provides a flexible curriculum to meet all Illinois State Board of Education financial literacy standards and many inquiry standards.

We provide free professional development opportunities for teachers, and we can host an informational presentation at your district. If interested, please contact us at moneyminded@illinoistreasurer.gov.

Together, we can ensure future generations are equipped with the financial skills they need to grow and thrive. Thank you for the work you do for the children of Illinois.

Sincerely,

A handwritten signature in blue ink that reads "Michael Frerichs".

Michael Frerichs
Illinois State Treasurer

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Our goal is simple: To make implementation of the financial literacy and inquiry standards easy for all Illinois teachers. Using the C3 Framework as a guide, our curriculum provides teachers with all the resources they need for each unit while ensuring the standards are taught. Below is a brief explanation of the structure of our units.

Inquiry

To break down the inquiry process, each lesson follows this format:

Ask → Investigate → Create/Discuss → Reflect

Ask

Each lesson starts with a compelling question. Next, there are three supporting questions that directly tie into the compelling question. Each supporting question gets a little tougher as you progress through the lesson, thus providing the opportunity for differentiating and compacting the curriculum.

Investigate

The featured resources are listed here. Depending on the lesson, these can range from reading for information pieces to videos to activities. These resources were designed to allow the students to do their own research and learn about the compelling question. Each resource has been created for you. If a lesson lists a video as a resource, you can find it at moneymindedillinois.com.

Create/Discuss

Here you will find the formative assessment performance activities for each supporting question. As in Investigate, the activities have all been created and are in the unit.

Reflect

This section is the lesson's summative assessment performance activity.

Professional Development

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MONEY MINDED ILLINOIS CURRICULUM

TEACHING FINANCIAL LITERACY & INQUIRY

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Grades 6-8, Lesson 1

Compelling Question: How has our interaction with money changed over time?

IL Financial Literacy Standard	SS.EC.FL.2.6-8.LC: Explain the roles and relationships between savers, borrowers, interest, time, and the purposes for saving
IL Econ Standard	SS.EC.2.6-8.MC: Explain how changes in supply and demand cause changes in prices and quantities of goods and services, labor, credit, and foreign currencies
Inquiry Standard	SS.IS.5.6-8.MdC: Identify evidence from multiple sources to support claims, noting its limitations. SS.IS.5.6-8.MC: Develop claims and counterclaims while pointing out the strengths and limitations of both.
Student Outcomes	Students will be able to explain the roles of money and banks in a market economy.

Introduction to Lesson

This inquiry initiates an investigation of money by presenting students with readings and graphic representations of income, money, and banking. Students should be able to develop a logical argument or project-based learning activity that answers the question *How has our interaction with money changed over time?*

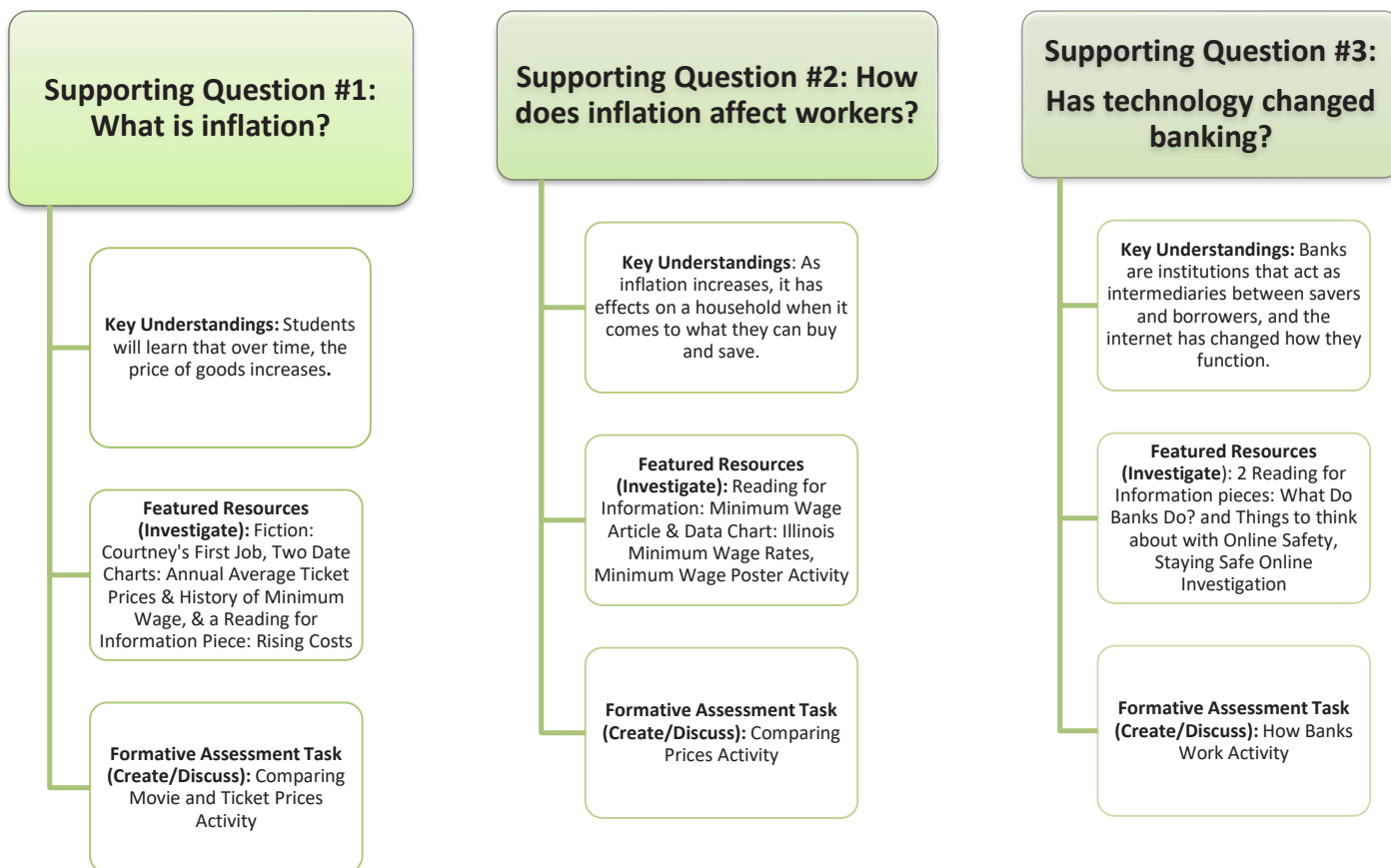
Students consider a series of supporting questions about money – how it started, how the values of it changes, and how technology has added a new component to financial decisions. By engaging with images, videos, charts, and graphs, students activate visual, auditory and kinesthetic learning. They work independently and in groups to answer questions, but more importantly, to ask even more questions of their own.

TIME FRAME: This lesson is designed to work on several levels; therefore, timing may differ depending upon how a class chooses to approach it. If the Supporting Questions are divided and offered to groups, the lesson can be completed in 2 – 3 days. If a whole class works its way through all the Supporting Questions, it could expand to 5 – 6 days. On the other hand, if teachers feel pressed for time, they may pick and choose different parts of the lesson to work through.

RATIONALE: The Supporting Questions develop from simple to more complex, thus providing the opportunity for differentiating and accelerating/compacting the curriculum. While the whole class considers the concept of money, individual students or groups can delve more deeply into concepts at levels that are appropriate for their abilities and interests. The opportunity for project-based learning provides a further level of complexity, as students not only reflect on their learning, but use their new knowledge to take action in the real world.

The lesson is structured as follows: Each lesson consists of three supporting questions that directly tie into the compelling question. Each supporting question gets a little tougher as you progress through the lesson. Each supporting question includes an Investigate and Create/Discuss section. The closed-reading activity can be used for each of the supporting questions or one that you select. The Reflect section is located toward the end of the lesson which provides students a chance to demonstrate their knowledge of money and allows you to have a summative evaluation.

Ask
Compelling Question: How has our interaction with money changed over time?



Staging the Compelling Question
The compelling question is, "How has our interaction with money changed over time?" The teacher can introduce the question by displaying coins, paper currency, checks, and credit cards. Ask the class, "What do these things have in common?" Students may say that all are forms of "money." Ask them how money has changed over time and discuss as a class. Explain that through this lesson, they will learn many ways that not only physical money has changed, but how the value of money and what we do with it has changed as well.

Supporting Question #1: What is inflation?

Supporting Question
The first supporting question investigates inflation. Students explore and observe that the value of money changes over time. They will read a short story about a girl who wants to go to the movies but has no money and must get a job. Students will plot data on a graph: wages and movie ticket prices. They will observe that as wages increase, so do prices. They will briefly be introduced to different types of inflation.

Investigate
Featured Resources
Fiction Piece – Courtney’s First Job: Students read about a teenager who wants money to go to the movies. She quickly learns that the hourly rate changes drastically through the years.
Data Chart – Movie Ticket Prices: Students will look at the cost of movies from 1948–2024.
Data Chart – Federal Minimum Wage Rates: Students will look at the minimum wage from 1938–2009 (most current)
Reading for Information-Rising Costs: This non-fiction reading piece explains the two most common types of inflation.

Create/Discuss
Formative Assessment Performance Activities
Comparing Wages and Movie Prices: Students will graph the correlation between the national minimum wage and movie prices to draw their own conclusions, including their own definition of inflation. As a class, discuss what inflation is and how it changes.
Writing Prompt: Students will analyze if they believe inflation is necessary.

Supporting Question #2: How does inflation affect workers?

Supporting Question
The second supporting question is, “How does inflation affect workers?” Students will analyze typical everyday product prices in recent years and discuss what, if any, effect they have on a household. They will then look at the Illinois minimum wage rates through the years and read a newspaper article on the Illinois minimum wage rate. From there, they will conduct their own research on the minimum wage and create a poster either supporting the rate change or not supporting it.

Investigate
Featured Resources
Reading for Information – Minimum Wage Article: Students read a newspaper article about the newest law in Illinois concerning the minimum wage.
Data Chart – Illinois Minimum Wage Rates: Using this primary source, students will be able to see how Illinois’ minimum wage rate has changed over time.
Minimum Wage Poster Activity: Students will conduct research on the new minimum wage law in Illinois. They will decide whether they agree with this law or not and create a poster to show their position.

Create/Discuss
Formative Assessment Performance Activities
Comparing Prices Activity: Students will compare common household expenses between 2011 and 2023.
Minimum Wage Poster Discussion: As a class, discuss the students’ viewpoints. What did they use to justify their position?

Supporting Question #3: Has technology changed banking?

Supporting Question
The third supporting question, “Has technology changed banking?” has students investigate ways in which the internet has had an impact on banks. They will first start off by learning how banks work and make money and then they will learn what type of impact technology has had on the industry and how they can participate in online banking and remain safe.

Investigate
Featured Resources
Reading for Information – What do banks do? This nonfiction piece gives an overview of the basics of how banks function and how they make money.
Reading for Information – Things to Think About When Online Banking: Students will read about some of the ways you can bank online and how to be safe while doing so.
Investigation Activity – Staying Safe Online: Students will research ways to stay safe online and create a top 10 list.

Create/Discuss
Formative Assessment Performance Activities
How Banks Work Activity: Students will participate in a role-playing game as a class to visually see how banks make and lend money.

Ask
How has our interaction with money changed over time?

Reflect	
Summative Assessment Performance Activities	
Task	Develop an argument, using credible sources as evidence, to answer the question.
Task	- Have students create a PowerPoint presentation that describes how the value of money has changed over time and the ripple effects it has on society. They should create the presentation as if they are trying to teach the concepts to students younger than they are. - Students divide into two sides for a debate: One side is for the increase of minimum wage, and one is against. - Students research how money has changed over time starting from the discovery of America to today.
Extension Activity	Use one of the project-based learning activities below: - Contact local bankers and ask for their opinions about the future of banks and money. Collect their responses in a PowerPoint presentation. - Interview older family members or other senior citizens with questions about prices and how they have changed over time. Create a video montage of their responses.

Courtney's First Job

Courtney and her friends were riding their bikes home from school. Everyone was talking about the new Star Wars movie that was coming out soon. They couldn't wait to go see it.

"We should definitely go opening night," said Jay. "Is everyone free? I'll get tickets."

"In!" Nikki and Courtney replied.

As soon as she got home, Courtney ran upstairs to her room to check her money jar. She kept all her money in the jar – including what she received for her birthday three weeks ago from her grandparents. She was hoping she still had some left, but her heart fell when she opened the money jar. There was only \$2 and some change left – not enough to see a movie. She decided to ask her mom for the rest.

As soon as she heard her mom home from work, Courtney ran downstairs.

"Mom? Can I ask a favor?"

"Sure, honey. What is it?"

"Can I have some money to see Star Wars with Nikki and Jay? Please?"

Her mom paused. "What happened to all your birthday money?"

"I spent it."

"Already?? On what?!"

"Well, I went to dinner with friends, and then I saw a new video game I had to—"

"Stop right there. There is no reason why you should already be out of money. It's time for you to realize how much work goes into having money. You're going to need to get a job. I won't be giving you any more money for anything you do not need."

"What? But, Mom—"



"If you want money to do things with your friends, you're going to have to start earning it. I'd start looking for a job if I were you."

Courtney sighed. She could tell her mom was serious. The only way she was going to see that movie was if she got a job.

She climbed the stairs to her bedroom and started looking online at part time jobs. She loved dogs, so she thought working as a dog walker would be okay. But when she looked closer, she learned most people needed their dogs walked in the middle of the day when she was at school, so that wouldn't work. Same went for being a nanny. She finally came across a job at the grocery store for night and weekend shifts. Her friend Nikki worked there and seemed to like it. But the job only paid \$15 an hour, which did not seem like much money.

"Mom, the only job I found that works with school pays \$15 an hour. What am I going to be able to do with that? It's not enough. I'd have to work a whole shift just to be able to afford to go to the movies once!"

"\$15? That's way more than I made at my first job. I made \$5.15 per hour." "What?! But you can't buy anything with that!"

"Things weren't as expensive back then. Even your brother made less than \$15 a few years ago. If you really want to be shocked, you should call your grandfather."

Courtney could not believe it. So, she started calling. She started with her brother Mike who was away at college. He had only made \$10 per hour as a lifeguard. Mike reminded her that even though it was recent, things were just a little bit cheaper a couple years ago.

She was shocked when she called her grandfather. He had only made \$3.35 an hour! Courtney could not understand how he was able to feed her mom and her two aunts on that. But, again, Grandpa reminded her that goods were a lot less when he was raising a family.

Courtney sat and thought about it.

While \$15 still didn't seem like a lot to her, she knew she was going to need the job if she wanted to go see Star Wars. The next day, she went to the grocery store to apply for the job, and she earned her first paycheck right in time to see the movie with her friends.

Annual Average U.S. Ticket Price	
Year	Movie Ticket Price
1948	\$0.36
1954	\$0.49
1958	\$0.68
1963	\$0.86
1967	\$1.22
1971	\$1.65
1974	\$1.89
1975	\$2.03
1976	\$2.13
1977	\$2.23
1978	\$2.34
1979	\$2.47
1980	\$2.69
1981	\$2.78
1982	\$2.94
1983	\$3.15
1984	\$3.36
1985	\$3.55
1986	\$3.71
1987	\$3.91
1988	\$4.11
1989	\$3.99
1990	\$4.22
1991	\$4.21
1992	\$4.15
1993	\$4.14
1994	\$4.08
1995	\$4.35
1996	\$4.42
1997	\$4.59
1998	\$4.69

1999	\$5.06
2000	\$5.39
2001	\$5.65
2002	\$5.80
2003	\$6.03
2004	\$6.21
2005	\$6.41
2006	\$6.55
2007	\$6.88
2008	\$7.18
2009	\$7.50
2010	\$7.89
2011	\$7.93
2012	\$7.96
2013	\$8.13
2014	\$8.17
2015	\$8.43
2016	\$8.65
2017	\$8.97
2018	\$9.11
2019	\$9.16
2020	\$9.18
2021	\$10.17
2022	\$10.53
2023	\$10.78
2024	\$10.78

Domestic Movie Theatrical Market Summary 1995 to 2024." The Numbers, <https://www.the-numbers.com/market/>

History of Federal Minimum Wage Rates Under the Fair Labor Standards Act, 1938 – 2009

Minimum hourly wage of workers in jobs first covered by

Effective Date	1938 Act ¹	1961 Amendments ²	1966 and Subsequent Amendments ³	
			Nonfarm Jobs	Farm Jobs
Oct. 24, 1938	\$0.25			
Oct. 24, 1939	\$0.30			
Oct. 24, 1945	\$0.40			
Jan. 25, 1950	\$0.75			
Mar. 1, 1956	\$1.00			
Sep. 3, 1961	\$1.15	\$1.00		
Sep. 3, 1963	\$1.25			
Sep. 3, 1964		\$1.15		
Sep. 3, 1965		\$1.25		
Feb. 1, 1967	\$1.40	\$1.40	\$1.00	\$1.00
Feb. 1, 1968	\$1.60	\$1.60	\$1.15	\$1.15
Feb. 1, 1969			\$1.30	\$1.30
Feb. 1, 1970			\$1.45	
Feb. 1, 1971			\$1.60	
May 1, 1974	\$2.00	\$2.00	\$1.90	\$1.60
Jan. 1, 1975	\$2.10	\$2.10	\$2.00	\$1.80
Jan. 1, 1976	\$2.30	\$2.30	\$2.20	\$2.00
Jan. 1, 1977			\$2.30	\$2.20
Jan. 1, 1978	\$2.65 for all covered, nonexempt workers			
Jan. 1, 1979	\$2.90 for all covered, nonexempt workers			
Jan. 1, 1980	\$3.10 for all covered, nonexempt workers			
Jan. 1, 1981	\$3.35 for all covered, nonexempt workers			
Apr. 1, 1990	\$3.80 for all covered, nonexempt workers			
Apr. 1, 1991	\$4.25 for all covered, nonexempt workers			
Oct. 1, 1996	\$4.75 for all covered, nonexempt workers			
Sep. 1, 1997	\$5.15 for all covered, nonexempt workers			
Jul. 24, 2007	\$5.85 for all covered, nonexempt workers			
Jul. 24, 2008	\$6.55 for all covered, nonexempt workers			
Jul. 24, 2009	\$7.25 for all covered, nonexempt workers			

¹ The 1938 Act was applicable generally to employees engaged in interstate commerce or in the production of goods for interstate commerce.

² The 1961 Amendments extended coverage primarily to employees in large retail and service enterprises as well as to local transit, construction, and gasoline service station employees.

³ The 1966 Amendments extended coverage to State and local government employees of hospitals, nursing homes, and schools, and to laundries, drycleaners, and large hotels, motels, restaurants, and farms. Subsequent amendments extended coverage to the remaining Federal, State and local government employees who were not protected in 1966, to certain workers in retail and service trades previously exempted, and to certain domestic workers in private household employment.

⁴ Grandfather clause - Employees who do not meet the tests for individual coverage, and whose employers were covered by the FLSA on March 31, 1990, and fail to meet the increased annual dollar volume (ADV) test for enterprise coverage, must continue to receive at least \$3.35 an hour.

⁵ A subminimum wage -- \$4.25 an hour -- is established for employees under 20 years of age during their first 90 consecutive calendar days of employment with an employer.

Source: <https://www.dol.gov/agencies/whd/minimum-wage/history/chart>

Rising Costs

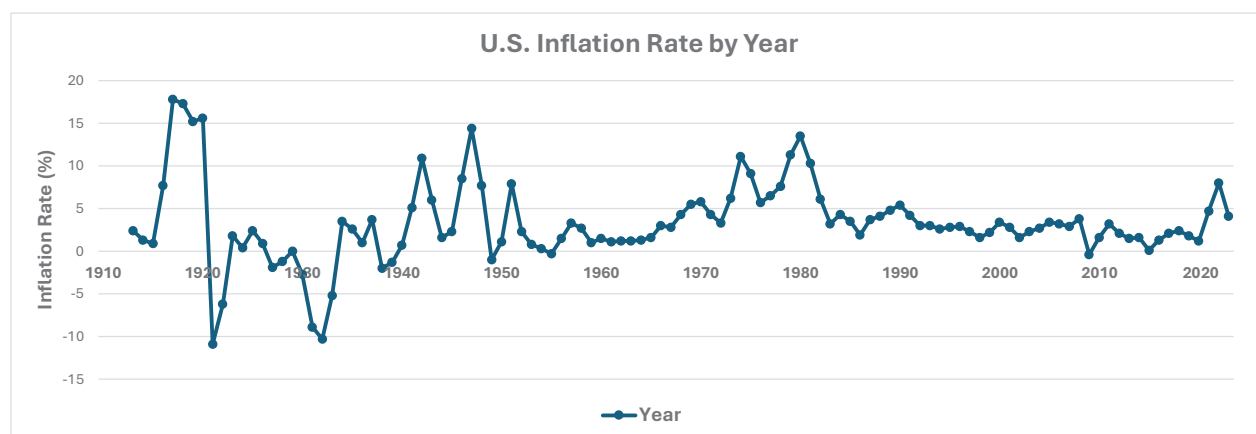
When it comes to the prices of the goods that we buy, you may have heard people complain about inflation. But what does that mean?

Inflation is an economic term, and it refers to the price of goods and services generally increasing over a period. Often, it is such a slow increase that consumers do not even notice it until years later. We know that inflation occurs regularly, and people can try to plan for increased prices throughout their life. For example, the price of milk today most likely won't be the same ten years from now. However, sometimes there is an unexpected sharp rise in cost, and that can cause problems for individuals and businesses alike. The rising price of everyday goods and services affects everyone, but why does it happen? There are many factors that go into inflation, but two are highlighted below: demand pull inflation and cost push inflation.

At times, there is an increased demand for products and services than the supply will allow, making the price increase. Who is demanding these goods to make the prices rise? Usually, it's households, businesses, governments, or foreign buyers. For example, during a natural disaster such as a hurricane or tornado, it is often harder to get resources such as gasoline. As a result, the price of gas increases, because there is not enough of it to meet the demand. This is an example of "demand-pull inflation."

The cost of raw goods and materials that goes into making a good or service often increases. Pretend you're building a house. You'll need lumber, windows, carpet, etc. If the cost of lumber rises, so will the cost of your house. Another example is a Starbucks latte. To make this, Starbucks needs milk. If the milk price increases, so does the price of your latte. This type of inflation is called "cost push inflation."

The Consumer Price Index (CPI) measures and keeps track of the costs of goods and services. CPI statistic is often used to identify periods of inflation.



Name: _____

Comparing Wages and Movie Prices

1. Using the two primary sources, draw a line graph to show the relationship between wages and ticket prices. You can pick any ten years you like.



-
1. What does the chart show about the relationship between wages and movie ticket prices?
 2. Why do you think this happens?
 3. This relationship demonstrates inflation. Based on what you see, come up with your own definition of inflation.

Inflation Writing Prompt

Is inflation necessary? Make sure you defend your argument by researching the pros and cons of inflation. You may use resources at the library or on the internet (from credible sources).

[illegible]This image shows a full page of primary-ruled paper. It features ten sets of horizontal lines across the page. Each set consists of three lines: a solid top line, a dashed middle line, and a solid bottom line. The lines are evenly spaced and extend from the left margin to the right edge of the page. There is no handwriting or other markings on the paper.

Gov. J.B. Pritzker signs law raising Illinois' minimum wage to \$15 an hour by 2025

Dan Petrella Contact Reporter Chicago Tribune, Feb. 9, 2019

Low-wage workers across Illinois will ring in 2020 with a \$1-per-hour raise after Gov. J.B. Pritzker on Tuesday signed a bill that sets the state's minimum wage on a path to reach \$15 per hour by 2025.

Pritzker signed the bill into law Tuesday morning during a ceremony at the Governor's Mansion in Springfield, making Illinois among the first states to approve a minimum wage of \$15 per hour, a goal set by the labor-backed Fight for \$15 movement. California will hit that level in 2022, Massachusetts in 2023 and New Jersey in 2024. New York's minimum wage eventually will reach \$15 per hour statewide through a series of increases tied to inflation.

Illinois last increased its minimum wage, to \$8.25 per hour, in 2010.

"For nine long years, there were many forces that were arrayed against giving a raise to the people who work so hard to provide home care for seniors, child care for toddlers, who wash dishes at the diner, and who farm our fields," Pritzker said before signing the measure. "Today is a victory for the cause of economic justice."

By signing the minimum wage increase into law before delivering his first budget proposal to lawmakers on Wednesday, Pritzker scored a major victory in the opening weeks of his term, fulfilling a campaign promise and demonstrating the power Democrats now wield in Springfield with control of the governor's office and the legislature. But Pritzker's first legislative victory came without a single Republican vote, highlighting the challenge he'll face making good on his promise to work with the minority party.

An estimated 1.4 million Illinois residents currently make less than \$15 an hour. Under

Petrella, Dan. "Gov. J.B. Pritzker Signs Law Raising Illinois' Minimum Wage to \$15 an Hour by 2025." *Chicago Tribune*, Chicago Tribune, 19 Feb. 2019, www.chicagotribune.com/news/local/politics/cd-met-illinois-minimum-wage-pritzker-signs-bill-20190219-story.html.

the law, on Jan. 1 the statewide minimum wage increases from \$8.25 to \$9.25 per hour. The minimum wage again will increase to \$10 per hour on July 1, 2020, and will then go up \$1 per hour each year on Jan. 1 until hitting \$15 per hour in 2025.

Since Illinois last raised its minimum wage, Chicago has increased its minimum wage to \$12 per hour, and Cook County's is now \$11. The city and county minimums each will increase by \$1 per hour July 1. The federal minimum wage remains \$7.25 per hour.

"It's been a long, long, long time coming," said Senate Majority Leader Kimberly Lightford, a Maywood Democrat who has sponsored numerous minimum wage bills, including the one signed Tuesday and another then-Gov. Bruce Rauner vetoed in 2017. "And so many people deserve the opportunity just to feel hope, to feel like they can go to work and come home and have dignity and pride and respect in what they do. This is our first step in giving them that opportunity."

While Democrats and their supporters in organized labor were celebrating the minimum wage victory, Republicans and business interests continued sounding warnings that rising wages will lead employers to cut workers' hours, eliminate jobs, invest in automation or close their doors. GOP lawmakers and business groups called for lower minimum wages in the collar counties outside Chicago and downstate to account for the lower cost of living in those areas.

Businesses already are evaluating how a higher minimum wage will affect the bottom line and beginning to plan accordingly, said Rob Karr, president and CEO of the Illinois Retail Merchants Association, which led the push for a minimum wage that varies by region.

"They have a limited ability to raise prices, so ... everything's going to be on the table," Karr said, including cutting employee benefits and jobs.

In an attempt to ease the burden on employers, the law creates a tax credit to help businesses with 50 or fewer employees offset some of the cost of wage increases. Employers will be able to claim a tax credit for 25 percent of the cost in 2020, and the credit will scale back annually, then eventually phase out.

Petrella, Dan. "Gov. J.B. Pritzker Signs Law Raising Illinois' Minimum Wage to \$15 an Hour by 2025." *Chicago Tribune*, Chicago Tribune, 19 Feb. 2019, www.chicagotribune.com/news/local/politics/cd-met-illinois-minimum-wage-pritzker-signs-bill-20190219-story.html.

The law also preserves the way restaurants and other employers with tipped workers count gratuities toward employees' wages, and it sets a lower minimum wage for workers younger than 18 who work fewer than 650 hours in a year. The minimum wage for younger employees — currently \$7.75 per hour — would increase to \$8 on Jan. 1 and peak at \$13 per hour in 2025.

Like most issues in Springfield, the state's troubled finances entered the minimum wage debate. State agencies and universities employ workers who earn minimum wage, and the state reimburses social service providers who care for the elderly and people with disabilities, among other services. So an increase in the minimum wage means higher costs for the state each year it goes up. Pritzker has promised his budget proposal will account for those costs.

Petrella, Dan. "Gov. J.B. Pritzker Signs Law Raising Illinois' Minimum Wage to \$15 an Hour by 2025." *Chicago Tribune*, Chicago Tribune, 19 Feb. 2019, www.chicagotribune.com/news/local/politics/cd-met-illinois-minimum-wage-pritzker-signs-bill-20190219-story.html.

Minimum Wage Poster Activity

As you just read, Governor JB Pritzker signed into law an increase to Illinois' minimum wage. Some people think this is a great idea, and others do not. You are going to research this issue and determine where you stand on it.

You will investigate a variety of sources to determine whether the minimum wage in Illinois is adequate for people to buy the goods and services they need. Make sure you research multiple points of view from credible sources to determine what you think. As you are conducting your research, consider how the minimum wage affects the well-being of individuals in Illinois and society. Who benefits? Does anyone lose?

Make sure you are keeping track of your resources, as you will need to cite all sources utilized on a separate sheet of paper.

When you are finished with your research, you will create a poster regarding the minimum wage in Illinois- do you agree with raising it to \$15/hour or not? Be sure to list at least five key points, based on the evidence you collected, to support your position.

To help you create your post, list your five key points here as you research:

1. _____
2. _____
3. _____
4. _____
5. _____



ILLINOIS MINIMUM WAGE RATES

Rate	Effective Date
\$1.40	1/1/1972
\$1.40	1/1/1973
\$1.40	1/1/1974
\$1.40	1/1/1975
\$2.10	1/1/1976
\$2.10	1/1/1977
\$2.10	1/1/1978
\$2.30	1/1/1979
\$2.30	1/1/1980
\$2.30	1/1/1981
\$2.30	1/1/1982
\$2.30	1/1/1983
\$2.65	1/1/1984
\$3.00	10/1/1984
\$3.35	7/1/1985
\$3.35	1/1/1986
\$3.35	1/1/1987
\$3.35	1/1/1988
\$3.35	1/1/1989
\$3.35	1/1/1990
\$3.80	1/1/1991
\$4.25	1/1/1992
\$4.25	1/1/1993
\$4.25	1/1/1994
\$4.25	1/1/1995
\$4.25	1/1/1996
\$4.75	1/1/1997
\$5.15	1/1/1998



\$5.15	1/1/1999
\$5.15	1/1/2000
\$5.15	1/1/2001
\$5.15	1/1/2002
\$5.15	1/1/2003
\$5.50	1/1/2004
\$6.50	1/1/2005
\$6.50	1/1/2006
\$7.50	7/1/2007
\$7.75	7/1/2008
\$8.00	7/1/2009
\$8.25	7/1/2010
\$8.25	1/1/2011
\$8.25	1/1/2012
\$8.25	1/1/2013
\$8.25	1/1/2014
\$8.25	1/1/2015
\$8.25	1/1/2016
\$8.25	1/1/2017
\$8.25	1/1/2018
\$8.25	1/1/2019
\$9.25	1/1/2020
\$10.00	7/1/2020
\$11.00	1/1/2021
\$12.00	1/1/2022
\$13.00	1/1/2023
\$14.00	1/1/2024
\$15.00	1/1/2025

Comparing Prices

As you have learned, inflation is the rising cost of goods. But what does that mean for the average worker? How does that impact them? Study the chart below and answer the following questions.

This chart represents the average price in the entire United States. Many of these costs change depending on where you live.

	Average Price in 2011	Average Price in 2023
Gasoline, all types, per gallon ¹	\$3.58	\$3.66
Eggs, per dozen ¹	\$1.76	\$2.80
Ground beef, per pound ¹	\$3.18	\$5.03
Chicken, per pound ¹	\$1.29	\$1.91
Milk, fresh, whole, per gallon ¹	\$3.57	\$4.03
Navel oranges, per pound ¹	\$1.10	\$1.58
White bread, per pound ¹	\$1.44	\$1.96
Electricity, per KWH ¹	\$0.13	\$0.17
Utility (piped) gas, per therm ¹	\$1.07	\$1.46
4-year public college, per year ²	\$17,577.00	In-State: \$28,840.00 Out-of-State: \$46,730.00
Annual single person health insurance premium (total) ³	\$5,571.00	\$8,435.00
New car ⁴	\$25,498.00	\$48,334.00
Housing, per month	\$1,400.25	Rent ⁵ : \$1,372.00 Mortgage ⁶ : \$2,390.00
Average total expenditures, per year ⁷	\$49,705.00	\$72,976.00*

1. How do you think the average household budget changed from 2011 to 2018? What type of changes would a family have to make?
2. Looking at the average costs, what type of impact do you think inflation has on a household's ability to save?
3. What do you think would happen if a person made the same amount of money in 2008 and 2015?

"Databases, Tables & Calculators by Subject." U.S. Bureau of Labor Statistics, U.S. Bureau of Labor Statistics, www.bls.gov/data/#api. "Digest of Education Statistics, 2017." National Center for Education Statistics (NCES) Home Page, a Part of the U.S. Department of Education, National Center for Education Statistics, nces.ed.gov/programs/digest/d17/tables/dt17_330.20.asp?current=yes.

¹ U.S. Bureau of Labor Statistics (average of all months in 2023)

² College Board (includes tuition & fees, housing & food, books & supplies, transportation, and personal costs)

³ Kaiser Family Foundation

⁴ Kelley Blue Book

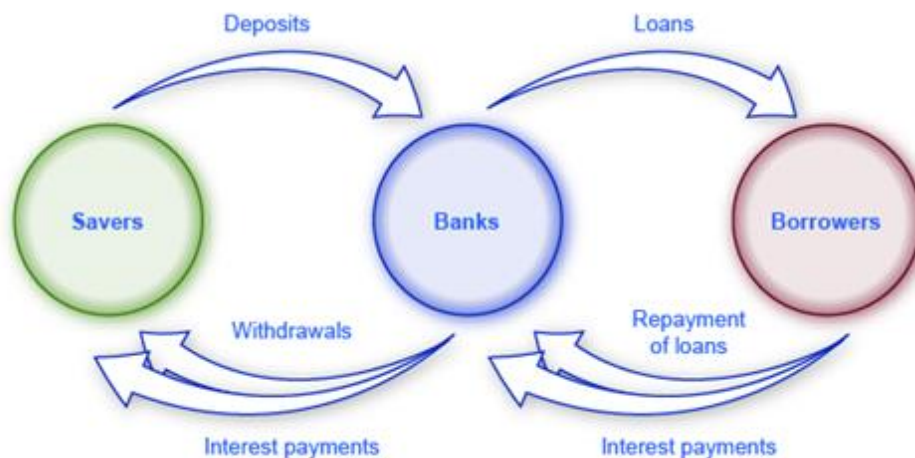
⁵ Forbes

⁶ QuickenLoans

What Do Banks Do?

Banking is a difficult concept to understand. There are a lot of moving pieces, and sometimes it's like they have their own language! It's important to understand the basics of banking so you can ensure that you know what is happening with your money. Below are excerpts from an article (edited to break the concept a little easier) that tries to break down the basics of banking.

While reading, keep this image in mind.



The Banking System

Accounting for trillions in assets worldwide, the banking system is a crucial component of the global economy. While money-changing and money-lending may be as old as money, banking dates back to 15th century medieval Italy, and played a major role in the rise of the Italian city-states as world economic powers.

Banks are just one part of the world of financial institutions, standing alongside investment banks, insurance companies, finance companies, investment managers and other companies that profit from the creation and flow of money. As financial intermediaries, banks stand between depositors who supply capital and borrowers who demand capital. 'Capital' refers to the wealth that is owned by individuals or a company. Given how much commerce and individual wealth rests on healthy banks, banks are also among the most heavily regulated businesses in the world.

"Texas Gateway." *Cell Specialization and Differentiation* | Texas Gateway, www.texasgateway.org/resource/133-role-banks.

Stephen D. Simpson, CFA. "The Banking System." *Investopedia*, Investopedia, 30 Mar. 2017, www.investopedia.com/university/banking-system/.

Accept Deposits / Make Loans

At the most basic level, what banks do is simple. Banks accept deposits from customers, raise capital from investors or lenders, and then use that money to make loans and provide financial services to customers. These loans are then used by people and businesses to buy goods or expand business operations, which in turn leads to more deposited funds that make their way to banks.

If banks can lend money at a higher interest rate than they have to pay for funds and operating costs, they make money.

Provide Safety

Banks also provide security and convenience to their customers. Part of the original purpose of banks, and the goldsmiths that predated them, was to offer customers safe keeping for their money. Of course, this was back in a time when a person's wealth consisted of actual gold and silver coins, but to a large extent this function is still relevant. By keeping physical cash at home, or in a wallet, there are risks of loss due to theft and accidents, not to mention the loss of possible income from interest. With banks, consumers no longer need to keep large amounts of currency on hand; transactions can be handled with checks, debit cards or credit cards instead.

While banks do not keep gold or silver bullion as currency on hand anymore, many, if not most, banks still maintain vaults and will rent out space to customers, in the form of safe deposit boxes. This allows customers to keep precious or irreplaceable items in a secure setting and gives the bank an opportunity to earn a little extra money, without risk to its capital.

Deposits

The largest source by far of funds for banks is deposits; money that account holders entrust to the bank for safekeeping and use in future transactions, as well as modest amounts of interest. Generally referred to as "core deposits," these are typically the checking and savings accounts that so many people currently have.

In most cases, these deposits have very short terms. While people will typically maintain accounts for years at a time with a particular bank, the customer reserves the right to withdraw the full amount at any time. Customers have the option to withdraw money upon demand and the balances are fully insured, up to \$250,000. Many banks pay no interest at all on checking account balances, or at least pay very little, and pay interest rates for savings accounts that are well below U.S. Treasury bond rates.

Use of Funds

Loans

For most banks, loans are the primary use of their funds and the principal way in which they earn income. Loans are typically made for fixed terms, at fixed rates and are typically secured with real property; often the property that the loan is going to be used to purchase. Some examples of this include loans to start a new business or a construction project.

"Texas Gateway." *Cell Specialization and Differentiation* | Texas Gateway, www.texasgateway.org/resource/133-role-banks.

Stephen D. Simpson, CFA. "The Banking System." *Investopedia*, Investopedia, 30 Mar. 2017, www.investopedia.com/university/banking-system/.

As such, banks play an under-appreciated role in the economy. To some extent, bank loan officers decide which projects, and/or businesses, are worth pursuing and are deserving of capital.

Consumer Lending

Consumer lending makes up the bulk of North American bank lending, and of this, residential mortgages make up by far the largest share. Mortgages are used to buy homes and are typically written for 30-year repayment periods and interest rates may be fixed, adjustable, or variable.

Automobile lending is another significant category of secured lending for many banks. Compared to mortgage lending, auto loans are typically for shorter terms and higher rates. Banks face extensive competition in auto lending from other financial institutions, like captive auto financing operations run by automobile manufacturers and dealers.

As the cost of post-secondary education continues to rise, more and more students find that they have to take out loans to pay for their education. Accordingly, student lending has been a growth market for many banks.

Credit cards are another significant lending type and an interesting case. Credit cards are, in essence, personal lines of credit that can be drawn down at any time. While Visa and MasterCard are well-known names in credit cards, they do not actually underwrite (take risk on) any of the lending. Visa and MasterCard simply run the networks through which money (debits and credits) is moved around between the shopper's bank and the merchant's bank, after a transaction.

"Texas Gateway." *Cell Specialization and Differentiation* | Texas Gateway, www.texasgateway.org/resource/133-role-banks.

Stephen D. Simpson, CFA. "The Banking System." *Investopedia*, Investopedia, 30 Mar. 2017, www.investopedia.com/university/banking-system/.

Things to think about with Electronic or Online Banking



A debit card is directly tied to your bank account and is used in the same way as cash or a check. When you use your debit card, the amount of your purchase will be automatically deducted from your account. It's important to keep a record of all your debit card transactions – just as you would with checks that you write. It's also important that you check your transactions against your bank statement to make certain they are correct. It's important to contact your bank immediately if you have a problem or think there may be a security breach of your account.

The internet has brought massive changes to almost everything, including banking. It provides connections to almost anything imaginable – all within a matter of seconds. It's important to think about the pros and cons of using online banking. Here are a few main considerations:

Advantages. Generally, online banking is secure, as long as the website has a valid security certificate. Be sure you only use a website that has 'https' before the website's domain name. If it does not, it can be a red flag that the website is not safe. Another advantage is you can visit the website and conduct transactions when it is convenient for you, and on a variety of devices, instead of worrying whether the bank is still open. There are many bank-related services available online such as viewing your statements, applying for a loan, and transferring money.

Disadvantages. Identity theft is a problem and banks can be affected. It can take months, sometimes even years, for a breach in your identity to be cleared up. Remember that not all online transactions are immediate. If you are paying a bill that's due, it may take a couple of days for the transaction to clear so plan accordingly and don't wait until the last minute. Sometimes it's hard to determine if an email you

Electronic Banking includes:

- Automated Teller Machines (ATMs)
- Debit cards
- Automatic withdrawals and transfers
- Direct deposits
- Online banking services

You can use an ATM to:

- Make deposits or withdrawals
- Transfer money between accounts
- Check your balance

You can use a debit card to:

- Pay for purchases at a store
- Pay for purchases online

You can use a computer or digital device to:

- Check your account balance
- Transfer money between accounts
- Pay bills
- Make payments on loans

Source: Consumer Financial Protection Bureau, Council for Economic Education, Financial Fitness for Life, Grades 6-8

receive is actually from your bank or an online hacker. Always make sure you log on directly to your bank's website and not by clicking a link through an email message.

Overall, online banking does have some advantages and disadvantages, but consumers will likely use it even more in the coming years. Therefore, you must take care to protect your personal and financial information. Remember, get a hold of your bank right away if you ever have doubts about something. It's always good to listen to your 'gut instinct' when you feel something is not right.

Monitor the fees! Most banks charge service fees but be careful – fees can sneak up on you and quickly add up. Here are a few tips:

- ✓ **Minimum balance.** It can be easy to lose track of your monthly balance when using a debit card. If your balance falls below the minimum, you will receive a service charge. This amount is automatically deducted from your account.
- ✓ **Overdrawn accounts.** Overdrawing an account means that you have used more money than you have in the account. Most banks will charge you an overdraft fee in addition to other charges.
- ✓ **Savings account withdrawals.** There is a federal law limiting how many times you can withdraw money from a savings account. You will be charged an excessive-activity fee if you withdraw six times per month. The law encourages people to build up their savings instead of frequently using it for incidental purchases.



Did you know that purchases under \$25 cause the majority of debit card overdraft fees?

Always keep track of your how much money you have in the bank!

Name: _____

Investigation Activity – Staying Safe Online

It's important for individuals to stay safe online by protecting their identity and financial information. It's your turn to conduct independent research and find out what are the top recommendations for staying safe online.

Step 1: Write down a minimum of three inquiry question involving online safety.

1. _____

2. _____

3. _____

Step 2: Independent Research. Begin exploring and investigating your questions to gather data. Sites and information you collect should be from credible resources. If you are using a blog, make sure you note it is someone's personal opinion. Keep track of your sources so you can properly cite them.

Step 3: Analyze the information to determine what are the best practices for staying safe online. Create a Top 10 list of advice you can provide to others to educate them about the importance of online safety.

Step 4: Discuss your findings with your classmates.



How Banks Work Activity

You learned that banks act as intermediaries. They accept money from savers, and pay them interest. They lend some of that money to borrowers, and charge them interest. Banks make a profit by charging for their services. They receive more interest from borrowers than they pay to savers.

This activity demonstrates how banks make loans and earn a profit.

First, you will draw a number out of a bag (1-4). This number represents how many index cards you will receive. Your index cards represent your income, as well as your paper clips.

You get to decide whether you are going to build a house or start a business. Here are the costs:

- Big business – 4 index cards
- Big house – 3 index cards
- Small business – 2 index cards
- Small house – 1 index card

When directed, you will flip your coins two times to decide what to build:

- Heads-Heads: You will build a big business
- Heads-Tails: You will build a big house
- Tails-Heads: You will build a small business
- Tails-Tails: You will build a small house

Depending on what you get, stack your cards together, and label the top one accordingly. If you are building a business, label what kind of business you would like to build. Then, bring it over to the community table.

After, decide if you want to put your leftover index cards back in the bank. If you do, you'll receive in interest one paperclip.

If you run out of business cards as our community continues to build, you will have to take a loan out of the bank. You will be charged two paper clips for one index card.



How Banks Work Activity – Teacher Information

In the reading information, students learned about banks and how they act as intermediaries between savers and borrowers. This activity demonstrates how banks make loans and earn a profit. The teacher is the banker and the object of the game is to fill the community with homes and businesses, just like a real community.

Items Needed:

- One penny for each student
- 6 paper clips per student (plus 25 additional paper clips)
- Write the numbers 1, 2, 3, or 4 on half slips of paper (enough so each student in class gets a number). Fold those half slips of paper either in half or quarters so the students don't see the number on the inside.
- 100 index cards
- Stapler
- Build a “community” by using either a large table or putting a few desks together

Instructions:

- Place the folded slips of paper with numbers in a paper bag. Each student draws a number out of the bag and receives that number of index cards.
- Explain to students that the index cards and paper clips represent income. Not all students have the same income, just as people in a real society earn different incomes.
- After the students receive their cards, put the remaining cards in the ‘bank’.
- You, as the teacher, are the bank. Count the bank's assets:
 - How many paper clips does the bank have? (This should be 25- the additional paper clips listed in Items Needed)
 - How many index cards does the bank have?
 - Write those numbers on the board
- Explain that students will use their income to either build a house or start a business.
- Each student will flip their coin two times to decide what they will build:
 - Heads-Heads: They will build a big business (4 cards)

- Heads-Tails: They will build a big house (3 index cards)
- Tails-Heads: They will build a small business (2 index cards)
- Tails-Tails: They will build a small house (1 index card)
- If students have enough index cards to build, they staple the index cards together
 - If they are building a house, they label their pack of cards “H” and place the pack somewhere on the community table.
 - If they are building a business, they label their pack of cards with the kind of business they decide to build (e.g., grocery store, jewelry shop, barber, computer repair, ice cream, restaurant, etc.) and put that pack on the community table.
 - Students should not duplicate any businesses.
 - Students should arrange the businesses and houses so that they are set up the way a real community might be.
- If students have index cards left over, they can save them in the bank. They receive one paper clip in interest from the bank for each card they save.
- Have students flip their coins at least three times.
- What can students do if they do not have enough cards to build? Explain that students who need money to build can borrow from the bank. They must pay the bank 2 paper clips for each card they receive.
 - Explain that the bank charges more interest to borrowers (2 clips per index card) than it pays to savers (1 clip per index card). This is part of how a bank makes a profit.
- To conclude, count the number of paper clips and cards the bank has at the end (after three flips of the coins) and compare it to the numbers on the board from the start of the activity.
- Discuss how many has changed hands and how the bank has helped people in the community.

Grades 6-8, Lesson 2

Compelling Question: How does investment in human capital affect individuals in society?

IL Financial Literacy Standard	EC.FL.6-8.LC: Analyze the relationship between skills, education, jobs, and income.
IL Econ Standard	SS.EC.1.6-8.MC: Evaluate alternative approaches or solutions to current economic issues in terms of benefits and costs for different groups or society as a whole.
Inquiry Standard	SS.IS.2.6-8: Ask essential and focusing questions that will lead to independent research. SS.IS.3.6-8: Determine sources representing multiple points of view that will assist in organizing a research plan. SS.IS.5.6-8.MdC: Identify evidence from multiple sources to support claims, noting its limitations. SS.IS.6.6-8LC: Construct arguments using claims and evidence from multiple sources, while acknowledging their strengths and limitations. SS.IS.6.6-8MC: Present arguments and explanations that would appeal to audiences and venues outside the classroom using a variety of media. SS.IS.7.6-8: Critique the structure of credibility of arguments and explanations (self and others) SS.IS.8.6-8.LC: Analyze how a problem can manifest itself and the challenges and opportunities faced by those trying to address it. SS.IS.8.6-8.MC: Apply a range of deliberative and democratic procedures to make decisions and take action in schools and community contexts.

Introduction to Lesson

The compelling question for this lesson is: *How does investment in human capital affect individuals in society?* This inquiry initiates an investigation of human capital by presenting students with several opportunities to examine the skills, education, and experiences individuals need in order to be productive workers and citizens. Students should be able to develop a logical argument or project-based learning activity that answers the compelling question.

Students consider a series of supporting questions about human capital and its relationship to education, income, and incarceration. By engaging with images, videos, charts and graphs, students activate visual, auditory, and kinesthetic learning. They work independently and in groups to answer questions, but more importantly, to ask even more questions of their own.

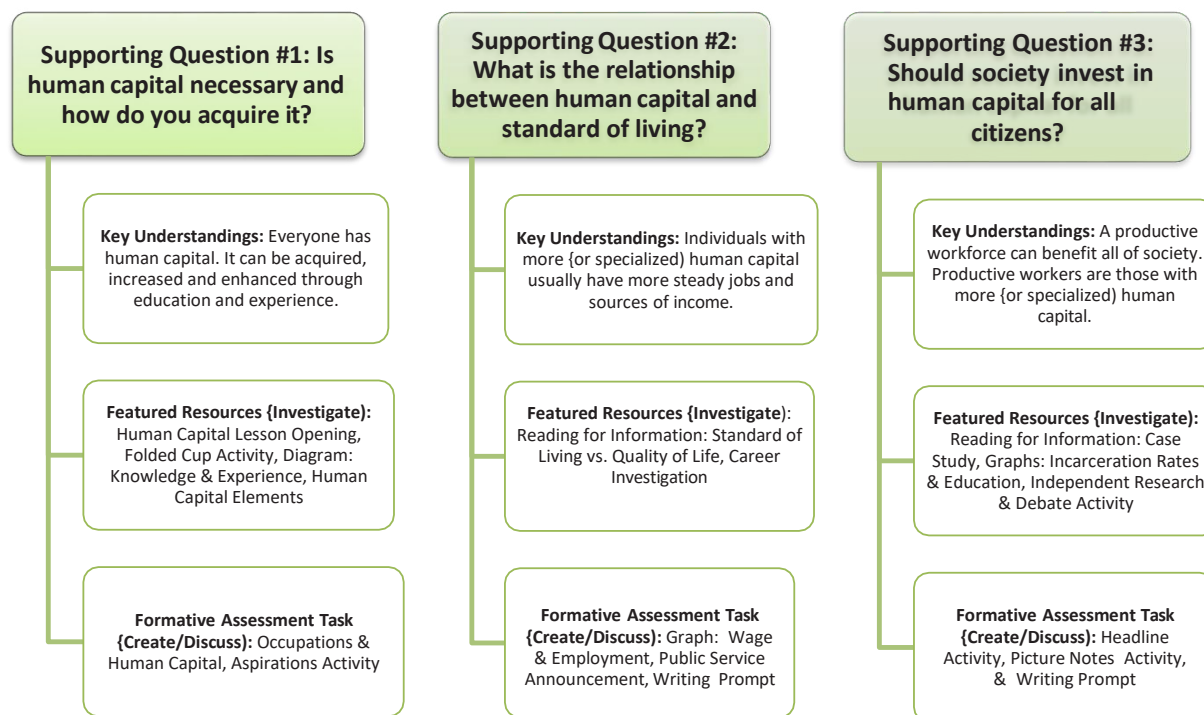
Timeframe: This lesson is designed to work on several levels; therefore, timing may differ depending upon how a class chooses to approach it. If the Supporting Questions are divided and offered to groups, the lesson can be completed in 2-3 days. If a whole class works it way through all of the supporting questions, it could expand to 5-6 days. On the other hand, if teachers feel pressed for time, they may pick and choose different parts of the lesson to work through.

Rationale: The supporting questions develop from simple to more complex, thus providing an opportunity for differentiating and accelerating/compacting the lesson. While the whole class considers the concept of income, individual students or groups can delve more deeply into concepts at levels that are appropriate for their abilities and interests. The opportunity for project-based learning provides a further level of complexity, as students not only reflect on their learning, but use their new knowledge to take action in the real world.

Structure of the Inquiry: The lesson is structured as follows: Each lesson consists of three supporting questions that directly tie into the compelling question. Each supporting question gets a little tougher as you progress through the lesson. Each supporting question includes an Investigate and Create/Discuss section. The Closed-Reading Activity can be used for each of the supporting questions or one that you select. The Reflect section is located towards the end of the lesson which provides students a chance to demonstrate their knowledge of money and allows you to have a summative evaluation.

Ask

Compelling Question: How does investment in human capital affect individuals in society?



Staging the Compelling Question

The compelling question is, “How does investment in human capital affect individuals and society?” The teacher can introduce the question by printing the words “Investment,” “Human,” and “Capital” on sheets of construction paper and having three students hold the sheets for the whole class to see.

Ask the class to define each word and use it in a sentence. Students may struggle with the word “capital,” probably defining it as “the seat of government in a state or country.” Explain that “capital,” in economic terms, means “goods used in the production of other goods” (e.g., tools, machinery, financial resources, etc.). Then have the students with “human” and “capital” come together to form the expression “human capital.” Explain that human capital is what makes humans more productive.

Human capital is the combination of talent, skills, education, training, experience, health, attitude, and ethics that makes workers more productive.

Supporting Question #1: Is human capital necessary and how do you acquire it?

Supporting Question
The first part of the investigation is whether human capital is necessary. After a brief defining discussion, students will use a Mind Map to organize their thoughts about the components of human capital. A performance assessment will invite them to create their own Mind Maps with an occupation as the central focus. They should be able to suggest areas of human capital that are necessary for success in that occupation. Students are provided with a graphic comparing knowledge and experience. As they interpret the graphic, they should conclude that both knowledge and experience are necessary components of a productive worker: knowledge alone is lacking connections; experience would be less meaningful without knowledge. Students will participate in a simulation that illustrates the importance of human capital (specifically experience, knowledge and training) in producing a product – in this case a paper cup. Students will form three equal groups; each group will be provided with differing levels of human capital support. Students should be able to conclude that enhancements of human capital result in more productive workers and a better product. In addition, students will complete a performance assessment in which they identify the kinds of human capital (Mnemonic device: ASK THE TEE: attitude, skill, knowledge; talent, health, ethics; training, education, experience) required for different occupations. They can extend learning by suggesting another occupation, perhaps one that they themselves aspire to someday.

Investigate
Featured Resources
Human Capital Lesson Opening: To use at the beginning of the lesson, students write down what they think key words mean for discussion.
Folded Cup Activity: Students are divided into three groups and view the finished cup. This exercise illustrates the importance of education, training, and tools and how it enhances human capital, thereby resulting in a better product.
Diagram – Knowledge & Experience: Students view an illustration on knowledge and experience. They are asked to write 2-3 sentences describing the relationship between the two.
Human Capital Elements: Students will learn the nine different parts of human capital.

Create/Discuss
Formative Assessment Performance Activities
Occupations and Human Capital: Students will brainstorm for discussion aspects of human capital that are needed for four different occupations.
Aspirations Activity: Students create an original mind map with an occupation as the central focus. Students will also explain how each area of human capital is related to the occupation.

Supporting Question #2: What is the relationship between human capital and standard of living?

Supporting Question
The second supporting question, “What is the relationship between human capital and standard of living?” challenges students to read and interpret data. They are provided with two graphics; one demonstrates how increased levels of education generally are associated with lower levels of unemployment and one that shows

increased levels of education result in higher wages. Education is looked at through a variety of measures, from high school to college to specialized certificates. Students should conclude that investment in human capital can propel workers toward better paying jobs, jobs that are more specialized and require greater skill or training.

In a performance assessment related to the first graph, students are asked to create a public service announcement that encourages classmates to continue their education. Students will then reflect on human capital, standard of living, and quality of life through a writing prompt.

Investigate
Featured Resources
Reading for Information – Standard of Living vs. Quality of Life: Students will read about the definitions of these two terms and apply it to their writing prompt.
Career Investigation: Students will use the Bureau of Labor Statistics website to look up information about a career that interests them.

Create/Discuss
Formative Assessment Performance Activities
Wage & Employment Graphs: Students analyze graphs from the U.S. Bureau of Labor Statistics on the unemployment rates, educational level, and median earnings. Students are asked to write a conclusion about the graph.
Public Service Announcement: After observing and analyzing the graph on education, earnings, and unemployment, students create a 30 second public service announcement explaining information on the graph and urging others to complete as much education as possible.
Writing Prompt: Students will reflect on what they have learned and write about the connections between human capital, standard of living, and quality of life.

Supporting Question #3: Should society invest in human capital for all citizens?

Supporting Question
As they consider this question, students are provided with a case study that describes how people use cost-benefit analysis when they decide whether to commit a crime. Economic analysis tells us that rational people will choose the option with the lower opportunity cost (<i>opportunity cost</i> is the alternative that is given up when a choice is made). Thus, if the cost of committing a crime is greater than the benefits of committing the crime, the perpetrator will choose NOT to commit it.
The case study suggests that society has a choice to make too: Do we train workers for good jobs or deal with the consequences of unemployed people who must resort to crime in order to survive? Students will summarize the case study with Pictures Notes. They will discuss and argue the value of cost-benefit analysis in crime deterrence and prevention.

Investigate
Featured Resources
Case Study: Investment in Human Capital - Students read a brief case study regarding crime prevention and human capital investments. Students are encouraged to investigate other resources to provide further evidence either to support or contradict this view. Have a brief discussion about students' findings.

Graph- Incarceration Rates & Education Graph: Students will analyze if there are any connections between education and going to prison and discuss in class.

Independent Research & Debate Activity: After students have completed their independent research, have them meet within their respective groups to discuss their findings. Students will then prepare to debate the opposing group.

Create/Discuss

Formative Assessment Performance Activities

Headline Activity: After analyzing the graph, students will create a newspaper headline for what they have learned.

Picture Notes Activity: After reading the case study and further investigating the topic, students work in pairs or small groups to create “picture notes” to summarize the information.

Writing Prompt – Investing in Yourself: Students will reflect on what it means to invest in yourself and how it relates to human capital.

Ask

How does investment in human capital affect individuals in society?

Reflect

Summative Assessment Performance Activities

Task	Develop an argument, using credible sources as evidence, to answer the question “How does investment in human capital affect individuals in society?”
Extension Activity	Use one of the project based learning activities below: - Attend a school board meeting and present findings about the importance of investing in human capital. - Survey local businesses to find out how much they spend training new hires. Why do they think it’s worth it? - Compare the cost of educating a teen with the cost of incarcerating one. Write a letter or email to a member of Congress arguing for education funding. - With classmates, discuss areas in which your school can improve its human capital investment (e.g., music, arts, athletics, library, etc.). Prepare a petition to improve those areas, and submit it to the school board. - Gather information about a number of successful/wealthy individuals who dropped out of school. Identify the human capital that they have developed in order to substitute for their lack of education. Create posters that highlight the importance of human capital investment in addition to education.

Name _____

Define each word below and use it in a sentence.

human

Definition:

Sentence:

capital

Definition:

Sentence:

investment

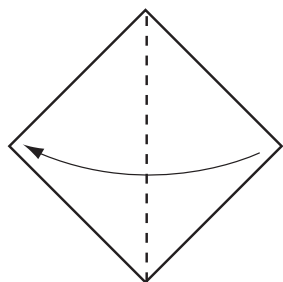
Definition:

Sentence:

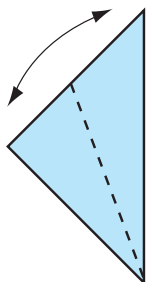
How might these three words relate to one another?

Origami Drinking Cup

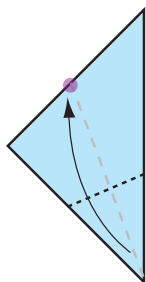
origami-fun
www.origami-fun.com



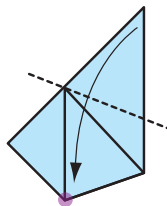
1. Start with your paper white side up.
Fold in half, as shown.



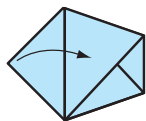
2. Fold the top corner down to the
baseline. Crease well and unfold.



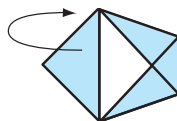
3. Fold the bottom left hand
corner up to the crease line just
made.



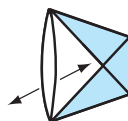
4. Now fold the bottom
right hand corner up to the
opposite side.



5. Fold the front flap downwards.



6. Now fold the back top
flap backwards in the same
manner.



7. Open out. Finished
drinking cup.

Folded Cup Activity – Teacher’s Instructions

Overview:

Students are divided into three groups. They view the finished cup. One group is given the materials needed to create the cup (paper), the second group is given the materials (paper) plus written instructions. The third group is given the materials (paper), instructions, plus a visual demonstration. This exercise illustrates the importance of education, training, and tools and how it enhances human capital thereby resulting in a better product.

Items needed:

Copies of Origami Cup Instructions for each student in class

8 x 8 pieces of paper (one for each student)

Directions:

Divide the class into three equal groups. Show the finished cup to all groups; each student is to make a cup.

Group 1: Give a 8 x 8 sheet of paper and time them.

Group 2: Give a 8 x 8 sheet of paper and instructions. Time them.

Group 3: Give a 8 x 8 sheet of paper. Demonstrate how to make the cup. Give the group the directions and time them.

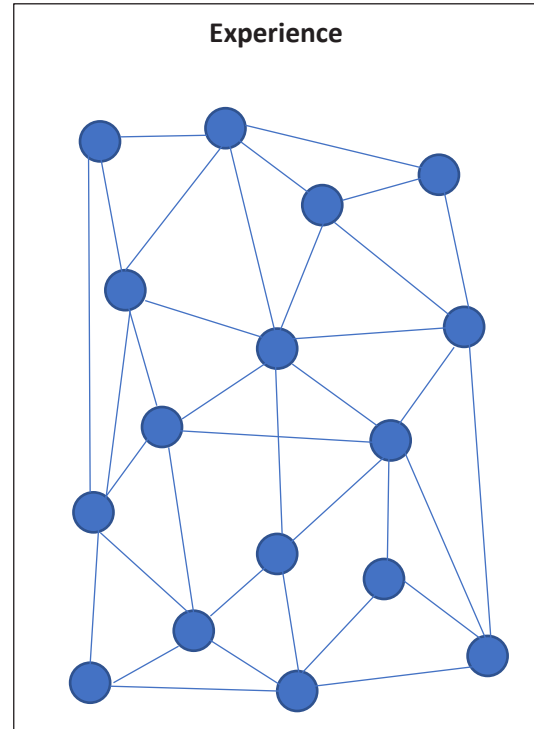
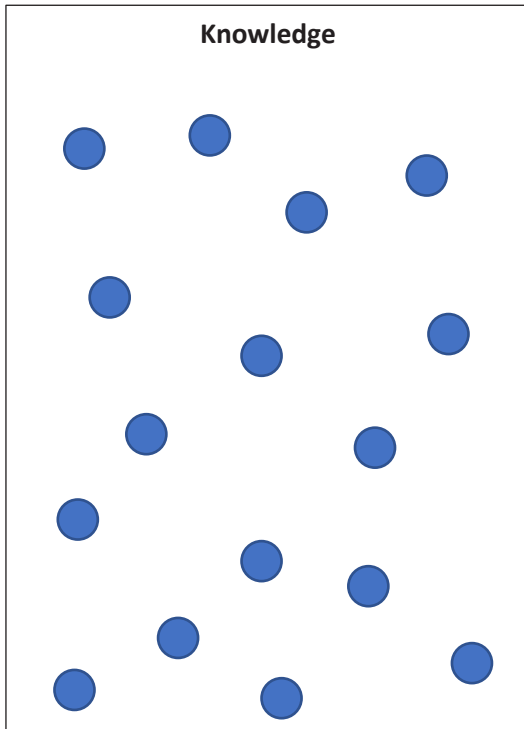
Discussion:

Discuss how education, training, tools (instructions) and experience enhance human capital and result in a better product.

Human Capital

Relationship between knowledge and experience

Knowledge is the facts, information and skills that a person has acquired. Experience is how a person has interacted or been involved with facts and information. Review the diagrams below knowledge and experience.



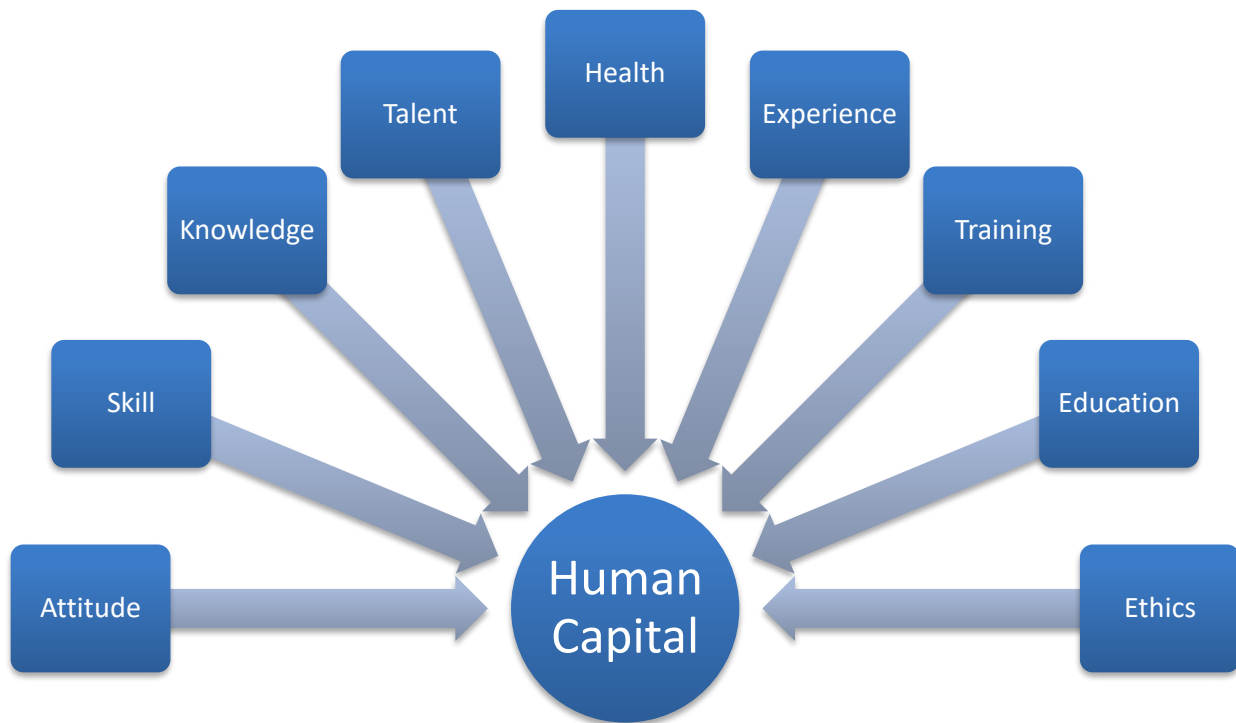
Think about it...

What is the relationship between knowledge and experience, as show in these diagrams? Write 2-3 sentences explaining the relationship between them.

Human Capital

Think for a minute about a person who became famous because of how well they were able to do something (i.e. an athlete, actress, singer, etc.). How do you suppose this person became so good at their profession? Most successful people work hard to develop the knowledge and skills to become the best in their work. They set goals, learn from others, and spend a lot of time practicing. In economics, we call this investing in one's human capital. When a person invests in their human capital, they often become more productive and therefore are more valuable as a worker.

An individual's human capital is made up of many different characteristics. Look at the image below which identifies some of the key elements that make up human capital. Define each characteristic. How might each of these elements impact a worker's productivity? How could an individual improve their productivity by focusing on each aspect? Use the chart to record your responses.

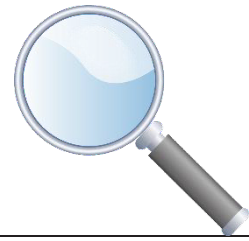


Mnemonic Device to remember all aspects of Human Capital:

ASK THE TEE

Occupations and Human Capital

Using ASK THE TEE, brainstorm elements of human capital for the occupations below. We will discuss together in class.



Pilot	Marine Biologist	Web Designer	TV Reporter



Name: _____

Human Capital Mind Map Activity

Create an original mind map with an occupation as the central focus. The mind map should have nine “arms” identifying the specific areas of human capital development, such as the example below. Be sure to explain how each area of human capital is related to the occupation you selected beneath your mind map.

Example:



Endurance: must be able to stand for long periods of time.

Communication skills: must be able to talk to clients about a variety of topics.

Creativity: must be able to design new styles to keep up with trends.

Cosmetology school: must take classes and graduate in order to get a license.

Good health: must be at work 4-5 days per week; long hours.

Positive attitude: must get along with people, even those that are difficult.

Ethics: must be fair and honest in performance and pricing.

Experience: the longer a person does this work, the better they become.

Step 1: Select three careers or jobs you have an interest in.

1. _____

2. _____

3. _____

Step 2: Independent Research. Look up what the human capital requirements are for your three chosen careers. Be sure to keep track of the resources you use so you can properly cite them.

Step 4: Analyze the results of your research. Determine which career you are the most interested in and what seems like the best fit for you.

Step 5: Create a visual representation (poster, PowerPoint, or whatever you choose) highlighting the career you have chosen and the various elements of human capital to discuss with your class. Refer to the example on the first page as needed.



Standard of Living vs. Quality of Life: What's the Difference?

Standard of Living vs. Quality of Life: An Overview

Standard of living refers to the level of wealth, comfort, material goods, and necessities available to a certain socioeconomic class or geographic area. Quality of life, on the other hand, is a subjective term that can measure happiness.

The two terms are often confused because there may be some perceived overlap in how they are defined. But knowing the different nuances of each can affect how you evaluate a country where you might be looking to invest some money.

Standard of Living

Standard of living is a comparison tool used when describing two different geographic areas. Metrics may include things like wealth levels, comfort, goods, and necessities that are available to people of different socioeconomic classes in those areas. The standard of living is measured by things that are easily quantified, such as income, employment opportunities, cost of goods and services, and poverty. Factors such as life expectancy, the inflation rate, or number of paid vacation days people receive each year are also included.

Other factors commonly associated with the standard of living include:

- Class disparity
- Poverty rate
- Quality and affordability of housing
- Hours of work required to purchase necessities
- Gross domestic product (GDP)
- Affordable access to quality healthcare
- Quality and availability of education
- Incidence of disease
- Infrastructure
- National economic growth
- Economic and political stability
- Political and religious freedom
- Environmental quality
- Climate
- Safety

The standard of living in the United States may be compared to that of Canada's. It may also draw comparisons between smaller geographic areas such as New York City versus Detroit. Standard of living can be used to compare distinct points in time. For example, the standard of living in the U.S. is considered to have greatly improved compared to a century ago. Now, the same amount of work buys a larger quantity of goods and items that were once luxuries such as

Fontinelle, Amy. "Standard of Living vs. Quality of Life: What's the Difference?" *Investopedia*, Investopedia, 7 Mar. 2019, www.investopedia.com/articles/financial-theory/08/standard-of-living-quality-of-life.asp.

refrigerators and automobiles. Leisure time and life expectancy have also increased, while annual hours worked has decreased.

One measure of standard of living is the Human Development Index (HDI), developed by the United Nations in 1990. It considers life expectancy at birth, adult literacy rates, and per capita GDP to measure a country's level of development.

Quality of Life

Quality of life is a more subjective and intangible term than standard of living. As such, it can often be hard to quantify. The factors that affect the overall quality of life vary by people's lifestyles and their personal preferences. Regardless of these factors, this measure plays an important part in the financial decisions in everyone's lives.

Some of the factors that can affect a person's quality of life can include conditions in the workplace, healthcare, education, and material living conditions.

The United Nations' Universal Declaration of Human Rights, adopted in 1948, provides an excellent list of factors that can be considered in evaluating quality of life. It includes many things that citizens of the United States and other developed countries take for granted, which are not available in a significant number of other countries around the world. Although this declaration is more than 70 years old, in many ways it still represents an ideal to be achieved, rather than a baseline. Factors that may be used to measure the quality of life include the following:

- Freedom from slavery and torture
- Equal protection of the law
- Freedom from discrimination
- Freedom of movement
- Freedom of residence within one's home country
- Presumption of innocence unless proved guilty
- Right to marry
- Right to have a family
- Right to be treated equally without regard to gender, race, language, religion, political beliefs, nationality, socioeconomic status, and more
- Right to privacy
- Freedom of thought
- Freedom of religion
- Free choice of employment
- Right to fair pay
- Equal pay for equal work
- Right to vote
- Right to rest and leisure
- Right to education
- Right to human dignity



Fontinelle, Amy. "Standard of Living vs. Quality of Life: What's the Difference?" *Investopedia*, Investopedia, 7 Mar. 2019, www.investopedia.com/articles/financial-theory/08/standard-of-living-quality-of-life.asp.

Standard of Living vs. Quality of Life: Flawed Indicators

Standard of living is somewhat of a flawed indicator. While the United States ranks high in many areas as a nation, the standard of living is very low for some segments of the population. For example, some of the country's poor, urban areas struggle with a lack of quality employment opportunities, short life expectancies, and higher rates of disease and illness.

Similarly, the quality of life can vary between people, making it a flawed indicator as well. There are various segments of the American population that may have a lower quality of life compared to others. They may experience discrimination in society and the workplace or don't have access to clean drinking water, proper healthcare, or education.

Key Takeaways

- *Standard of living is a tangible, quantifiable term that refers to factors available to a certain socioeconomic class or geographic area.*
- *Quality of life is a subjective term that can measure happiness.*
- *Both can be flawed indicators because the factors can vary between people in the same geographic area or socioeconomic class.*



Career Investigation



Previously, you created a mind map about a career that you are interested in. Now, you will research some specific questions related to your choice. You are going to research your career on a national level. All information can be found through the US Labor of Bureau Statistics, specifically through the Occupational Outlook Handbook online. This government agency is tasked with keeping data on every single job in the United States. There are many interesting data points that you can look through, and it always provides the most up to date data that is available.

Chosen Career: _____

1. Median Salary: _____
2. What type of education do you need to have? _____

3. Do you need to complete any type of on the job training? _____

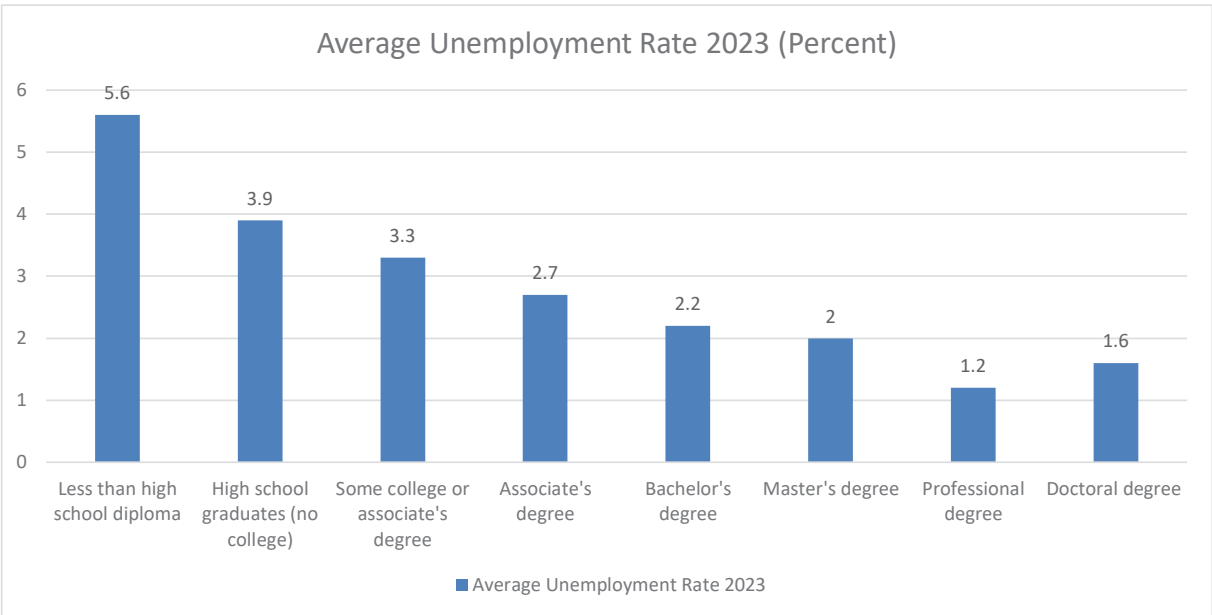
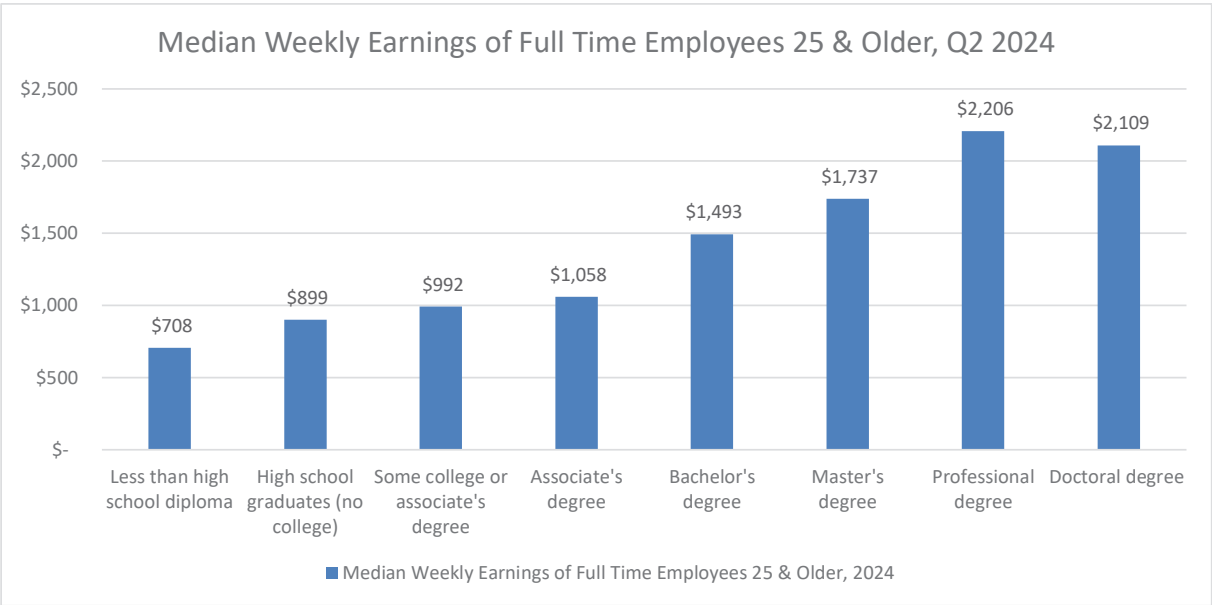
4. What is the job outlook in the next few years? (Data on website projects to 2026)

5. What is the typical work environment like? Does that sound like something you'd like to do every day? _____

6. Look at the highest paying occupations. Do you notice any trends? Are you surprised by any?

7. Now, look at the fastest growing occupations. What trends do you notice here? Why do you think these jobs are growing? Did any surprise you? _____

8. Given what you know now, are you still interested in your initial career? Is there another you may consider now that you hadn't before? _____



All data provided by the Bureau of Labor Statistics

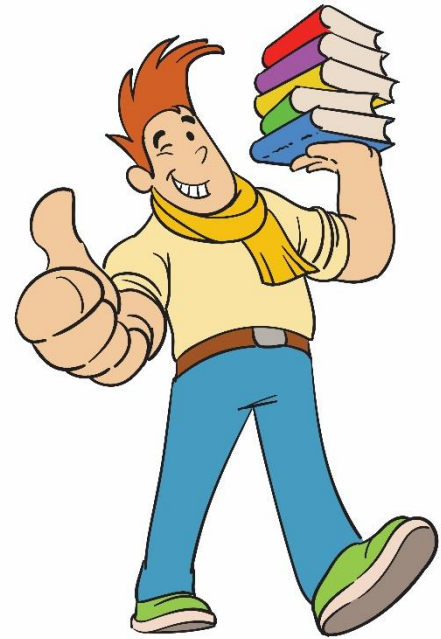
1. Analyze the first graph. What relationship does this show? Were you surprised by any of the data?
2. Analyze the second graph. What relationship does this show? Why do you think it's harder for people who haven't graduated high school to find a job?
3. Provide a two sentence summary of these graphs and how they relate to each other.
4. Often, people refer to the "cycle of poverty." How do these graphs show an aspect of that cycle? Do you have any opinions or ideas on how we, as a society, can fix this?

All data provided by the Bureau of Labor Statistics

Public Service Announcement

After analyzing the wage and unemployment graphs, work with a partner or small group (3-4 students) to create a public service announcement to your school that accomplishes the following:

- Explains the information on the graphs and why it's important for your fellow students.
- Urges them to get as much education after high school as possible. The education can include college, a vocational school, certification, or apprenticeship training.
- Be creative and have fun! You will present your public service announcements to the class.



WRITING PROMPT

What is the connection between human capital, standard of living, and quality of life? Think of the graphs you analyzed, the data from the US Bureau of Labor Statistics, and what you know about human capital. Provide specific examples of the connection and be ready to discuss in class.

This image shows a blank sheet of white paper with horizontal ruling lines. The lines are evenly spaced and extend across the width of the page. There are no margins, text, or other markings on the paper.



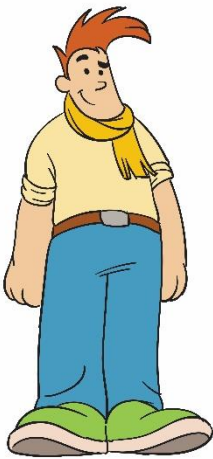
Crime Prevention Necessitates Investment in Human Capital (A Law Student Perspective)

In the 1950s and 60s, Gary Becker, an economist, proposed a way of thinking about criminal behavior that was fundamentally different from how criminals were understood at the time. He took an economic approach to crime which led to the conclusion that crime is committed in a rational way where the perpetrators analyze the costs and benefits of their actions, weigh them against alternative conduct, and make a decision from there. By doing so he proposed the existence of rational criminals, whereas the school of thought on criminal behavior generally regarded it as inherently irrational (Becker, 2010).

Central to Becker's perspective is the idea that the difference between non-criminals and criminals is that, for the latter, crime pays (Becker, 2010 p. 2). This begs the question: why would crime pay for some and not others? In Becker's view, the answer lies in the opportunities afforded to some and not others in terms of education and employment. In other words, the answer lies in the economic construct of *Human Capital*.

Human Capital is an umbrella term for all the attributes in humans that manifest in order to produce economic value.

It refers in particular to the "knowledge, information, ideas, skills and health of individuals" (Becker, 2010 p. 3). Becker contends that investments in Human Capital, such as in job training programs or educational programs, can reduce crime by causing crime to no longer be the best outcome in one's cost-benefit analysis. Evidence for the usefulness of studying crime in light of the effects of Human Capital investments was revealed by one study which showed that in 1993, more than two thirds of incarcerated men did not graduate from high-school (Lochner, 2004 p 2). Going beyond the notion that investments in Human Capital might deter instances of petty crimes by virtue of creating a greater benefit outside the realms of criminal conduct, other authors have produced findings that give rise to something that approximates a circle effect. Specifically, one long term study found that, due to the inherent disruptive and disturbing aspects of being detained, detainment of juveniles resulted in a substantially lower likelihood of completing high school (Aizer & Doyle, 2015).



Although one of the main objectives of the *Criminal Code* involves encoding what constitutes various crimes and the procedures involved, another objective inherent in

Linden, H. "Crime Prevention Necessitates Investment in Human Capital (A Law Student Perspective)." *Robson Crim*, Robson Crim, 23 Jan. 2018, www.robsoncrim.com/single-post/2018/01/23/Crime-Prevention-Necessitates-Investment-in-Human-Capital-A-Law-Student-Perspective.

the *Criminal Code* is crime prevention. One way the *Code* might prevent crimes is by encoding punitive sanctions severe enough to deter one from committing a crime. However, as Becker's theory points out, an individual's economic situation might be one where a greater opportunity for gain is afforded by criminal activity than non-criminal activity. It is conceivable that, in these situations, any deterring factors that the *Criminal Code* has given rise to becomes effectively obsolete. In this way, Becker's theory would support the contention that preventative objectives inherent in the *Criminal Code* are insufficient. On the other hand, increased investment in Human Capital might collaterally result in effective crime prevention.

For example, investing in Human Capital can be in the form of making more funding available for vocational training programs. More training leads to higher skills and better paying, more secure jobs. When someone has a decent paying job, he or she may find it more lucrative, after having done a cost-benefit analysis, to work than to do some criminal act. If both the criminal act and getting to work can be done, the "rational criminal" may still find it less appealing to commit a criminal act taking into account the possibility that he or she will have to miss a lot of work upon getting caught. In such an instance, perhaps the thought of missing out on decent wages would act as a deterrent to crime because of the way it changes the rational criminal's cost-benefit analysis.

Another, perhaps more obvious and basic, way to invest in Human Capital would be to increase wages. According to Access Alliance's campaign to raise minimum wage, earning the minimum wage puts a family in a precarious position on the edge of poverty. Making such a small amount of money can deteriorate health by making it difficult to afford nutritious food and dental and eye care (See:<http://accessalliance.ca/campaign-to-raise-the-minimum-wage/>). Minimum wage jobs sometimes force people into working more than one job just to make ends meet. Health and wellbeing seriously deteriorate once people have no time to take care of themselves; lives lived in which people earn less money than they need. Taking into account Baker's notion of the rational criminal, it is easy to conceive that, all else being equal, in these situations the cost-benefit analysis is really a no-brainer. A low wage or a wage that is just less than what someone realistically needs to live off supports, in the rational calculus, the beneficial aspect of some criminal behavior.

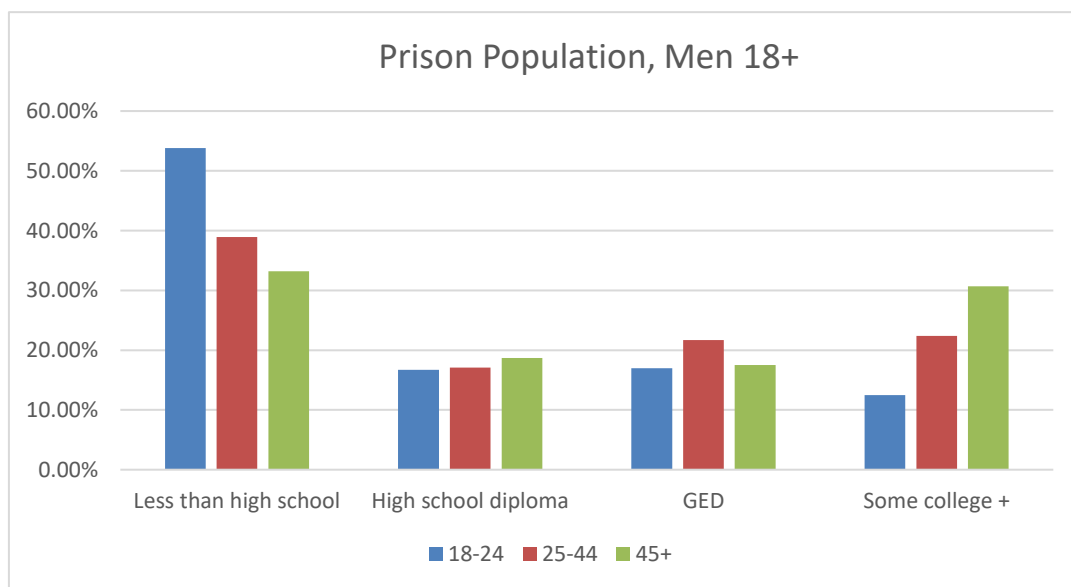
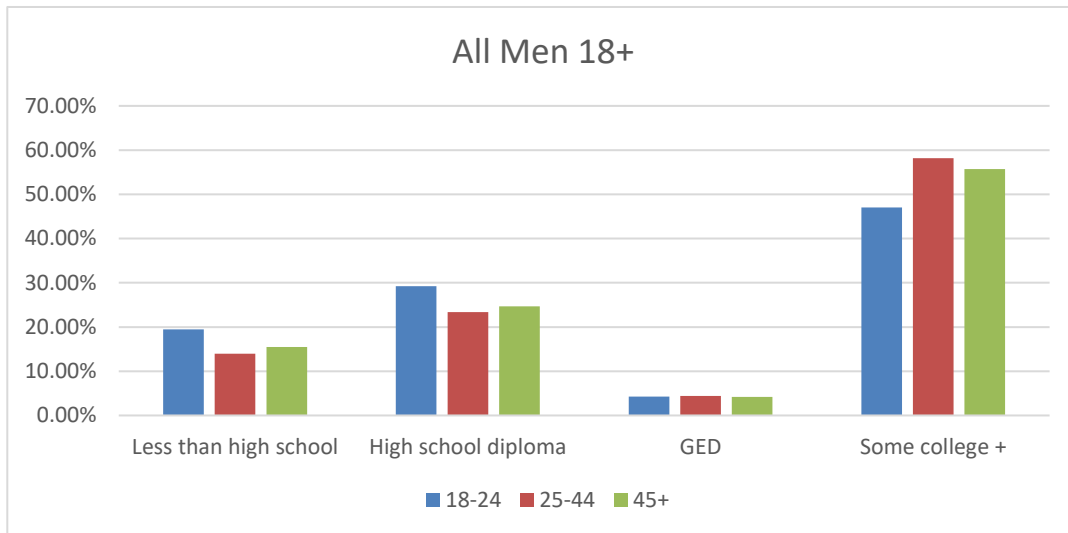
In summation, Baker proposes that criminal behavior is rational and that those who commit financially advancing crimes are rational and do cost-benefit analyses to assess whether or not committing the criminal act is worth it. The *Criminal Code* sets out the provisions of what makes a crime and the scope of the punishment associated with it. Inherent in these provisions is the collateral purpose of crime prevention, however, Baker's theory raises the possibility that preventative, risk averse foundations of the *Code* are insufficient incentives when one's economic situation means that the crime is almost always beneficial. Thus, one crime prevention method that might be greater in efficacy than the prevention of crime inherent in the *Criminal Code* may be investments in Human Capital. Unfortunately, such investments make for unpopular policy and rarely seem to capture the imagination of our political leaders.

Linden, H. "Crime Prevention Necessitates Investment in Human Capital (A Law Student Perspective)." *Robson Crim*, Robson Crim, 23 Jan. 2018, www.robsoncrim.com/single-post/2018/01/23/Crime-Prevention-Necessitates-Investment-in-Human-Capital-A-Law-Student-Perspective.

Incarceration Rates for Men, Aged 18+

Data from the U.S. Census Bureau, American Community Survey, 2009

The first chart reflects the male adult population in the United States by educational attainment. The second chart reflects the adult male population in the United States who are currently in prison by educational attainment.



SEHSD Working Paper #2011-8, Educational Characteristics of Prisoners: Data from the ACS

By Stephanie Ewert and Tara Wildhagen

U.S. Census Bureau, Housing and Household Economic Statistics Division

Presented at the Annual Meeting of the Population Association of America, Washington, DC, March 31-April 2, 2011

Independent Research & Debate Activity

You will be asked to debate the following question:

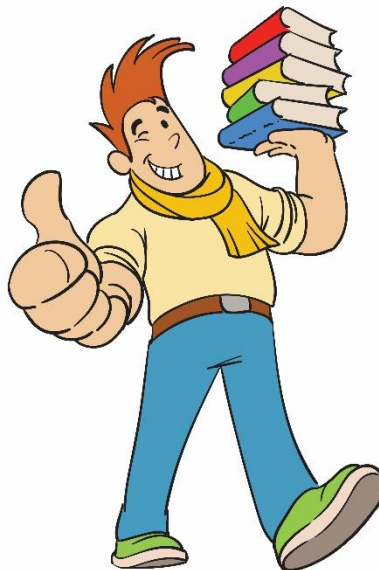
Should society invest in human capital to deter crime?

Once you are assigned to a group arguing for or against investments in human capital, create a minimum of three inquiry questions related to your group's perspective. Make sure you think about what investing in human capital would look like, costs, etc.

1. _____
2. _____
3. _____

Now it's time to conduct independent research based on your assigned perspective and chosen inquiry questions. Remember to keep track of your sources and properly cite them during the debate.

Before the debate meet with your group, share your findings, strategize and prepare your arguments.





Name: _____

After analyzing the two graphs relating education and incarceration, write a one sentence newspaper headline summarizing your findings.



Name: _____

After analyzing the two graphs relating education, unemployment, and incarceration, write a one sentence newspaper headline summarizing your findings.

Picture Notes Group Activity

After reading the case study, work in a small group to create 'picture notes' that summarize the ideas in the article. You can use drawings, symbols, numerals, stick figures, etc. to convey your thoughts but **NO WORDS AT ALL!**

When all posters are complete, each group will display their posters, clarify the meanings of the drawings, and explain how your poster illustrates the idea of the case study and additional information you found.



Name: _____

Human Capital

People often say it's good to "invest in yourself." What does this mean to you?
How does it relate to human capital?

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

Grades 6-8, Lesson 3

Compelling Question: How can I leverage my money?

IL Financial Literacy Standard	SS.EC.FL.2.6-8.LC: Explain the roles and relationships between savers, borrowers, interest, time, and the purposes for saving. SS.EC.FL.2.6-8.MdC: Explain the correlation between investors, investment options (and associated risks), and income/wealth. SS.EC.FL.2.6-8.MC: Analyze the relationship between financial risks and protection, insurance and costs.
Inquiry Standards	SS.IS.1.6-8: Create essential questions to help guide inquiry about a topic SS.IS.2.6-8: Ask essential and focusing questions that will lead to independent research. SS.IS.3.6-8: Determine sources representing multiple points of view that will assist in organizing a research plan.

Introduction to Lesson

This inquiry initiates an investigation of income by presenting students with readings, simulation, and graphic representations of earnings, investments, savings, and risk. Students should be able to develop a logical argument or project-based learning activity that answers the question “How can I leverage my money?”

Students consider a series of supporting questions about how people use the income they receive to earn more money. By engaging with images, videos, charts and graphs, students activate visual, auditory and kinesthetic learning. They work independently and in groups to answer questions, but more importantly, to ask even more questions of their own.

TIME FRAME: This lesson is designed to work on several levels; therefore, timing may differ depending upon how a class chooses to approach it. If the Supporting Questions are divided and offered to groups, the lesson can be completed in 2 – 3 days. If a whole class works its way through all of the Supporting Questions, it could expand to 5 - 6 days. On the other hand, if teachers feel pressed for time, they may pick and choose different parts of the lesson to work through.

RATIONALE: The Supporting Questions develop from simple to more complex, thus providing the opportunity for differentiating and accelerating/compacting the curriculum. While the whole class considers the concepts of earning and spending, individual students or groups can delve more deeply into concepts at levels that are appropriate for their abilities and interests. The opportunity for Project-Based Learning provides a further level of complexity, as students not only reflect on their learning, but use their new knowledge to take action in the real world.

The lesson is structured as follows: Each lesson consists of three supporting questions that directly tie into the compelling question. Each supporting question gets a little tougher as you progress through the lesson. Each supporting question includes an Investigate and Create/Discuss section. The Closed-Reading Activity can be used for each of the supporting questions or one that you select. The Reflect section is located toward the end of the lesson which provides students with a chance to demonstrate their knowledge of money and allows you to have a summative evaluation.

Ask

Compelling Question: How can I leverage my money?

Supporting Question #1: How do interest rates effect savers and borrowers?

Key Understandings: Students will understand what interest is and the impact rates have.

Featured Resources (Investigate): Money Terms Opening Activity, 2 Reading for Information Pieces: What is Interest & Business Insider article, Interest Rate Investigation

Formative Assessment Task (Create/Discuss): Calculating Simple Interest, Compound Interest Activity, The Rule of 72, and Poem Activity

Supporting Question #2: How can I invest my money?

Key Understandings: Students will gain an understanding of the stock market and how it works.

Featured Resources (Investigate): 2 Reading for Information pieces: Investment Buzz Words and Sustainable Investing, 3 Investigations: Stocks Around the World, Publicly Traded Companies, and Shareholder Activity

Formative Assessment Task (Create/Discuss): Stock Symbols, Buzz Word Activity, Dividends, the Stock Market Game

Supporting Question #3: What is risk?

Key Understandings: Students will learn about risk and how it factors into investing.

Featured Resources (Investigate): Reading for Information- Risks and Rewards of Investing & Risk and Reward Investigation

Formative Assessment Task (Create/Discuss): Asset Allocation Game and Writing Prompt

Staging the Compelling Question

The compelling question is, “How can I leverage my money?” Through this lesson, students will learn about interest and the stock market. They will learn through investigation activities and hands-on games that there are ways to earn dividends on money they already have. They will carefully examine and think about how much risk they are comfortable with regarding their money. By the end of the lesson, students should be able to explain the basics of the stock market and how risk factors into all decisions.

Supporting Question #1: How do interest rates effect savers and borrowers?

Supporting Question
The first supporting question asks the students, “How do interest rates effect savers and borrowers?” They will explore the concept of interest and what it means concerning both saving and spending. To begin the lesson, teachers can use the word cloud and discuss the various terms. As students move through the supporting question, they will learn where interest rates come from and all the different ways they impact everyday life.

Investigate
Featured Resources
Opening Activity – Money Terms: Students view a word cloud with terms related to money and write down words they know, words they think they know, and words they will soon know.
Reading for Information – What is Interest: This piece gives the basics about both paying interest and earning interest.
Reading for Information – Here’s how the Fed raises interest rates and why it matters: During this reading piece, students will learn about the Federal Reserve and their role in interest rates.
Interest Rates Investigation: Students will research different types of interest, how that particular rate is determined, and how it effects consumers. They will present their findings in a poster.

Create/Discuss
Formative Assessment Performance Activities
Calculating Simple Interest: Students are presented with different interest scenarios and figure out the total sums.
Compound Interest Activity: Students will learn more about compound interest and calculate how much is earned in a scenario.
The Rule of 72: Students will learn how long it takes them to double their money with interest.
Poem Activity: At the end of the lesson, students are presented with the same word cloud from the beginning of the lesson and asked to write a poem using five of the words.

Supporting Question #2: How can I invest my money?

Supporting Question
The second supporting question is, “How can I invest my money?” Students will learn about investment key terms, how the stock market works by participating in a live simulation and analyze what it means to be a shareholder. They will also research stocks and companies to understand what it means to be a publicly traded company. Depending on time, you can choose how you would like to implement the Stock Market Game in your classroom. You can have the students participate for a just a few days, a semester, or even all year depending on interest level.

Investigate
Featured Resources
Reading for Information – Investment Buzz Words: This resource gives high level definition for many of the terms that are used frequently when talking about the stock market.
Stocks Around the World: Students will investigate different stock markets throughout the world.
Publicly Traded Companies: Students will explore their favorite companies to see if they are on the Stock Market or not.
Shareholder Activity: Working in groups, students will research a public company of their choice. They will research a current or potential problem with the company and present to their shareholders (classmates). The “shareholders” will vote. Ex: Is developing our own streaming service for Disney a good investment?
Reading for Information – Sustainable Investing: Students read a real-life example about sustainable investing through annual report materials from the Illinois State Treasurer’s Office. They will answer reflective questions after the reading to discuss in class.

Create/Discuss
Formative Assessment Performance Activities
Stock Symbols: Students will learn that each stock has an abbreviation, which is their ticker symbol. They will then look up a variety of ticker symbols to see what company they match.
Buzz Word Bonanza Activity: Students will define and draw the vocabulary words.
Dividends Activity: Students learn about dividends and make the decision about whether or not to buy certain stocks.
Stock Market Game™: Register student teams to participate in the Stock Market Game. This is a free activity provided by the SIFMA Foundation. Register online at stockmarketgame.org .

Supporting Question #3: What is risk?

Supporting Question
A major component to investing is risk. Students will learn about the concept of risk and which type of investments carry more risk than others. They will participate in a hands-on game that will allow them to see how risk impacts their finances, both negatively and positively. They will also reflect on their own feelings of risk through a writing prompt.

Investigate
Featured Resources
Reading for Information – Risks and Rewards of Investing: Students will read about risk and how much is associated with different types of investments.
Risk and Rewards Investigation: Students will research a variety of stocks and bonds to learn their risk and see how much their price fluctuates.

Create/Discuss
Formative Assessment Performance Activities
Asset Allocation Game: Students work in a group to divide up their assets of \$60,000 into stocks, bonds, and cash, depending on the risks they want to take.
Writing Prompt: Students will reflect on a quote about investing from Benjamin Franklin.

Ask
How can I leverage my money?

Reflect	
Summative Assessment Performance Activities	
Task	Develop an argument, using credible sources as evidence, to answer the question.
Task	Write a persuasive paper either convincing someone or discouraging someone to invest in the Stock Market.
Extension Activity	Use one of the project-based learning activities below: • Interview an adult about the kind of investments they have. How did they choose? Are they happy with their returns? Write up your interview. • Follow a few stocks on the foreign stock markets and ours. Make a Venn Diagram comparing on how the stock does in each. • Participate in any of the Stock Market Game extension ideas: InvestWrite, Invest it Forward, or Capital Hill Challenge.

Name: _____

Money Terms



Think about the words above. List them in the categories below based on your knowledge of them.

Words I know	Words I think I know	Words I will soon know

What Is Interest?

How Interest Works with Everyday Loans

Interest is the cost of using somebody else's money. When you borrow money, you pay interest. When you lend money, you earn interest.

There are several different ways to calculate interest, and some methods are more beneficial for lenders. The decision to pay interest depends on what you get in return, and the decision to earn interest depends on the alternative options available for investing your money.

What Is Interest?

Interest is calculated as a percentage of a loan (or deposit) balance, paid to the lender periodically for the privilege of using their money. The amount is usually quoted as an annual rate, but interest can be calculated for periods that are longer or shorter than one year.

Interest is extra money that must be repaid — in addition to the original loan balance or deposit. To put it another way, consider the question: What does it take to borrow money? The answer: More money.

When borrowing: To borrow money, you'll need to repay what you borrow. In addition, to compensate the lender for the risk of lending to you (and their inability to use the money anywhere else while you use it), you need to repay *more than you borrowed*.

When lending: If you have extra money available, you can lend it out yourself or deposit the funds in a savings account (effectively letting the bank lend it out or invest the funds). In exchange, you'll expect to earn interest. If you are not going to earn anything, you might be tempted to spend the money instead, because there's little benefit to waiting (other than saving for future expenses).

How much do you pay or earn in interest? It depends on:

1. The interest rates
2. The amount of the loan
3. How long it takes to repay

A higher rate or a longer-term loan results in the borrower paying more.

Example: An interest rate of five percent per year and a balance of \$100 results in interest charges of \$5 per year (assuming you use simple interest).

Most banks and credit card issuers do not use simple interest. Instead, interest compounds, resulting in interest amounts that grow more quickly (see below).

Earning Interest

You earn interest when you lend money or deposit funds into an interest-bearing bank account such as a savings account or a certificate of deposit (CD). Banks do the lending for you: They use your money to offer loans to other customers and make other investments, and they pass a portion of that revenue to you in the form of interest.

Periodically, (every month or quarter, for example) the bank pays interest on your savings. You'll see a transaction for the interest payment, and you'll notice that your account balance increases. You can either spend that money or keep it in the account so it continues to earn interest. Your savings can really build momentum when you leave the interest in your account – you'll earn interest on your original deposit *as well as the interest added to your account*.

Earning interest on top of interest you earned previously is known as compound interest.

Example: You deposit \$1,000 in a savings account that pays a five percent interest rate. With simple interest, you'd earn \$50 over one year. To calculate:

1. Multiply \$1,000 in savings by five percent interest per year.
2. $\$1,000 \times .05 = \50 in earnings (see how to convert percentages and decimals).
3. Account balance after one year = \$1,050.

However, most banks calculate your interest earnings every day – not just after one year. This works out in your favor because you take advantage of compounding. Assuming your bank compounds interest daily:

- Your account balance would be \$1,051.16 after one year.
- Your annual percentage yield (APY) would be 5.12 percent.
- You would earn \$51.16 in interest over the year.

The difference might seem small, but we're only talking about your first \$1,000 (which is an impressive start, but it will take even more savings to reach most financial goals).

With every \$1,000, you'll earn a bit more. Over time (and as you deposit more), the process will continue to snowball into bigger and bigger earnings. If you leave the account alone, you'll earn \$53.78 in the following year (compared to \$51.16 the first year).

Paying Interest

When you borrow money, you generally have to pay interest. But that might not be obvious – there's not always a line-item transaction or separate bill for interest costs.

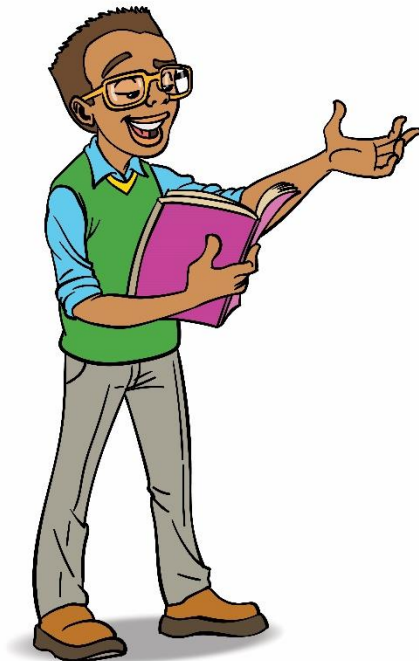
Installment debt: With loans like standard home, auto, and student loans, the interest costs are baked into your monthly payment. Each month, a portion of your payment goes towards

Pritchard, Justin. "How Interest Works on Savings and Loans." *The Balance*, www.thebalance.com/what-is-interest-315436.

reducing your debt, but another portion is your interest cost. With those loans, you pay down your debt over a specific time period (a 15-year mortgage or 5-year auto loan, for example). To understand how these loans work, read about loan amortization.

Revolving debt: Other loans are revolving loans, meaning you can borrow more month after month and make periodic payments on the debt. For example, credit cards allow you to spend repeatedly as long as you stay below your credit limit. Interest calculations vary, but it's not too hard to figure out how interest is charged and how your payments work.

Additional costs: Loans are often quoted with an annual percentage rate (APR). This number tells you how much you pay per year and may include additional costs above and beyond the interest charges. Your pure interest cost is the interest "rate" (not the APR). With some loans, you pay closing costs or finance costs, which are technically not interest costs that come from the amount of your loan and your interest rate.



Here's how the Fed raises interest rates and why it matters

Banks give out money all the time — for a fee.

When we borrow and then pay back with interest, it's how banks make money.

The cost of borrowing, known as the interest rate, can make a big difference in which credit card you choose or whether you get one at all.

But if your bank wants to make it more expensive to borrow, it's not as simple as just slapping on a new rate, as a grocer would with milk prices. It's something controlled higher up by the Federal Reserve, America's central bank.

Why does the Fed care about interest rates?

In 1977, Congress gave the Fed two main tasks: Keep the prices of things Americans buy stable and create labor-market conditions that provide jobs for all the people who want them.

The Fed has developed a toolkit to achieve these dual goals of inflation and maximum employment. But interest-rate changes make the most headlines, perhaps because they have a swift effect on how much we pay for credit cards and other loans.

From Washington, the Fed adjusts interest rates with the hope of spurring all sorts of other changes in the economy. If it wants to encourage consumers to borrow so spending can increase, which should boost economic growth, it cuts rates and makes borrowing cheap. After the Great Recession, it kept rates near zero to achieve just that.

To accomplish the opposite and cool the economy, it raises rates so an extra credit card seems less desirable.

The Fed often adjusts rates in response to inflation — the increase in prices that happens when people have more to spend than what's available to buy.

For most of this economic recovery, inflation hasn't really picked up, though it is now well within the Fed's target range. It's long been expected to accelerate, especially after the federal government provided a jolt in the form of tax cuts, and as the unemployment rate lingers at its lowest level since 1969.

For now, the Fed is not exactly raising rates to fight out-of-control inflation, though it expects prices to rise. That's why the most closely watched issues on Wednesday include the Fed's forecasts for economic growth and future rate hikes.

So how do rates go up or down?

Banks don't lend only to consumers; they lend to one another as well.

That's because at the end of every day they need to have a certain amount of capital in their reserves. As we spend money, that balance fluctuates, so a bank may need to borrow overnight to meet the minimum capital requirement.

And just as they charge you for a loan, they charge one another.

The Fed tries to influence that charge — called the federal funds rate — and it's what the Fed is targeting when it raises or cuts rates.

When the fed funds rate rises, banks also hike the rates they charge consumers, so borrowing costs increase across the economy.

Floor and ceiling

After the Great Recession, the Fed bought an unprecedented amount in government bonds, or Treasury's, to inject cash into banks' accounts. Nearly \$2 trillion in excess reserves is now parked at the Fed. (There was less than \$500 billion in 2008.)

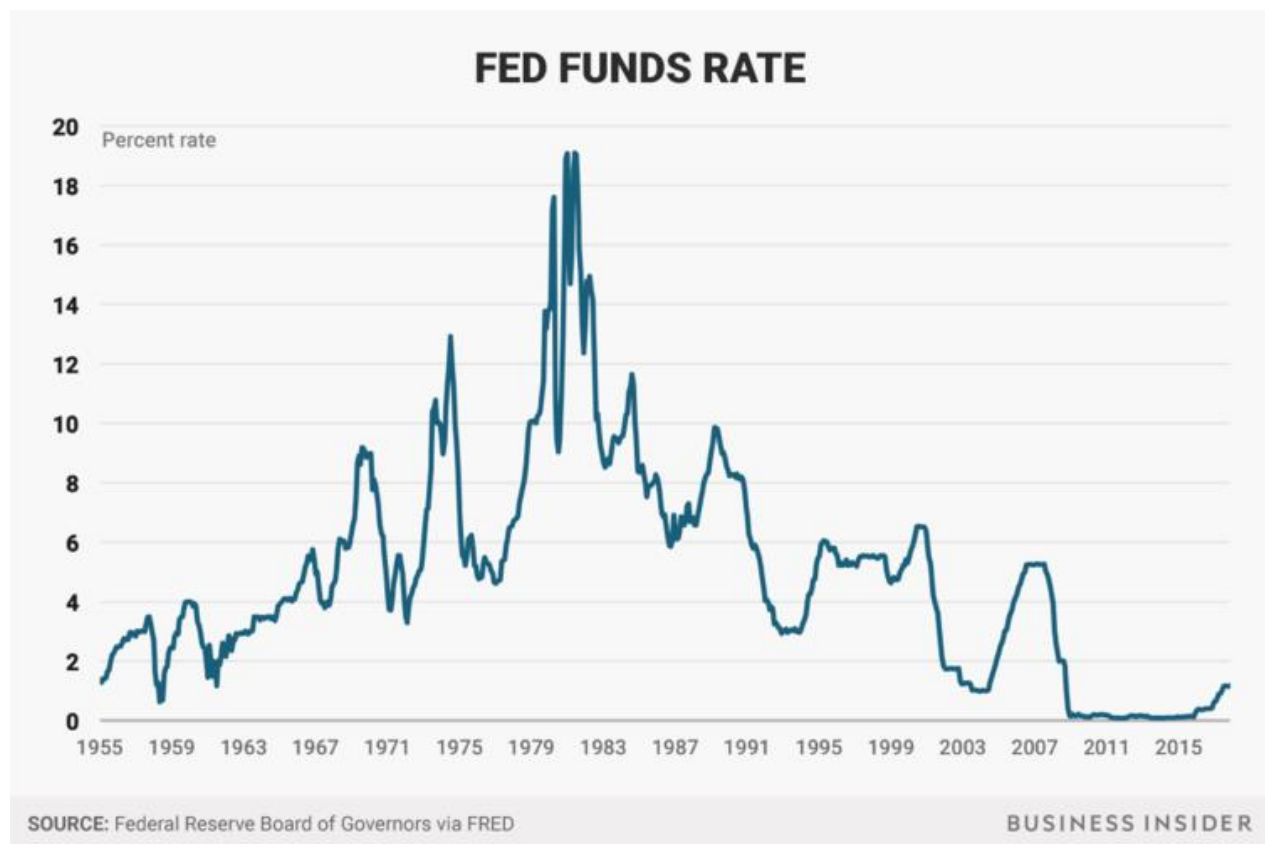
It figured that one way to pare down these Treasury's was to lend some to money-market mutual funds and other dealers. It does this in transactions known as reverse repurchase operations, which involve selling the Treasury's and agreeing to buy them back the next day.

The Fed sets a lower "floor" rate on these so-called repos.

Then it sets a higher rate that controls how much it pays banks to hold their cash, known as interest on excess reserves. This acts as a ceiling, since banks won't want to lend to one another at a rate lower than what the Fed is paying them — at least in theory.



The effective fed funds rate, which is what banks use to lend to one another, would now float between a target range of 2% and 2.25%.



When the Fed raises rates, banks are less incentivized to lend, since they are earning more to park their cash in reserves.

But I'm not a bank

After the Fed lifts the fed funds rate, the baton is passed to banks.

Banks first raise the rate they charge their most creditworthy clients — such as large corporations — known as the prime rate. Usually, banks announce this hike within days of the Fed's announcement.

Things like mortgages and credit-card rates are then benchmarked against the prime rate.

"The effect of a rate hike is going to be felt most immediately on credit cards and home-equity lines of credit, where the quarter-point rate hike will show up typically within 60 days," said Greg McBride, the chief financial analyst at Bankrate.com.

Oyedele, Akin. "Here's How the Fed Raises Interest Rates and Why It Matters." *Business Insider*, Business Insider, 19 Dec. 2018, www.businessinsider.com/how-the-fed-raises-interest-rates-2017-12.

Name: _____

Investigation Activity – Interest Rates

For this investigation, you will be researching a type of interest that you want to learn more about.

- ✓ What are the different types of interest? Once you investigate the different kinds, pick one to do more in depth research on.
- ✓ How is that interest rate determined?
- ✓ What determines when they increase or decrease?
- ✓ Who has the final say in changing the interest rate?
- ✓ How does this interest rate effect consumers?



What are three additional questions you have?

1. _____
2. _____
3. _____

Create a poster highlighting the type of interest you researched. Be sure and include the key information based on your investigation and research. Remember to cite all your sources. List below the some of the key information you discovered:

1. _____
2. _____
3. _____
4. _____
5. _____

What is your key take-away from this investigation? _____

CALCULATING INTEREST



Below are different saving and borrowing scenarios. You will need to calculate the simple interest you would either pay or earn for each. You can create an Excel spreadsheet or use a calculator to determine the interest.

1. You want to buy a bike that costs \$150.00. You have saved \$25.00 and want to deposit it in your savings account. The current interest rate is 3%. How much interest will you earn in two years?
2. Your family wants to buy a new television that costs \$700. They purchase the television set and put it on their credit card, which charges 18% interest. How much interest will they pay on the television set if it takes them 1 year to pay for the television?
3. The repairman tells your family that you need a new heater for your home. It costs \$3,500. Your family talks to the bank about getting a loan for 24 months. The interest rate is 9%. How much interest will your family pay over the 24 months?

Name: _____

Compound Interest

Compound Interest: Compound interest is the money earned from a determined set interest per year. The total amount earned from interest each year is added to the beginning balance, then interest is accumulated once again. This process is repeated each year that you roll the balance over.

For example: Let's say you saved \$200 a year at an interest rate of 3% compounded. To find out how much money that interest will equal every year, you have to change the percent into a decimal and then multiply.

$$\$200 \times .03 = \$6$$

So that means $\$200 + \$6 = \$206$ after year 1

Since this is compounded interest, that means you will continue into year 2 at 3% interest but this time it will be applied to \$206 instead of the starting amount of \$200. This process is repeated until you discontinue your savings plan. The reason compound interest is so awesome is because your money increases even more the longer you save. Compound interest is ever growing!



Compute the following equations in the table to determine the compounded interest over a span of 6 years by just saving \$200 once time. You may use a calculator. Don't forget to change your percent into a decimal.

Starting Amount	Interest Rate	Interest Earned	Year #	Final Equation Total
\$200 X	3% or .03	= \$6	1	$\$200 + \$6 = \$206$
\$206 X	3% or .03	= \$6.18	2	$\$206 + \$6.18 = \$212.18$
\$212.18 X		=	3	$\$212.18 + \$6.36 = \$218.54$
X	3% or .03	= \$6.55		
\$225.09 X		= \$6.75	5	$\$225.54 + =$
\$231.84 X	3% or .03	=		$\$231.84 + 6.95 =$

Directions: Answer the following questions using what you calculated in the table. Show all work and explain your thinking.

1. What is the total balance of this account at the end of year 6?
2. What is the total interest earned by the end of 6 years? What equation did you write to solve this?
3. Which year had the highest interest earned? How much was it?
4. Explain how the interest earned each year steadily increased over time.

Name: _____

The Rule of 72

Let's say you saved up \$2,500.00 and decide to put it in a savings account at the bank. Your account earns 3% interest. After 10 years, you would expect to have earned \$750 in interest. However, you would actually earn much more than that because of compound interest.

Here are the calculations. As you can see, at the end of the 10 years, you would have earned \$859.79 in interest, bringing your balance to \$3,359.79!

Principal	3% Interest	Balance
\$2,500.00	\$75.00	\$2,575.00
\$2,575.00	\$77.25	\$2,652.25
\$2,652.25	\$79.57	\$2,731.82
\$2,731.82	\$81.95	\$2,813.77
\$2,813.77	\$84.41	\$2,898.19
\$2,898.19	\$86.95	\$2,985.13
\$2,985.13	\$89.55	\$3,074.68
\$3,074.68	\$92.24	\$3,166.93
\$3,166.93	\$95.01	\$3,261.93
\$3,261.93	\$97.86	\$3,359.79



Let's say you wanted to double your money. How long would it take you? There's an easy calculation to figure help you figure that out. It's called 'The Rule of 72'. You take 72 and divide it by the interest rate. The answer is how long it will take you to double your money. Using the example above, it would take you 24 years to double your money at 3% interest ($72 \div 3 = 24$). That can seem like a long time, which is why it's important to pay attention to interest rates.

Below are some other interest rates. Calculate how many years it will take to double your money if you had \$100.

Investment	Interest Rate	Years to Double
Savings Account	4%	
Certificate of Deposit	6%	
Certificate of Deposit	7.75%	
Money Market Account	8.5%	
U.S. Treasury Bond	12%	

Source: Financial Fitness for Life, Grades 9-12, Lesson 20

Interest Poem

Using at least five words from the word cloud, write a poem about what you learned.





INVESTMENT BUZZ WORDS



Have you heard of the Stock Market? Or the Stock Exchange? While many people are familiar with these terms, they can get confusing. However, they are useful tools to grow your money, so it's important to understand how investments work.

Stocks

Another word you can think of when you see “stock” is “ownership.” If you buy a stock (also known as a share) in a company, you now own a very small piece of it. For example: Let's say you really love the Disney company, and you feel that in general, they have a good business. You buy a stock in it, and now you own a teeny part of the Disney franchise. As that company succeeds or fails, your stock value will rise and fall. When it rises, you earn money. When it falls, you lose your money. Stock prices are always fluctuating, so in turn, you are constantly losing and earning. In the short term, this happens quite a lot. You may see your money increase and decrease on a weekly, or even daily, basis. However, in the long term, you will mostly see a gain. You can decide how risky you want to be with your money by what stocks you buy.

Bonds

A bond represents debt that a company owes you. For example, if you buy a government savings bond, you become a lender to the federal government, and they must pay you back for the loan. They also must pay you interest on the loan, which is how your bond makes money. Bonds are considered less risky than stocks because you know exactly how much interest you will make annually. They do not gain and lose the way that stocks do.

Money Market Funds

This type of investment is considered “as good as cash.” You can write a check out of a money market fund the same way you would write a personal check. The risk is extremely small on these funds, which also means the return is very small. For example, the Illinois State Treasurer's Office invests a lot of their money from taxpayers in commercial paper because there is very little risk.

Securities

If you hear someone talk about trading securities, they are referring to stocks, bonds, and money market funds.

Mutual Fund

This refers to a pool of money that is provided by individuals or companies to be invested in stocks, bonds, and other funds. A fund manager is hired to invest the money on behalf of the investors. The collection of what they invest in is your portfolio. You, as an individual, do not have to worry about what stocks are high or low, when to sell them, etc. because it is all done for you.

Capital Gains

An increase in value from the time a company's stock was purchased until it was sold.

Dividend

This is the money stockholders are paid when the company earns a profit. It is common for dividends to be paid quarterly, semi-annually, or annually.

Common Stock

In this type of stock, shareholders are considered owners in the company and have voting rights involving some of the company's decisions.

Preferred Stock

These stockholders do not have voting rights but receive dividends before any common stockholders do.

Bear Market

This is a trading term that is used to describe a stock market in a downward trend. This means that stock prices are falling.

Bull Market

This is the exact opposite of a bear market. In a bull market, stock prices are rising.

Assets

A resource with economic value that an individual, corporation, or country owns or controls with the expectation that it will make money in the future.



Name: _____

Stocks Around the World

For this investigation, you will be researching stock exchanges around the world. Here are a few initial questions to investigate:

- ✓ Where are stock exchanges located?
- ✓ What are world markets?
- ✓ Is there one currency used?



What are three additional questions you have?

1. _____
2. _____
3. _____

When conducting your investigation, be sure to identify credible resources. Keep track of the resources you used and include them with the assignment. Include sources representing multiple points of view.

Write 2-3 paragraphs summarizing your findings. Be sure to include what your key take-away is from this investigation.



Name: _____

Publicly Traded Companies

Stocks are not available for every company or business. Publicly traded companies refer to those that are available on the Stock Market, and you can buy a share in. Usually, a company decides to go public when they want more money to grow. They get market exposure by being on the stock market, plus they have additional leverage when seeking a business loan if they are publicly traded. Going public is considered a big step for a company. When a company wants to go public, they issue an IPO (Initial Public Offering).



Think of the top ten companies that you are most interested in. Then, research if they are public or not, and what their current price to buy a share.

Company	Publicly Traded (If yes, write their symbol. If no, write no.)	Cost of Stock (if traded)
1.		
2.		
3.		
4.		
5.		
6.		
7.		
8.		
9.		
10.		

Did anything surprise you in your research?

Name: _____

Publicly Traded Companies

For this activity, you will work with a group to give a presentation on an issue a publicly traded company is facing.

Using your list of Publicly Traded Companies Investigation you completed, as a group, narrow to the top three companies you would like to learn more about. Research an issue the companies are currently facing which may impact their stock prices. As a group, pick an issue you want to focus on and development a yes or no question that shareholders (your classmates) need to vote on.



List the question here below.

After developing your question, investigate what some of the pros and cons are for that decision in the T-Chart below and be ready to present the issue to your classmates to vote on.

Pros	Cons

Name: _____

Shareholder Voting

Shareholders with common stock are able to vote on matters affecting their stock ownership. They can also vote on executive compensation packages, such as how much the CEO of the company makes per year and other benefits they receive.

Voting rights vary with each company. Some companies have a policy in which a shareholder receives one vote for each share owned. This means that the more shares you own, the more votes you will have. For this exercise, each of you will receive one vote on the issue presented.

Remember, your decision may affect the profits of the company going forward so your vote is important. Decisions made at shareholder's meetings can determine whether stock prices go up or down for the company. As a shareholder, you want to have a good effect or impact on the company.



Directions: Each group will present an issue facing the company chosen for their investigation. They will present information based on their research, along with a T-Chart highlighting the pros and cons surrounding the topic. At the end of their presentation, you can ask questions to help clarify any of the points they made. Remember, it's your job as a shareholder to help direct the future of the company.

After all questions are answered, each shareholder (everyone in the class) will cast their vote. Your teacher will collect all of the ballots and tally the scores.

Company: _____

My Vote:

☐

Yes

☐

No

Company: _____

My Vote:

☐

Yes

☐

No

Company: _____

My Vote:

☐

Yes

☐

No

Name: _____

Stock Symbols

Stock symbols, or tickers, are a unique series of letters assigned to a public company for trading purposes. Some stock exchanges have up to 3 numbers and others have 4 or 5 characters. Below are 20 stock market symbols for companies. Find out which company each ticker symbol represents.

Ticker Symbol	Company Name
AAPL	
VZ	
NTDOY	
DIS	
BA	
MA	
GE	
MSFT	
INTC	
NFLX	
SIRI	
X	
AMZN	
FB	
T	
CCEP	
GOOG	
TSLA	
PYPL	
KO	

Name: _____

Stock Symbols

Stock symbols, or tickers, are a unique series of letters assigned to a public company for trading purposes. Some stock exchanges have up to 3 numbers and others have 4 or 5 characters. Below are 20 stock market symbols for companies. Find out which company each ticker symbol represents.

Ticker Symbol	Company Name
AAPL	Apple Inc.
VZ	Verizon Communications Inc.
NTDOY	Nintendo LTD/ADR
DIS	Walt Disney Co
BA	Boeing Co.
MA	Mastercard Inc.
GE	General Electric
MSFT	Microsoft Corporation
INTC	Intel Corporation
NFLX	Netflix, Inc.
SIRI	Siri XM Holdings Inc.
X	United States Steel Corporation
AMZN	Amazon.com, Inc.
FB	Facebook, Inc. Common Stock
T	AT & T
CCEP	Coca-Cola European Partners PLC
GOOG	Alphabet Inc Class C
TSLA	Tesla Inc
PYPL	Paypal Holdings Inc.
KO	The Coca-Cola Co

Buzz Word Bonanza

Buzz Word	Draw a Picture	Define (in your own words!)
STOCK		
BOND		
MONEY MARKET FUND		
SECURITIES		

Buzz Word	Draw a Picture	Define (in your own words!)
MUTUAL FUND		
CAPITAL GAINS		
DIVIDEND		
COMMON STOCK		

Buzz Word	Draw a Picture	Define (in your own words!)
PREFERRED STOCK		
BEAR MARKET		
BULL MARKET		
ASSETS		

ABOUT THE OFFICE OF THE ILLINOIS STATE TREASURER



OVERVIEW

The Office of the Illinois State Treasurer (“Treasurer”), pursuant to the Illinois Constitution, is responsible for the receipt, safekeeping, investment, and disbursement of state monies.

The Treasurer prudently invests money on behalf of the State, units of government, and individuals saving for retirement, higher education, or disability-related expenses. Our investment decisions promote economic growth, continuing education, access to capital, and opportunities for individuals, communities, and government bodies across our State. The Treasurer is committed to fulfilling this mission in a professional and ethical manner that fosters transparency, efficiency, diversity and inclusion, sustainability, and the preservation of the public trust.

The Treasurer, as the State’s Chief Investment Officer, manages approximately \$65 billion, which includes \$36 billion in State investments, \$20 billion in financial product programs (ex: college savings, retirement savings, disability savings), and \$9 billion in funds managed on behalf of State agencies and units of local government.

The Treasurer oversees several investment programs, including:

- [State Investments](#)
- [529 College Savings Programs](#)
- [The Illinois Funds](#)
- [Illinois Growth and Innovation Fund](#)
- [Illinois Secure Choice Retirement Savings Program](#)
- [Illinois Achieving a Better Life Experience \(ABLE\)](#)
- [Student Empowerment Fund](#)
- [The FIRST Fund](#)

The Treasurer, as the State’s Chief Banking Officer, also administers the State’s multiple banking functions - overseeing cash management activities and processing payments and receipts on behalf of over 100 State agencies, boards, and commissions. In fiscal year 2024, the Illinois Treasurer processed \$252 billion in receipts and \$248 billion in expenditures.

The Office of the Illinois State Treasurer predates Illinois’ incorporation in 1818. Voters in 1848 chose to make it an elected office.

Learn more at illinoistreasurer.gov.

SUSTAINABILITY PRINCIPLES

In line with the International Sustainability Standards Board’s (ISSB) guidance via the Sustainability Accounting Standards Board (SASB), we apply sustainability factors into our investment decision making process that are material, relevant, and decision-useful. We also work to ensure that the integration of such sustainability factors outweighs the costs of implementation.

SUSTAINABILITY FACTORS

The Office’s sustainability factors encompass a broad range of topics that are used to more comprehensively analyze an investment based on its risk profile and return potential.

The sustainability factors we examine fall under five categories:



LEADERSHIP

- Accountability
- Diversity
- Transparency
- Sensible Compensation
- Shareholder Rights
- Ethical Conduct
- Risk Management



ENVIRONMENT

- Climate Competence
- Greenhouse Gas Emissions
- Air Quality
- Energy Management
- Water & Wastewater Management
- Ecological Impacts
- Waste Management



SOCIAL CAPITAL

- Human Rights
- Product Safety & Quality
- Data Privacy
- Cyber Security
- Community Relations
- Access & Affordability



HUMAN CAPITAL

- Labor Practices
- Employee Health & Safety
- Equity, Diversity, & Inclusion



INNOVATION

- Lifecycle of Impacts of Products
- Business Model Resilience
- Supply Chain Management
- Material Sourcing & Efficiency



“ESG is data. As owners of companies, we ask for data. Data help us make good decisions and help us work with the boards of directors to establish companies that are viable for the long term.”

—Treasurer Michael Frerichs

LETTER FROM THE TREASURER



Environmental Social Governance

I am very pleased to present the Office of the Illinois State Treasurer’s 7th annual Sustainable Investment Report, which showcases our sustainable investing activities during Fiscal Year 2024 (July 2023 – June 2024).

Before I highlight the hard work and successes we have achieved through these efforts, I must address one of the major elephants in the investment industry: the backlash against sustainable investing efforts. It is no secret that challenges continue to face the sustainable investment community. Vocal critics, elected officials, and corporations attack and mischaracterize the work that we do. These attacks persist in the form of legislation, congressional inquiries, allegations of “collusion,” so-called “anti-ESG” shareholder proposals, and even a lawsuit filed by a company against its own shareholders. Yet despite the heightened rhetoric and actions against sustainable investing, I want to stress that these moves continue to prove largely unsuccessful. What these efforts have really amounted to is a waste of time and effort for fiduciaries striving to generate positive risk-adjusted returns.

The bottom line is that I will not be intimidated by these efforts, nor will they distract me from using sustainability integration to steward—in the most prudent way—the \$65 billion of public assets that are in my care.

To clarify any confusion on this matter, if I had to use one phrase to describe how my Office practices sustainable investing it would be measured collaboration. Measured – in the sense that we quantitatively and qualitatively measure the material impacts of sustainability integration onto the value of our investments. Collaboration – in terms of collaborating with and between our internal investment teams, external investment managers, underlying portfolio companies, and fellow institutional investors to identify and address relevant and financially material sustainability risks.

We do this because we have a vested interest in having our investments succeed through capital appreciation over the long term.

Anything that will get in the way of that aim should be analyzed and addressed. Therefore, we don't exclude traditional financial analysis in favor of only focusing on sustainability risks present within our investment portfolios. Instead, we integrate sustainability analysis into the traditional financial analysis we perform for all of our portfolios, with the firm belief that this supplemental information can help us make more sensible, well-informed decisions.

With that in mind, let me share just some of the highlights my team has been busy working on as it relates to sustainable investing accomplishments over the last year:

- **Conducted Over 40 Engagements on Material Sustainability Issues** – We conducted or supported more than 40 engagements with portfolio companies on a range of sustainability topics, including corporate governance, board diversity, human capital management, social capital management, and environmental stewardship.
- **Negotiated Withdrawal Commitments for Proposals at 3 Companies** – Of the 8 shareholder proposals we filed or co-filed, we withdrew three of them based on agreements from the companies to enhance their disclosures around key human capital management practices and environmental metrics tied to their executive compensation.
- **Continued emphasis around utilizing Best-in-Class Diverse-Owned Firms** – Total assets managed by minority, women, veteran, and disabled-owned (MWVD) firms ended fiscal year 2023 at \$3.9 billion, a 193-fold increase since June 2015, while assets brokered by MWVD firms in fiscal year 2023 was \$46 billion, representing an 83% utilization rate.
- **Evaluated all External Investment Managers Based on Responses to Sustainability Questionnaires and Equity, Diversity, and Inclusion Assessments** – In addition to traditional financial and investment due diligence, my Office conducts a proprietary

evaluation of all of our external investment managers to assess how each integrates sustainability and encourages equity, diversity, and inclusion within their business processes to enhance oversight, monitor risks, and capitalize on investment opportunities.

- **Cast 27,827 Proxy Votes at 2,927 Annual Meetings** – Our Office voted on 27,827 proposals on corporate proxy ballots at 2,927 annual shareholder meetings in FY 2024. We believe casting proxy votes is an indispensable tool to signal our concerns with company boards and ensure they are acting in the best interest of our beneficiaries.

As we look towards next year, this report contains something new. To hold ourselves accountable, just as we do with our external partners, we have been working on setting concrete goals and actions to enhance and further our investment objectives.

Our **Sustainability Action Plan** lays out broad yet ambitious objectives for our Office's future and serves as a testament to my unwavering commitment to sustainable investing, particularly by focusing on ways we can continue to raise the bar in areas such as human capital management disclosure, proxy voting and tackling board diversity issues. While the challenges facing sustainable investing will undoubtedly persist, this Sustainability Action Plan will help us navigate these troubled waters and ensure that we stay focused on delivering the highest risk-adjusted returns for our beneficiaries and the people of Illinois.

For more information, please visit our website at www.IllinoisRaisingTheBar.com.

Onward,



Michael W. Frerichs
Illinois State Treasurer



Sustainable Investing Questions

1. Sustainability factors fall under 5 categories. List them.



2. What do the factors listed in Question 1 mean to you?
What might they look like within a company?

3. Treasurer Frerichs says anti-ESG efforts have wasted time and effort for fiduciaries. Research what a fiduciary is and describe it in your own words.

4. Multiple other states have passed anti-ESG bills. In your opinion, does this go against the state's fiduciary duty to taxpayers? Why or why not?

5. Do you think sustainability factors should be considered when analyzing a company for investment? Why or why not?

Name: _____

Dividends Activity



Dividends are a portion of a company's profits that are paid to shareholders. Newer, or start-up companies usually do NOT pay dividends because they use their profits to help their businesses grow --- building a bigger factory, hiring more workers, expanding into new markets, etc. The older, established companies sometimes pay their dividends.

A company might pay \$0.80 per share in dividends each year. That means if you own 200 shares of that company's stock, you'll get \$160 a year, or \$40 each quarter. You can spend the \$160, but if you're smart, you'll use it to buy more shares of the stock.

Most companies that pay dividends are from financially stable and mature companies, which means that the price of their stock is likely to steadily increase over the years. So, it's a win-win for shareholders – they get dividend payments and over the long-term they profit from the increased stock price. In addition, well-established companies often increase dividend payments over time. For example, Johnson & Johnson paid a \$1.13 dividend in 2022 and \$1.19 in 2023. While there are no guarantees, a company with a reputation for reliable dividends that increase over time works hard not to disappoint investors.

Companies that pay consistent, rising dividends are likely to be financially healthy and stable. Their stock prices are not as volatile as the rest of the market. As such, they may be lower risk than companies that don't pay dividends.

Because many dividend-paying stocks are lower risk, they make an appealing investment for both younger people looking for a way to generate wealth over the long haul and older adults who want to build a steady income flow during retirement.

The companies below all pay dividends to shareholders. Investigate how much the most recent dividend was. What is the price of a share of the company's stock? Would you buy it?

Company	Amount of Dividend	Price Per Share of Stock	Buy?
Apple			
Disney			
Home Depot			
Walmart			
Verizon			
Nike			
ExxonMobil			

Explain why you would buy the stocks you marked.

Risks and Rewards of Investing Your Money

There are three rules for building wealth: 1) start early because money needs time to grow; 2) buy and hold (in other words, keep your money invested) and 3) diversify your investments- don't put all your eggs in one basket.

It may seem unreasonable to think about building wealth when you are young. However, wealth can begin to accumulate if you use your money wisely and control how much you spend. There are rewards to investing money, but there are also risks.



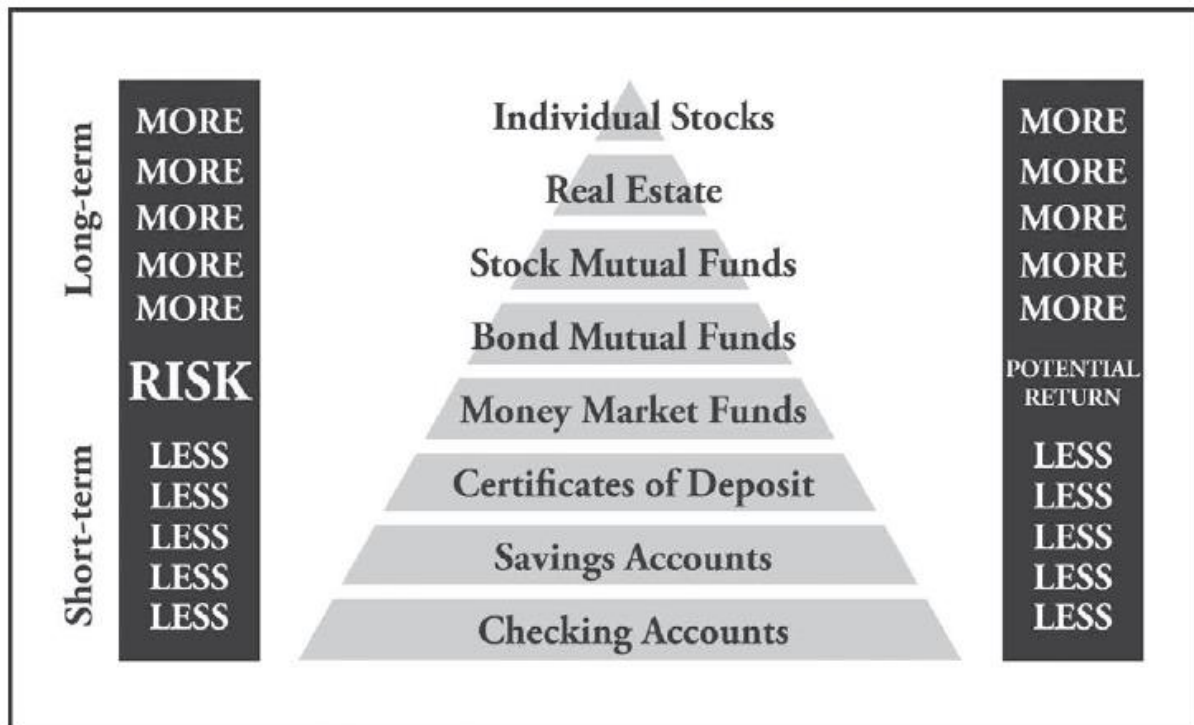
What exactly is risk? In a nutshell, it is uncertainty about a situation. A situation can have several possible outcomes and it is difficult to predict what the outcome may be. Some of the outcomes are positive while others are negative. When a risk involves investments, the greater the risk the greater the potential reward (or increased value) of the investment. Younger individuals can typically afford greater risks because they have a longer period of time to regain any losses suffered along the way. For that same reason, an older person typically takes fewer risks because they don't have as much time to recover any financial setbacks while they are still earning money.

Individuals have different comfort levels associated with risk. Some are willing to take a risk whereas others are more cautious. It's important to determine what your investment goals are. Are you saving for a new phone? Or perhaps a college education? Your goals will determine whether you invest for the short or long term.

Below is a Risk-Return Pyramid that shows the various categories of investments. There is less risk involved with checking and savings accounts in comparison to individual stocks. Every person has a level of tolerance for risk. Some people ignore the ups and downs of financial markets and concentrate on their long-term objectives. Other people get nervous every time they see any changes. As you can see, the bottom portion of the pyramid includes shorter-term investments that give you easier access to your money, but also have less of a return. In other words, you will not be able to make a lot of money off of those investments. The higher you go on the pyramid, the longer your money is tied-up, but you also have a higher potential of making money on your investment.

Source: National Center for Economic Education: Learning, Earning, and Investing

The Risk-Return Pyramid



Remember, everyone has a certain comfort level with risk – especially when it comes to money! You want to be cautious and diversify your risk. That means that you want to split up your investments into several different areas, so your risk is spread across different types of investments. As a result, you will be less vulnerable if an investment loses money.



Source: National Center for Economic Education: Learning, Earning, and Investing

Name: _____

Investigation Activity Risk and Rewards



This investigation involves identifying stocks and bonds based on how risky financial experts consider them. Below are the items to investigate using the internet.

Five bonds that financial experts consider safe

1. _____
2. _____
3. _____
4. _____
5. _____

Find five bonds that financial experts consider moderately safe

1. _____
2. _____
3. _____
4. _____
5. _____

Five find junk bonds that are considered risky

1. _____
2. _____
3. _____
4. _____
5. _____

Source: U.S. Securities and Exchange Commission

Look at each category of your findings (safe, moderately safe, risky). Analyze the information to see whether there are any patterns or similarities for each category. In the space below, indicate what you notice from your research and why you think that the patterns, similarities, or differences occur?

Now let's look at stocks. Find two examples of companies that had well-performing stocks, and something happened that caused them to crash.

1. _____

2. _____

In each of these instances, what caused the stocks to crash? _____

Find two examples of newer companies that had initially low valued shares that are now very high.

1. _____

2. _____

What was the initial price of the stock? What is the value today?

1. _____

2. _____

Think of 5 companies from which you regularly purchase products or services. See if they have stocks for sale. What is the cost to purchase one share of their stock?

Company	Stock Available (Yes/No)	Cost to Purchase 1 Share

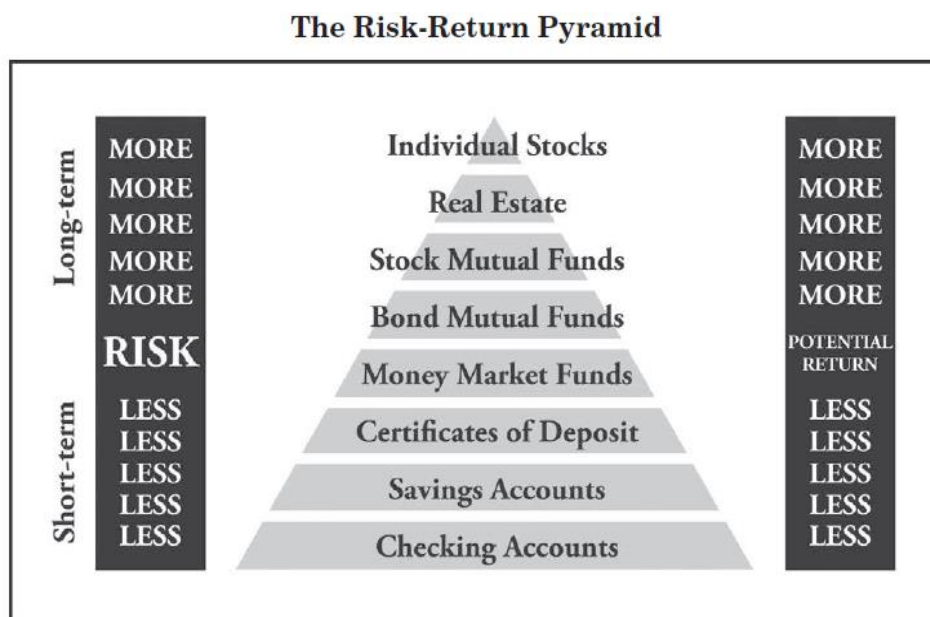
Source: U.S. Securities and Exchange Commission

Look at the Risk-Return Pyramid below, where do you think your risk tolerance level is at?

_____ Do you think you will be an aggressive investor (someone with a high risk tolerance) who is willing to risk losing money to potentially get better results?

_____ Do you have a moderate risk tolerance and want to strike a balance between high risk and low risk investments?

_____ Do you think you will be a conservative investor (someone with a lower risk tolerance) who typically looks for safer investments and is okay losing some money, but not a lot?



Why did you choose that tolerance level? _____

Source: U.S. Securities and Exchange Commission

Asset Allocation Game

What is your team's investment plan? _____

What is your team's level of risk tolerance? _____

Your team has \$60,000 for your investments. Divide up your money into the categories below. Be prepared to defend your choices in discussion.

Dollar Amounts	Percentages
Stocks _____	_____
Bonds _____	_____
Cash _____	_____

Game Rules

- Your teacher will give each group two dice and a penny.
- There is a total of 10 rounds.
- Each round, you roll one die to indicate what asset category will be affected.
 - 1, 3, and 5 are stocks
 - 2 and 4 are bonds
 - 6 is cash
- Roll the second die to see how much money is involved. Multiply the number by \$1,000. EX: If you roll a 5, it will be \$5,000.
- Flip the coin to determine if you lost or gained that amount of money.
 - Heads is a gain, tails is a loss
- Write down the new asset allocations.
- At the end of 10 rounds, as a group, you will analyze your results. Be prepared to discuss in class.

Round	Stocks	Bonds	Cash	% Stocks	% Bonds	% Cash
Sample	\$30,000	\$20,000	\$10,000	50.0%	33.3%	16.7%
Round 1	\$30,000	\$16,000	\$10,000	53.6%	28.6%	17.8%
Our Allocation						
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						

How do asset allocation percentages in Round 10 compare to the original plan? Do adjustments need to be made? Were you surprised on how this ended?

Asset Allocation Game – Teacher Instructions

This game demonstrates to students how asset allocation can change over time and depend on financial goals.

Items Needed Prior to Class

- ✓ One *Asset Tracking Chart* for each student group (4 students per group).
- ✓ Two dice per team.
- ✓ One penny per team.

Pre-Game Instructions:

- ✓ Divide students into groups of 4.
- ✓ Pass out an *Asset Tracking Chart* to each group for their investments.
- ✓ Explain that each team will begin with an imaginary \$60,000 that they can divide among three categories.
 - **Stocks** are the riskiest asset category followed by **bonds**.
 - **Cash** is the least risky asset category. This category includes savings accounts, certificates of deposits, and money market accounts.
- ✓ Have students determine their financial goals and how they want to “allocate” their \$60,000. *They should also take into account their level of risk tolerance and how long they'll be investing in order to reach their goals.* They write the amount they are allocating in each column
- ✓ When they have made their decisions, engage the whole class in a discussion, encourage students to defend their asset allocation.
- ✓ Have students calculate the percentage of their funds allocated to each category of asset by dividing each asset allocation by \$60,000. Write these percentages on their worksheet. (see sample).
- ✓ Give each team two dice and a penny.

Source: www.scholastic.com

Instructions/Rules

- ✓ There are 10 rounds of the game.
- ✓ In each round, the students roll one die to indicate which asset category will be affected
 - 1, 3, and 5 are stocks
 - 2 and 4 are bonds
 - 6 is cash
- ✓ Roll the second die to see how much money is involved (\$1,000 times the number on the die).
- ✓ Flip the coin to see if it's a gain or a loss (heads is a gain; tails is a loss)
- ✓ Write down the new asset allocation.
- ✓ At the end of Round 10, students compare their asset allocation to their original plan and goals. Engage in class discussion about how they feel about the risks they took (if any).
 - Do they need to adjust their original investments based on the performance of each asset category?
 - What surprised them about how much money they ended up with?
 - What did they learn?
 - What would they do differently?

Example on Asset Tracker

- ✓ *A team rolls a 2 (bonds) and a 4 (\$4,000) and flips tails (loss). They suffer a loss of \$4,000 in their bond category, as shown in the chart. Have them write the new total on their chart and calculate new asset allocation percentages. In the example, since the team lost \$4,000 they will be dividing by \$56,000 instead of \$60,000.*
- ✓ NOTE: If a team gets to zero in a category, and they roll that number in a subsequent round, they roll again until they get a category that still has funds in it.

Source: www.scholastic.com

Grades 6-8, Lesson 4

Compelling Question: How do I protect the wealth I am building?

IL Financial Literacy Standard	SS.EC.FL.2.6-8.MC: Analyze the relationship between financial risks and protection, insurance and costs. SS.EC.FL.2.6-8.LC: Explain the roles and relationships among savers, borrowers, interest, time, and the purposes for saving.
IL Econ Standard	SS.EC.1.6-8.LC: Explain how economic decisions affect the well-being of individuals and society.
Inquiry Standard	SS.IS.4.6-8.MdC: Determine the credibility of sources based upon their origin, authority, and context. SS.IS.6.6-9LC: Construct arguments using claims and evidence from multiple sources, while acknowledging their strengths and limitations. SS.IS.7.6-8: Critique the structure and credibility of arguments and explanations (self and others). SS.IS.8.6-8.MC: Apply a range of deliberative and democratic procedures to make decisions and take action in schools and community contexts.
Student Outcomes	Students will be able to explain why protecting their money and identity are important and the role insurance can play in doing so. They will also be able to explain why saving for retirement is crucial.

Introduction to Lesson

The compelling question for this lesson is: *How do I protect the wealth I am building?* This inquiry initiates an investigation of insurance, security breaches, and preparing for the future. Students will read nonfiction articles, participate in insurance simulations, and analyze data. Students should be able to develop a logical argument or problem-based learning activity that answers the compelling question.

TIME FRAME: This lesson is designed to work on several levels; therefore, timing may differ depending upon how a class chooses to approach it. If the Supporting Questions are divided and offered to groups, the lesson can be completed in 2-3 days. If a whole class works through all of the supporting questions, it could expand to 5-6 days. On the other hand, if teachers feel pressed for time, they may pick and choose different parts of the lesson to work through.

RATIONALE: The supporting questions develop from simple to more complex, thus providing an opportunity for differentiating and accelerating/compacting the lesson. While the whole class considers the concept of income, individual students or groups can delve more deeply into concepts at levels that are appropriate for their abilities and interests. The opportunity for project-based learning provides a further level of complexity, as students not only reflect on their learning, but use their new knowledge to take action in the real world.

The lesson is structured as follows: Each lesson consists of three supporting questions that directly tie into the compelling question. Each supporting question gets a little tougher as you progress through the lesson. Each supporting question includes an Investigate and Create/Discuss section. The Closed-Reading Activity can be used for each of the supporting questions or one that you select. The Reflect section is located toward the end of the lesson which provides students with a chance to demonstrate their knowledge of money and allows you to have a summative evaluation.

Ask

Compelling Question: How do I protect the wealth I am building?

Supporting Question #1: Is insurance worth it?

Key Understandings: Insurance costs money but provides security for major purchases.

Featured Resources (Investigate):
One Reading for Information piece: Insurance, Car Insurance for Teens investigation, and a research and persuasion activity.

Formative Assessment Task (Create/Discuss):
Risky Behaviors sheet, Insurance game, writing prompt

Supporting Question #2: How do I keep my identity safe?

Key Understandings: Protecting your identity online helps to keep your bank accounts, and you, safe.

Featured Resources (Investigate):
Two reading for information pieces: Consumer Privacy and Protect Your Identity, and two investigation activities: security breaches and junk mail.

Formative Assessment Task (Create/Discuss): Write a letter activity

Supporting Question #3: How do I make sure the future me can afford what I need?

Key Understandings:
Saving in investment accounts can make college and retirement easier.

Featured Resources (Investigate):
2 Reading for Information Pieces: Future Education Expenses and No More Work, 1 fact sheet, 529 investigation

Formative Assessment Task (Create/Discuss):
Advertisement Assignment, Retirement Cartoon, and Interview sheet

Staging the Compelling Question

Ask the students: Think of your most prized possession. What do you do to keep it safe? Discuss together how they protect the things that matter to them. Explain that the wealth they build also needs to be protected and saved for the future.

Supporting Question #1: Is insurance worth it?

Supporting Question

The first supporting question is: "Is insurance worth it?" Students will read about the different types of insurance and how much it costs. They will participate in a real-life insurance simulation through a dice game and analyze different scenarios and if insurance plays a role. Ultimately, students will discover that while insurance costs them money, it is often necessary to protect investments they already have.

Investigate
Featured Resources
Reading for Information – Insurance: Students read about the different types of insurance.
Investigation Activity – Car Insurance for Teens: Students will research many factors that go into buying the insurance they will need in a few years.
Research & Persuasion: Students will investigate one of the many forms of insurance that is not mandatory and write a persuasive paper on whether it is necessary or not.

Create/Discuss
Formative Assessment Performance Activities
Risky Behaviors: Looking at a variety of scenarios, students will determine the possible financial losses and what type of insurance could help them.
Insurance Game: A dice game that shows students how insurance can help lower costs.
Writing Prompt – Risks in Life: Students will analyze if some risks in life must be taken.

Supporting Question #2: How do I keep my identity safe?

Supporting Question
In today's world, so much of a person's identity and finances are done online. To keep their assets safe, they will need to know how to keep their identity safe. Students will read about tips on protection, research a famous security breach, and write a letter to an adult they know about how to make sure they are safe online.

Investigate
Featured Resources
Reading for Information – Protect Your Identity: A source that outlines key strategies to keep your online profile safe.
Reading for Information – Consumer Privacy: Students will read about what privacy is and how it can affect you online.
Investigation – Security Breaches: In recent years, there have been many well-known security breaches that have had an effect on millions of consumers. Students will pick one to learn more about.
Junk Mail Investigation: Students will collect a variety of junk mail from home and see how much information is known about their family. They will also Google themselves to see what information pops up for them.

Create/Discuss
Formative Assessment Performance Activities
Write a Letter: Students will pick an adult in their life that they know, or suspect, does their banking online and tell them how to be careful and the consequences that could happen if they're not.

Supporting Question #3: How do I make sure the future me can afford what I need?

Supporting Question
For the third supporting question, students learn about some of the most popular college and retirement savings accounts. Sometimes, protecting your assets means an investment in your future, and students will discover why this is important.

Investigate
Featured Resources
Reading for Information – Future Education Expenses: Students will learn about an investment option that can help them with their education.
Investigation Activity – 529 plans: After reading about the benefits of a 529 plan, they will research the potential risks and downsides about having one. They will then make the recommendation if they feel like having a 529 plan is worth it.
Reading for Information – No More Work! Students read about different types of retirement savings accounts.
Fast Fact Sheet – How Prepared for Retirement Are Americans? Students will read quick facts about retirement readiness of Americans.

Create/Discuss
Formative Assessment Performance Activities
Advertisement Assignment: Students will take the information they have learned about retirement statistics and accounts and create an ad for adults encouraging them to save. The ad can be in any form they choose.
Retirement Cartoon: Students will analyze a cartoon about retirement.
Interview: Students will pick an adult in their life to learn if they have been planning for retirement.

Ask
Compelling Question: How do I protect the wealth I am building?

Reflect	
Summative Assessment Performance Activities	
Task	Develop an argument, using credible sources as evidence, to answer the question.
Extension Activity	- Have students use the College Savings Calculator on BrightStart.com to look up different schools and saving scenarios to get a feel for how much they would need to save in a 529 account to have their tuition covered. - Students can research the pension crisis in Illinois. After, they can write to their state representative or senator with their recommendations to solve it. - Students can research legislation and program details related to the Illinois Secure Choice retirement savings program. They can also investigate federal legislation related to the SECURE 2.0 Act.

Insurance

Insurance helps protect your assets and wealth. Payments, called premiums, are paid to an insurance company at certain periods throughout the year. These payments can be set-up as monthly, quarterly, semi-annual, or annual payments. There are different types of insurance depending on what you want to protect. The most common types of insurance policies are for health, life, vehicles, homeowners, and renters.



Why should you consider buying insurance and how does it work?

Insurance provides a way in which consumers can transfer and share risk, but they must pay for this benefit or service. Buying insurance is not appropriate for all levels and types of risk. Buying insurance makes the most sense when the potential financial cost is great and there is a significant probability of loss over the long term. In these cases, it is wise to share and transfer risk by paying premiums for an insurance policy.

Common types of insurance:

- ✓ **Automobile** – provides financial protection to the owners, operators, and occupants of an automobile in case of accidents, theft, or damages.
- ✓ **Health** – protects against financial loss caused by the costs of illness or accident.
- ✓ **Life** – provides financial protection to a family when the insured, who is typically the major wage earner of the family, dies
- ✓ **Homeowners** – protects the homeowner from loss caused by fire, theft, and storm damage of the structure and the possessions within the structure. A liability insurance feature protects the homeowner from loss when someone is injured on the homeowner's property
- ✓ **Renters** – Protects the renter from loss or personal possessions because of such risks as fire, theft, or storm damage.

Source: National Council on Economic Education – How insurance works

- ✓ **Disability** – provides income during a specified period when a person is unable to work because of illness or an accident.

How Insurance Works

The purpose of having insurance is to spread risk to many different people. Suppose the football team at your school wanted to protect themselves from theft. Each student has football equipment assigned to them that they keep in their gym lockers. There is a total of 85 students on three different football teams at the middle school. The school decided to offer insurance to the football players in case anyone broke in and stole their equipment. The coaches estimated that each football player had an average of \$50 of equipment in their lockers. If 10 lockers were broken into, that would be a \$500 loss (\$50 stolen equipment x 10 lockers = \$500 loss).

$$\frac{\$500.00}{85 \text{ players}} = \$5.88 \text{ cost per student to insure their lockers}$$

This example gives you a rough idea of how insurance works. If all the football players bought insurance, they would be protected against any losses if their equipment was stolen from their locker. If they didn't buy insurance and someone broke into their locker, it would cost the player \$50.00, whereas if they had insurance, it would cost them \$5.88. Maybe 10 lockers never get broken into, but that's okay. You're only paying a small amount to guarantee that if your locker does get broken into, you won't have to pay \$50 of your own money.

Basically, insurance companies charge a fee, called a premium, which is paid by customers. This premium provides protection against certain types of financial losses. The fee or premium collected from everyone covers the losses.

Let's look at this on a larger scale. Depending on the type of insurance, sometimes you need to pay a deductible. A deductible is the amount you pay for covered services before your insurance plan starts to pay. In other words, for bigger insurance plans (like car, home, and health insurance) you are required to pay a part of the fees up front. So, let's say you buy a house. Your home insurance is \$1200 annually with a \$500 deductible. That is a lot of money! But, let's pretend that a pipe bursts in your basement from the cold in the winter and everything is damaged. The cost to clean up everything and replace what has been damaged is around \$15,000. With your home insurance, you are only going to pay roughly \$1700 for that year.

Source: National Council on Economic Education – How insurance works

Some insurance is required by law in Illinois. If you own a car, you must also purchase car insurance. If you are pulled over for speeding or get into an accident and you do not have car insurance, it is a hefty penalty against you. Across the county, it is required that you buy health insurance. Usually, if you apply for a mortgage on a home, you must show proof of home insurance. On the other hand, there are insurance policies for almost anything you own or do- if you choose to pay for it.

Picking insurance can be overwhelming because they come with many choices. You have the option to cover different aspects of a purchase. You can choose just the basic or upgrade to cover more potential damage. In the case of the home insurance, if your company had a special plan to cover plumbing that you chose not to pay for, your burst pipe wouldn't be paid through insurance. Your level of risk tolerance will play a factor into your decisions.

Overall, insurance is a part of everyone's life. You will have to make many decisions about a variety of insurance plans as you get older. Remember to always shop around to make sure you get the best price and to include the cost of insurance in your future budgets.



Source: National Council on Economic Education – How insurance works



CAR INSURANCE INVESTIGATION

In a few years, you will be driving. Once that happens, you will need car insurance. Whether you own your own car, or you are on your parent's insurance plan so you can drive theirs, you will need coverage. For this investigation, you will research how much your car insurance is going to cost you. Assume that you are 16 years old while doing your research. Make sure you are using credible sources to find your information, and list what you used on a separate sheet of paper and attach it.

1. In general, what trends do you see regarding the price for teenage drivers?

2. List all factors you come across that impact a teen's car insurance rate. What has the biggest impact? Do you think these factors are fair? Why or why not?

3. What happens to your insurance if you get into an accident?

4. What are some ways you can help lower your car insurance as a teen?

5. Is it better to go on your parents' insurance or get your own? Why? Provide an example.



To Insure or Not?

As mentioned in your reading, there are many other types of insurance besides what is required (auto, health, and in most cases, home). Explore the different voluntary insurances you can purchase. Choose one to research and then write a persuasive paper on whether people should get it. Make sure you to write down the credible resources you are using and attach it to your paper.

Research Outline

Type of Insurance: _____

Pros	Cons

Three main points for paper:

1. _____
2. _____
3. _____

Name: _____

Risky Behaviors

Financial loss may occur if an individual participates in risky situations, such as those listed below. Financial loss due to careless behavior could lead to a medical cost, damage to property, or loss of revenue because of missing work.

Think about what a possible financial cost may result from each situation. Engage in a whole class discussion of how risky behaviors can sometimes lead to financial loss. In the last column, list what type of insurance would help cover the costs. In some cases, there may not be any insurance that helps.



Situation	Possible Financial Loss/Cost	What type of insurance applies?
First time snowboarding. Decided to try the advanced slope.		
Put my \$20 bill next to me on the park bench.		
Taking a selfie some place dangerous.		
Throwing your gaming controller through a TV.		
Standing up on a roller coaster ride.		
Using your parents credit card without permission.		
Playing baseball inside of your house.		
Tried a new skateboard stunt riding a railing.		

Name: _____

Reducing Risk with Insurance

In this activity, you choose whether or not to buy insurance. Then you roll a die to find out if you have experienced a catastrophe involving financial loss.

You must decide whether having insurance benefits you and if the benefit is worth the cost.



Step 1: You have budgeted \$12,000 for insurance this year. Calculate the annual premium for each type of insurance below.

Based on your \$12,000 budget, decide which type of insurance coverage you will choose.

Type of Insurance	Monthly Premium	Annual Premium	Do you want this coverage?
Car	\$200		Yes / No
Health	\$700		Yes / No
Renter's	\$75		Yes / No
Personal Property	\$20		Yes / No
Disability	\$75		Yes / No
Total amount for annual premium(s):			

Step 2: You will roll a dice 6 times to determine whether you will experience a financial catastrophe. If you decided to purchase insurance, and you roll 1-5, that means you may be responsible for a deductible or co-pay. If you did not

Source: Financial Fitness for Life, Grades 9-12, National Center for Economic Education

purchase insurance and you roll a 1-5, you will pay for the loss out of your own pocket. If you roll a 6, you are safe and have no loss.

Dice	Type of Insurance	Amount of Loss	Deductible/Co-Pay
1.	Car	\$6,500	\$500
2.	Health	\$15,000	\$40
3.	Renter's	\$2,800	\$250
4.	Personal Property	\$2,600	\$0
5.	Disability	\$10,000	\$0
6.	Safe	\$0	\$0

Fill in the chart below each time you roll the dice. An example is provided.

A	B	C	D	E	F
Roll on Dice	Annual premium (calculated in Step One)	Deductible or co-pay (if insured)	If insured, add B & C Together:	Enter amount of loss (not insured)	Is column D greater or less than column E
Ex.	\$8,400	\$40	\$8,440	\$0	Greater
Total	N/A				N/A

Source: Financial Fitness for Life, Grades 9-12, National Center for Economic Education

Reducing Risk with Insurance – Teacher's Instructions

Overview:

In this activity, students will choose whether or not to buy insurance. They roll a dice to find out if they have experienced a catastrophe involving a financial loss. They decide whether or not having insurance benefits them and if it is worth the cost.

Items Needed:

- ✓ Dice (Students can work individually, in pairs, or on a team. That will determine how many dice are needed.)
- ✓ Handout – Reducing Risk with Insurance

Procedure:

Students have a \$12,000 budget for insurance.

- ✓ Students are to calculate the annual premium for each type of insurance.
- ✓ After calculating the annual premium, they decide whether or not they want each type of coverage. Remind students they only have \$12,000 budgeted for insurance.
- ✓ Each student rolls the dice 6 times.
 - Each roll identifies a situation that may involve a financial loss.
 - If the student has insurance, they avoid the loss. However, they still may be responsible for a deductible or co-pay.
 - If they don't have insurance, they have to pay for the loss out of their own pocket.
- ✓ After the students have completed rolling the dice, they then calculate the payments (co-pays, deductibles, and non-insurance losses).
- ✓ Students fill in the chart (like the one below) each time they roll the dice. Please remind students that they calculated the annual premium in Step 1. An example is provided in the first row.

Source: Financial Fitness for Life, Grades 9-12, National Center for Economic Education

A	B	C	D	E	F
Roll on Dice	Annual premium*	Deductible or co-pay (if insured)	If insured, add B & C Together:	Enter amount of loss (not insured)	Is column D greater or less than column E
Ex.	\$8,400	\$40	\$8,440	\$0	Greater
TOTAL	n/a				n/a

- ✓ If column E is greater than column D, it means their insurance premiums and deductibles/co-pays were less than the financial loss.
- ✓ If column D is greater than column E, that means that they spent more on premiums and deductibles than the amount of the loss.
- ✓ After students complete the chart, ask them: Was having insurance worth it?

Wrap-Up:

People often complain if they pay for car insurance and never have an accident, but one fender bender can cost tens of thousands of dollars to repair. You have no way of knowing if and when disaster will strike, so insurance helps you plan ahead --- just in case

Source: Financial Fitness for Life, Grades 9-12, National Center for Economic Education

Name: _____

Risks in Life

Think about the following question: **Can individuals avoid all risks in life?**
In the space below, write 2-3 paragraphs explaining your thoughts.



Think of 8-10 risks you or someone in your family may face on a particular day.

1. _____

2. _____

3. _____

4. _____

5. _____

6. _____

7. _____

8. _____

9. _____

10. _____

Protecting Your Identity

It's important to protect your identity and personal information because you don't want it getting in the wrong hands. Unfortunately, some individuals will use your information to falsely open up accounts in your name and ruin your credit. Sometimes, companies collect information that they really don't need to have. If there is ever a data breach, meaning a computer hacker has gained access to a company's computer system without their permission, your personal information becomes available. Thieves or online hackers can combine various pieces of information they have found and create a "profile." Once a profile is complete, they sell your information to individuals who try to impersonate you. This leads to identity theft, which is a growing problem and concern for everyone.

When you visit a website, are you ever asked to click and acknowledge that you are aware of the company's privacy policy? If so, have you ever read a company's privacy policy? Below is an excerpt from an actual company's privacy statement. It's somewhat disturbing the information they collect from you when you visit their website:

1. Website Visits & Registration

We collect the following personal data when you visit the website or register to take surveys, whether you are a registered user of the website or not:

- name
- log in
- password
- IP address
- website's usage (i.e. how you interact with our website)
- information on your device (e.g. screen size)
- (social) network user ID, if you use social network plug-ins (e.g. "Like" button)
- location
- public content you may have posted on, or through the website

It seems to be much harder to protect your information online since there are so many websites we visit each and every day. Here is a partial list of suggestions from experts. They recommend:

Source: Federal Trade Commission, Illinois Office of the Attorney General, and Practical Money Skills

- ✓ Don't carry your social security card in your wallet
- ✓ Don't share your personal information on an incoming call – even if the person says they are with your bank or a government agency.
- ✓ Safely dispose of computers, mobile phones, and other electronic devices that may have your personal information on them.
- ✓ Shred receipts, credit offers, credit applications, insurance forms, physician statements, checks, bank statements, expired charge cards, or documents you don't need any longer that has personal information on it, including old bank statements, credit cards, and insurance forms.
- ✓ Install antivirus software on your computer and keep it up-to-date.
- ✓ Avoid logging into financial accounts while using public wireless internet networks – especially at cafes or airports
- ✓ Set up passwords and regularly change them for your phone and computer
- ✓ Use different passwords for your online accounts
- ✓ Before sharing information at a business, workplace, school or doctor's office, ask why they need it, how they will safeguard it, and the consequences of not sharing it
- ✓ Consider signing up for the national or state "Do not Call Registry" so marketing companies are not able to contact you.



Source: Federal Trade Commission, Illinois Office of the Attorney General, and Practical Money Skills

Consumer Privacy

The internet and other technological advancements can increase knowledge about each of us in unprecedented ways. Protecting your privacy and the information which is known about you is critical. We live in what's called the "information age," meaning that a lot of information about us and our activities is recorded and stored by computer systems.



Sometimes it's great having information readily available about us. After all, it saves us time and is a convenience. However, it can also be incredibly harmful if that information winds up in the wrong hands.

Where do companies get this information from? To start with, public records. Information such as birth records, marriage licenses, divorce records, property ownership, motor vehicle records, and voter registration are all public records meaning that anyone can have access to them. The Freedom of Information Act, 1966 (FOIA) allows individuals to request information from public institutions. Private information, such as employment, credit scores, criminal records, school records, and medical records are not publically made available.

What happens next? Companies create profiles of consumers and keep that information in their database. As more information is found out about an individual, it gets added to the database. When marketing companies are looking to solicit individuals to encourage them to buy their products or services, they purchase this information from the database. For example, if they want to sell a sports drink, they request the database of people who are more likely to use their product.

Sometimes consumers value receiving information that is targeted towards their likes while not wasting their time sending information about products or services they would have no interest in. But other times, it can be alarming how much information is available about each and every one of us.

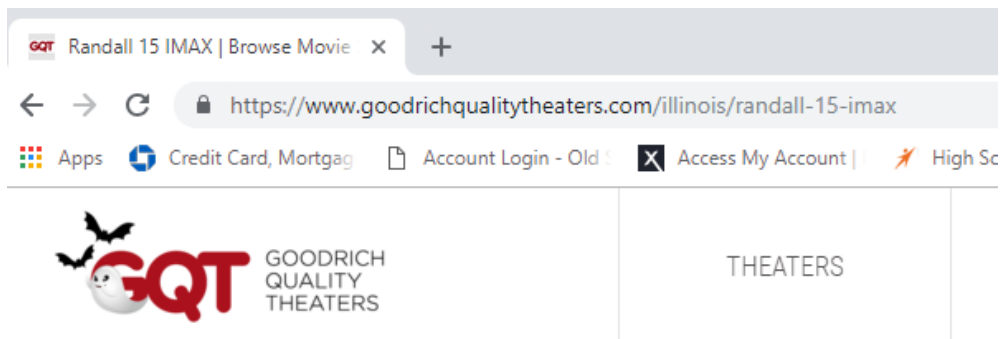
From a business perspective, they are happy to have individuals identified who might be interested in their product or service. The lists they purchase from database companies are referred to as "targeted lists" because there is a good chance the people on the list will be interested.

Source: Illinois Attorney General & Practical Money Skills, www.practicalmoneyskills.com

There are both federal and state laws in place that help regulate consumer privacy, but they are not all the same. Some states have their own privacy laws concerning telemarketing and other areas that could be a problem.

In Illinois, consumer protection is handled by the Illinois Attorney General's office. Here are some tips from the Illinois Attorney General's office:

- ✓ Use a secure browser. Do not submit credit card or other financial information to any website that is not secure. How do you know? It will look like this. There is a padlock followed by <https://www.websitename.com>. When you see the "https" that means that it is a secure site.



- ✓ Know who you're dealing with. Anyone can set up shop online under almost any name. If you've never heard of the seller, check to see if any consumer complaints have been filed with the Illinois Attorney General's office and the Better Business Bureau. Be wary of companies that do not provide any ways of contacting them other than online or do not allow you to reply to them via email.
- ✓ Check the privacy policy. The company's privacy policy should let you know what personal information the company is collecting, why, and how the information is going to be used.
- ✓ Know exactly what you're buying. Look for accurate, clear and easily accessible information about the goods or services being offered, especially the fine print. Words like "refurbished," "vintage," "closeout," "discontinued," or "off-brand" may indicate that a product is in less-than-mint condition. Some name-brand items with "too-good-to-be-true" prices may even be counterfeits.

Source: Illinois Attorney General & Practical Money Skills, www.practicalmoneyskills.com

- ✓ Understand the return policy before you buy. Ask the company what their specific policies are for returning or exchanging a purchased item and if the business has a refund policy. Check to see if there is a “restocking fee” that is charged if you return an item.
- ✓ Check delivery dates. A federal law requires sellers to ship items when they say they will or within 30 days after the order date when no specific date is promised. The company must notify you if they cannot ship the goods within the promised or 30-day deadline. They must give you a chance to cancel your order and provide a full refund under if they cannot ship the product.
- ✓ Keep a record. Print a copy of your purchase order and confirmation number for your records.



Source: Illinois Attorney General & Practical Money Skills, www.practicalmoneyskills.com

DATA BREACHES

When people's data is stolen, it can have serious consequences on their finances. Unfortunately, this happens more than we like to think. For this activity, you will investigate three company security breaches and the effects they had on society. Make sure you are using credible sources to get your information from. You can pick any three companies you find during your research.



Company #1: _____

What happened?

How were consumers effected?

How did the company handle it?

Company #2: _____

What happened?

How were consumers effected?

How did the company handle it?

Company #3: _____

What happened?

How were consumers effected?

How did the company handle it?

Which company do you think handled their situation the best? Why?

Who do you think is responsible for data breaches? The hacker, the company, the consumer, or a combination of any of the three?



Name: _____

Junk Mail: How did they know that about me?

Collect at least 5 pieces of unsolicited mail, "junk mail" (credit card offers, catalogs you didn't sign up for, etc.) from home over the course of the week.



What is known about individual members of your family? Circle the answer below.

✓ Age	Yes	No	Not sure
✓ Gender	Yes	No	Not sure
✓ Income	Yes	No	Not sure
✓ Interests	Yes	No	Not sure
✓ Activities	Yes	No	Not sure

Where do you think the company got the information from?



Search your name or the name of an adult in your family. What types of consumer information shows up? Is there anything that you are surprised to see? Do you think this brings any harm to your online security?

Letter Writing

Pick an adult in your life that you know most likely does a lot of their banking and shopping online. Write a letter to them giving them advice on how to keep their identity safe online and the consequences if they don't.



[illegible]

Future Education Expenses

People use their savings and investments to plan for their future. As higher education costs continue to rise in the United States, saving for it has never more critical. In fact, children who know there is a higher education savings plan set up for them are three times more likely to continue their education after school. They are also four more times likely to finish their higher education. There are many ways people can choose to save for college, but a popular choice is a **529 plan**.

What is a 529 plan?

Higher education is getting more and more expensive every year, which is why saving for future education needs can be incredibly beneficial. A 529 plan is a special investment account that is used specifically for post high school education expenses. This can include college and/or vocational training.

What can I use it for?

Some examples of qualified expenses include: tuition, fees, books, supplies, computers, room and board, internet access, apprenticeship expenses, and even repayment of student loans. You can use it at any accredited institution, whether it's a college, university, or vocational school. Students are even able to use it for school outside of the United States.

Who can open and contribute to a 529?

Anyone over the age of 18 can open a college savings account for anyone they want. The account owner and future students just need a valid social security or taxpayer identification number. This means parents, legal guardians, grandparents, aunts, uncles, etc. can decide to open one for any loved one they might see themselves giving money to at some point. Once the account is open, anyone can contribute to it. For example, let's say your grandparents opened a 529 plan for you when you were born. The account does not only take contributions from your grandparents – others can contribute to it as well, maybe for a birthday or holiday gift.

Are there any tax breaks?

Yes! 529 accounts come with multiple tax advantages. First, while money remains in the account, the account owner does not pay any tax on the earnings. The earnings are never taxed so long as the funds



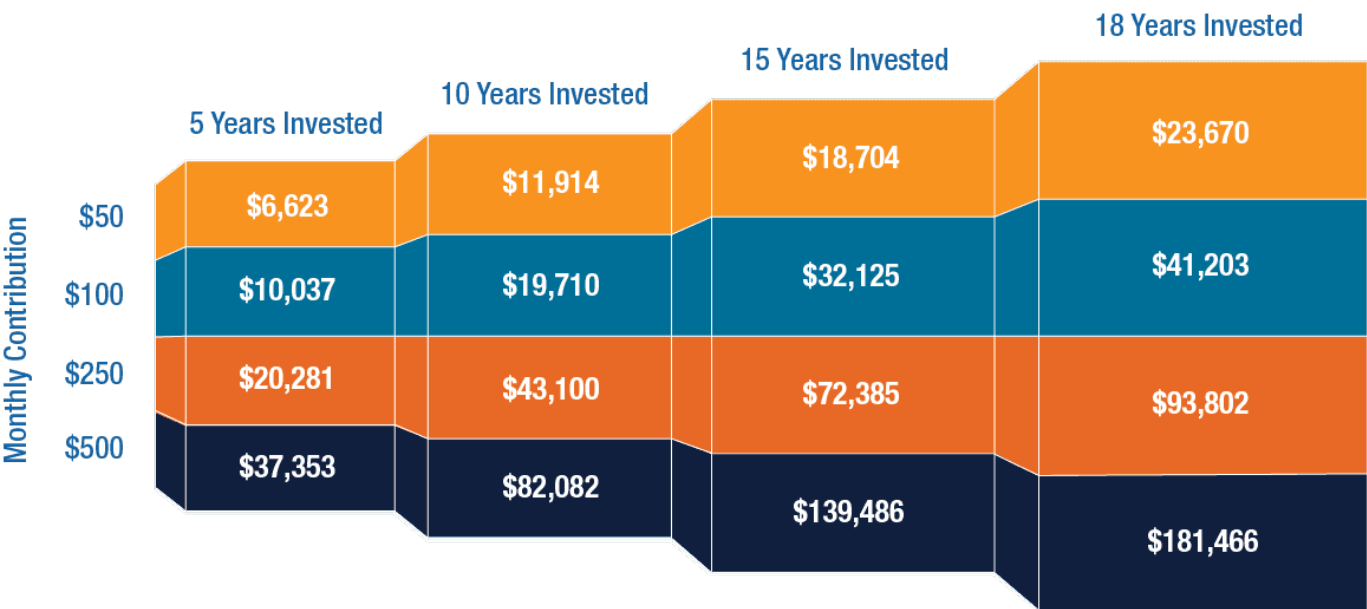
are used for qualified education expenses at eligible educational institutions. Finally, many states offer tax incentives for saving in the state’s 529 plan.

Where do people go to open a 529 plan?

There are many options. Almost every state has its own plan, and you often don’t have to live in the state to use their 529 plans. Here in Illinois, the State Treasurer’s office administers two 529 plans – the Bright Start Direct-Sold plan for those who wish to manage their savings on their own and the Bright Directions Advisor-Guided plan for those who prefer to save with a financial advisor.

Does an investment account make a difference?

Since it is an investment account, savings have the possibility of growing over time. The graph below shows how much you can make in a 529 plan, with the initial investment of \$2,500 and an assumed annual return rate of 5%. It’s important to note that this graph is for illustrative purposes only and investment returns may be greater or lesser than the below example, including the possibility of losing money.



529 INVESTIGATION

You just read about the benefits of a 529 plan. While the article may have focused on the positive, there can be some negatives as well. Research at least five cons that are associated with these plans, and list them below (make sure you are using credible sources!)

1. _____

2. _____

3. _____

4. _____

5. _____

Once you have finished, write a minimum of two paragraphs in response to this question: Would you recommend opening a 529 account to someone? Why or why not?



No More Work!

Everyone loves the sound of retirement... never having to work again?! Great! But how do people make money when they no longer work? Below are several popular investment savings options that people use.

Pensions

These type of retirement accounts are most often found in government service (teachers, firefighters, police officers, etc.). The employer contributes money to the pension plan where you are working. The money will then be paid to you, usually as a monthly check, once you retire. However, how much you receive depends on your years of service, your age, and how much you were earning when you retired. You do not get to choose how your money is invested in a pension plan, but it does present very little risk to the employee. The risk comes into play regarding how well the plan is managed. In the worst-case scenario, the pension plans are managed poorly and not able to pay out all the benefits it promises.



401(k)

This is another retirement savings plan that is sponsored by a person's employer. It allows workers to invest a piece of their paycheck before taxes are taken out, mostly through mutual funds. Often, employers will match the funds you put into your 401k up to a certain percentage. For example, if you put 2% of your salary into your 401k, your employer might also put in 2%. There are many 401k plan choices, and you can choose which one you are most comfortable with.

Individual Retirement Account (IRAs)

There are several different types of IRAs, including Roth IRA, SIMPLE IRA, and SEP IRA. The kind of IRA that you open up is determined by your income. Depending which you are eligible for will also determine if your contributions can be tax deductible or not. You can do this through banks, credit unions, and other brokers. Traditional IRAs have contributions that are tax deductible, but their withdrawals are taxed. If you are an individual taxpayer, you would set up a traditional or Roth IRA. Often, workers do this along with their pension or 401(k) as another means to save. If you are a self-employed individual, such as a freelancer or small business owner, you would open a SEP IRA. SIMPLE IRA stands for Savings Incentive Match Plan for Employees) and again is for a small business owner to make contributions to their employees.

It is important to begin saving immediately for retirement once you start working. The more you have saved, the better off you'll be as adults. If you do not, you may not get to experience retirement at all.

Anspach, Dana. "What Is a Pension Plan?" *The Balance*, The Balance, 27 Jan. 2019, www.thebalance.com/what-is-a-pension-and-how-do-you-get-one-2388766.

Kagan, Julia. "Individual Retirement Account (IRA)." *Investopedia*, Investopedia, 9 Apr. 2019, www.investopedia.com/terms/i/ira.asp.

HOW PREPARED FOR RETIREMENT ARE AMERICANS?

61% of non-retirees own a tax-preferred retirement account, such as a 401(k) plan through an employer, individual retirement account (IRA), or Roth IRA

- When distributed by race and ethnicity, 68% of white non-retirees had retirement accounts, compared with 51% of Black non-retirees, 45% of Hispanic non-retirees, and 75% of Asian non-retirees.

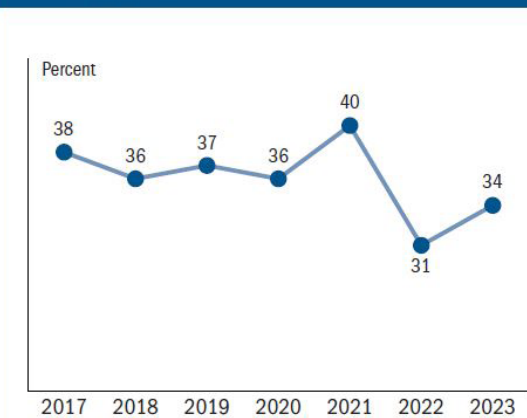
Table 39. Non-retirees with a tax-preferred retirement account, defined benefit pension and view retirement savings plan as on track (by demographic characteristics)

Percent

Characteristic	Tax-preferred retirement account	Defined benefit pension	Retirement savings on track
Age			
18–29	43	8	26
30–44	63	19	34
45–59	72	32	38
60+	75	36	45
Race/ethnicity			
White	68	23	40
Black	51	21	25
Hispanic	45	16	21
Asian	75	26	46
Disability status			
No disability	65	22	37
Disability	33	13	11
Gender			
Male	63	22	36
Female	60	20	32
Overall	61	21	34

Note: Among non-retirees.

Figure 34. View retirement savings plan as on track (by year)



Note: Among non-retirees.

- 34% of non-retirees overall said their retirement savings plan was on track

- Among non-retirees who had borrowed from or cashed out funds from their retirement accounts in the prior year, the share who said they were on track was lower, at 20 percent.
- Non-retirees who had a major unexpected medical expense or who experienced a layoff were more likely to have tapped the funds in their retirement accounts, compared with other adults. Tapping retirement accounts and reducing regular contributions can help people handle economic hardships or other changes to income or expenses, but this may come at a cost to their longer-term financial security.

Table 40. Non-retirees who borrowed or cashed out money from a retirement account or reduced regular retirement account contributions in the prior 12 months (by economic hardship)

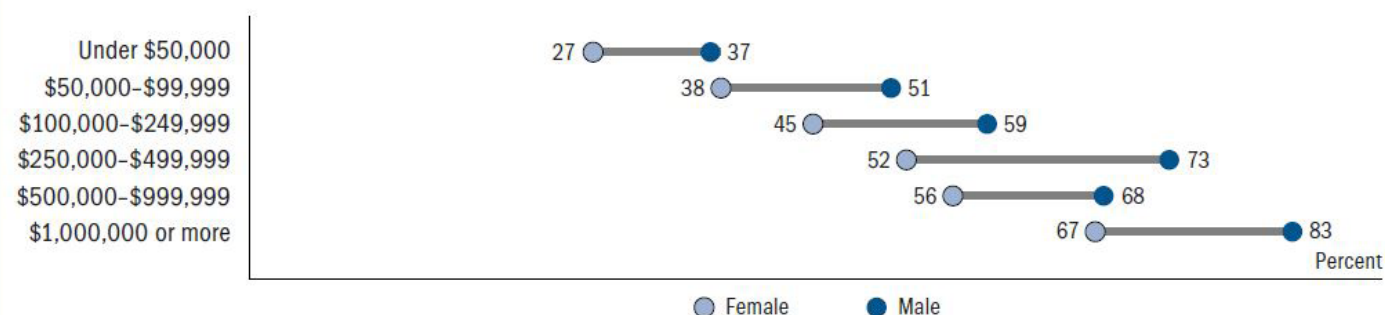
Percent

Hardship	Borrowed or cashed out money	Reduced regular contributions
Had unexpected, out-of-pocket major medical expenses		
Yes	15	13
No	9	7
Laid off from a job		
Yes	21	18
No	10	8
Overall	10	9

Note: Among non-retirees.

Source for facts above and on following page: Economic Well-Being of U.S. Households in 2023, Federal Reserve Board, May 2024

Figure 35. Mostly or very comfortable choosing and managing investments (by investable assets and gender)



Note: Among adults who reported investable assets. Key identifies dots in order from left to right.

- Forty-five percent of adults said they were mostly or very comfortable choosing and managing their investments, while 55 percent of adults said they were not comfortable or only slightly comfortable.
- A higher share of men expressed comfort about managing their investments than women. Fifty-two percent of men said they were mostly or very comfortable choosing and managing their investments, while 38 percent of women gave these responses. For both men and women, the share of adults who were comfortable managing their investments generally rose along with the value of investable assets (figure 35). Nonetheless, a higher share of men was comfortable managing their investments, compared with women with the same level of investable assets.

Source for the facts below: 2024 Retirement Confidence Survey, Employee Benefit Research Institute, 2024

- 68% of workers are confident they will have enough money to live comfortably throughout retirement
- 39% of workers who are not confident feel this way due to their lack of savings.
- Half of Americans have calculated how much money they will need in retirement. In reaction to their calculation, 52% of workers started to save more. Even though seven in 10 workers have saved for retirement, this renewed interest in saving is spurred by the drastic difference in what Americans believe they will need for retirement compared with how much they currently have saved.
- A third of workers who tried to calculate how much they will need in retirement estimate they will need \$1.5 million or more. However, a third of workers currently have less than \$50,000 in savings and investments. In addition, 14% of workers have less than \$1,000 in savings and investments.

Advertisement Assignment

Create an ad for adults encouraging them to save for retirement. This can be a poster, a PowerPoint, a cartoon strip, a radio or tv commercial, or any other advertisement style you would like to try. Make sure you include facts about the current state of retirement and steps they can take to ensure a relaxing retirement. Use this paper to brainstorm your ideas below!



RETIREMENT CARTOON

Take a look at the cartoon below. What do you think it means?



"Matt Pokes Fun at the Coalition's Attempts to Save Our Finances." *The Telegraph*, Telegraph Media Group, 28 Mar. 2011, www.telegraph.co.uk/finance/personalfinance/8411166/Matts-money-cartoons-since-David-Cameron-came-to-power.html?image=8.

Interview

Pick an adult in your life to ask about their current investments and retirement plans.

1. Name of person you are interviewing and relation to you: _____

2. Do you have any retirement savings plans started? If so, what kind? _____

3. What kind (if any) investments do you have? _____

4. Did you have a 529 college savings account? Do you know if there is one set up for me? _____

5. What level of risk in your investments do you feel comfortable with? _____

6. What is one piece of advice you would give me about saving for my future? _____



Grades 6-8, Lesson 5

Compelling Question: How do people control wants to stay within a budget?

IL Financial Literacy Standard	SS.EC.FL.2.6-8.LC: Explain the roles and relationships among savers, borrowers, interest, time, and the purposes for saving. SS.EC.FL.1.6-8.MdC: Identify how people choose to buy goods and services while still maintaining a budget based on income, taxes, savings, and fixed and variable interest rates.
IL Econ Standard	SS.EC.1.6-8.LC: Explain how economic decisions affect the well-being of individuals and society.
Inquiry Standard	SS.IS.4.6-8.MdC: Determine the credibility of sources based upon their origin, authority, and context. SS.IS.6.6-9LC: Construct arguments using claims and evidence from multiple sources, while acknowledging their strengths and limitations. SS.IS.7.6-8: Critique the structure and credibility of arguments and explanations (self and others). SS.IS.8.6-8.MC: Apply a range of deliberative and democratic procedures to make decisions and take action in schools and community contexts.
Student Outcomes	Students will be able to explain the importance of a budget and learn one technique for personalizing their budgets.

Introduction to Lesson

This inquiry initiates an investigation of income by presenting students with readings and graphic representations of budgeting, taxes, consumer spending, and decision-making. Students should be able to develop a logical argument or project-based learning activity that answers the question, “How do people control wants to stay within a budget?”

By examining this question and relevant resources, and by creating questions of their own, students address the above-noted standards. Students consider a series of supporting questions about why people borrow money, how to use credit wisely, and what to do to create a good credit history. By engaging with images, videos, charts, and graphs, students activate visual, auditory, and kinesthetic learning. They work independently and in groups to answer questions, but more importantly to ask even more questions of their own.

TIME FRAME: This lesson is designed to work on several levels; therefore, timing may differ depending on how a class chooses to approach it. If the Supporting Questions are divided and offered to groups, the lesson can be completed in 2-3 days. If a whole class works its way through all the supporting questions, it could expand to 5-6 days. On the other hand, if teachers feel pressed for time, they may pick and choose different parts of the lesson to work through.

RATIONALE: The supporting questions develop from simple to more complex, thus providing an opportunity for differentiating and accelerating/compacting the lesson. While the whole class considers the concept of income, individual students or groups can delve more deeply into concepts at levels that are appropriate for their abilities and interests. The opportunity for project-based learning provides a further level of complexity, as students not only reflect on their learning, but use their new knowledge to take action in the real world.

The lesson is structured as follows: Each lesson consists of three supporting questions that directly tie into the compelling question. Each supporting question gets more difficult as you progress through the lesson. Each supporting question includes an Investigate and Create/Discuss section. The Closed-Reading Activity can be used for each of the supporting questions or one that you select. The Reflect section is located toward the end of the lesson which provides students with a chance to demonstrate their knowledge of money and allows for a summative evaluation.

Ask

Compelling Question: How do people control wants to stay within a budget?

**Supporting Question #1:
What is a budget and how
does it help?**

Key Understandings: Students will learn that a budget is a plan that helps them manage their money.

Featured Resources (Investigate): 1 reading for information piece: What is a budget? and Question: Spend or Not to Spend activity

Formative Assessment Task (Create/Discuss): Discussion, Cash Flow Activity, Budget Game

**Supporting Question #2: What
choices do people make to stay
on budget?**

Key Understandings: Students will learn that people have to make choices in order to stay within their budget.

Featured Resources (Investigate): 2 reading for information pieces: Disposable Income & Impulse Buying, Survey, and 2 Investigations: Wise Shopper & Teen Spending Trends

Formative Assessment Task (Create/Discuss): Wants & Needs Activity, Scenario of Wants & Needs, Living Within Your Means, and PACED Decision-Making Method

**Supporting Question #3:
How do you create a
budget?**

Key Understandings: Students will learn how to create a budget. In addition, they will learn how taxes and interest can affect their budget.

Featured Resources (Investigate): 2 Reading for Information pieces: Taxes & 50/20/30, Local Taxes investigation, & Budgeting for Teens activity

Formative Assessment Task (Create/Discuss): Determining a Town's Budget, 2 budget sheets, 2 tax calculation sheets, writing prompt & State Taxes Infographic

Staging the Compelling Question

The compelling question for this lesson is *"How do people control wants to stay within a budget?"* One week before beginning this lesson, the teacher can ask the students to try to recall everything they have spent money on in the past 3 days. Many students may have a hard time remembering. This leads to a mini assignment to prepare for this lesson. Keep a spending journal for one week. In the journal, students will list everything they have purchased for 5 days.

At the end of the week, students will work in pairs to categorize their spending: food, clothes, entertainment, saving, charity, etc. In class, they will discuss their spending habits and compare them to other groups. Students should be encouraged to ask questions of other teams, e.g., How often do you buy this? Could you live without this? If you had to do it over, would you still buy this? Was there anything you bought that you later discovered was not worth the purchase price?

Tell students they will be learning about wise ways to spend and the importance of good spending habits for long-term financial security.

Supporting Question #1: What is a budget and how does it help?

Supporting Question
Students will learn that a budget is a map or plan that helps them manage their money. A budget helps people see how much income they have in accordance with expenses. Individuals using a monthly budget can get a good handle on the money coming in and the various expenses causing the money to flow out. When individuals know where their money is going, it is much easier to make informed decisions about those expenditures and perhaps curtail unnecessary spending.

Investigate
Featured Resources
Reading for Information – What is a Budget? Students learn that a budget helps individuals manage their money and make good decisions. Terms included in the article are income, expenses, fixed expenses, variable expenses, and occasional expenses.
Question – Spend or Not Spend? Students search online for three “things” and three “experiences” that each cost around \$1,000. They decide whether each of these is a good or bad spending choice and why they feel that way.

Create/Discuss
Formative Assessment Performance Activities
Discussion – Spend or Not Spend? After students complete their list of “things” and “experiences”, have the class discuss their findings as well as why they think each of the items are a wise spending decision or a poor one.
Cash Flow Activity: Students are asked to track every expense they have throughout the week. They indicate whether the expense is for food, clothing, entertainment, or other. They can track their own money or an older member in their household.
Budget Game: This activity helps students understand the difference between needs and wants, along with preparing them to make choices about spending their money each month.

Supporting Question #2: What choices do people make to stay on budget?

Supporting Question
The second supporting question, “What choices do people make to stay on budget?” helps students learn that we all make choices and there are consequences to our choices. It’s important for students to understand that a key part of staying on budget is through controlling our wants. Students will work through a variety of scenarios reinforcing the differences between needs and wants.

Investigate
Featured Resources
Reading for Information – What Is Disposable Income, and Why Is It Important? Students read an article excerpt.
Survey Activity – Disposable and Discretionary Income: After reading the article excerpt, students conduct their own survey and interview individuals to find out what they consider to be the most important discretionary purchases, and which purchases they would reduce or eliminate if necessary.
Reading for Information – Impulse Buying: Students read an article on impulse buying and why consumers fall prey to it. They learn tips to help them counter the urge to purchase something.
Investigation Activity – Teen Spending Trends: Students read about teen spending and are then asked to survey other teens at school about how they spend most of their money.
Investigation Activity – Wise Shopper: Students investigate wise shopping. What are strategies people use to be wise consumers?

Create/Discuss
Formative Assessment Performance Activities
Wants and Needs Activity: Students learn that separating needs and wants is not always easy. Students are provided with brief scenarios and asked to complete the thought about when a want may become a need.
Scenarios of Wants and Needs: Students are asked to review various scenarios and determine what are wants, what are needs, and which decision should be made.
Living Within Your Means: Students work with a partner to review three scenarios. They are asked to determine whether or not the individual is controlling their wants and not spending more than they earn.
PACED Decision-Making Method: Students use a model which can help them when making a decision. Students read an example and then try it with a decision they need to make.

Supporting Question #3: How do you create a budget?

Supporting Question
The third supporting question, “How do you create a budget?” helps students become familiar with creating and categorizing items typically included in a budget. They will also learn about taxes and how they should be considered when developing a budget.

Investigate
Featured Resources
Reading for Information – Taxes: Students will learn about federal, state, and local taxes.
Investigation Activity – Local Budget and Taxes: Students will look up their municipality or county budget to see where the tax dollars are budgeted.
Budgeting for Teens Activity: Students work through a scenario to create a budget for Eduardo. In Step 2 of the activity, students will be asked to create their own personal budget.
Reading for Information – 50/20/30: Students learn one budgeting technique.

Create/Discuss
Formative Assessment Performance Activities
Determining a Town’s Budget: Students will work in groups to make a fictional city budget and present to the class.
Calculating a Budget Activity: Students see an example of average household expenses. They then calculate monthly expenses for an individual. Students investigate average household expenses to determine whether or not those identified are realistic.
Monthly Budget Worksheet: Students apply what they learned about 50/20/30 to a real-life situation.
Writing Prompt on Taxes: Students will read several quotes on taxes. They will pick one that resonates with them and write 2-3 paragraphs about it.
How Taxes Impact Spending: Students decide whether payments different individuals receive are taxed or not. They also calculate how much money everyone has at the end of the month.
Tax Calculations: Students will calculate taxes for a variety of scenarios.
Infographic Calculations – How High Are Sales Taxes in Your State? Students will calculate item prices in different states according to the tax rate.

Ask	
Compelling Question: How do people control wants to stay within a budget?	

Reflect	
Summative Assessment Performance Activities	
Task	Develop an argument, using credible sources as evidence, to answer the question, “How do people control wants to stay within a budget?”
	Hold a Financial Fair at your school. This is a great way to highlight information about the importance of a budget and controlling wants. Students can bring awareness about this important topic to other grades in the school, staff, family members, and community members. For more information on Financial Fairs, visit www.econillinois.org .
Extension Activity	Use one of the project based learning activities below: • Design a series of Public Service Announcements, for your school’s morning announcements, that encourage students to begin budgeting. • Analyze sales tax rates from 5 or 6 big cities. Write a letter to a city council member explaining how a sales tax can affect a person’s budget. • Have the students work with an adult in their life to come up with a family budget.

What is a Budget?

A budget helps you manage your money and make good decisions. It's a plan that helps you see how much money you have coming in each month and how much money is being spent. Budgeting helps you understand exactly what you are spending your money on. Budgets are commonly used in businesses, hospitals, government, and even schools to help make good financial decisions.



For individuals, budgets track both the income they receive and the expenses or payments that need to be made. An easy way to remember it is: money flows in and money flows out. A budget helps you keep track and monitor that flow. Always be sure to have more money flowing in than what is flowing out. That is managing your money wisely!

Let's look at some specific items that are commonly found in a budget. We will begin by looking at **income**. Individuals may work at one job and receive income from the work they do. Other individuals may work more than one job and receive two or three separate incomes. In a budget, you will want to track



all of the income that you typically receive each month. But, there's something important to remember – focus on the money you can count on receiving each month. In some jobs, people receive additional money for extra hours they work, called overtime pay, or tips they receive for a service they provided, or commissions based on how many products someone has sold.

You want to be cautious including additional pay in your budget because it is not part of your regular income and can fluctuate up and down each month. Instead, you want to focus on the money you regularly expect to receive since extra pay is not guaranteed or constant. If you work in a job in which tips make up a lot of your pay, then you will want to determine what are the average tips you make each week and include that figure as income.

Now let's look at **expenses**. A good budget tracks the type of expenses by listing them in categories, so you know exactly how much is being spent on certain

items, such as eating out or your cell phone service. A budget can also help you plan for occasional expenses that are not routine, such as a vacation. By planning ahead, you can save enough money to pay for the occasional expense.

Some common terms associated with expense include fixed and variable. A **fixed** expense is something that regularly occurs, and you don't have a lot of control over. Housing costs (rent or mortgage payments) are an example of a fixed expense. **Variable** expenses fluctuate. They can include gas for the vehicle you drive or seeing a movie at the local theatre. There are also **occasional** expenses that occur either one time or a few times throughout the year. This can be a visit to the doctor or dentist, vehicle insurance, or even repairs to your vehicle.



An easy way to start making a budget is to list fixed expenses that you know you will pay every single month. This commonly includes rent/mortgage payments, cell phone service, car payments, internet and/or cable service, and student loans. Then start looking at other types of expenses such as eating out, grabbing coffee at Starbucks, buying clothing, gas, and movies. After you have written down your other types of expenses, see if you can group them into categories. This step can help you determine if you are spending too much in one area and need to scale back or reduce that particular expense.

Once you have listed both the income and expenses, now you can analyze the information. How are your spending patterns? Are you earning more money than you are spending? Or is more money being spent than what is being earned?

You can create a budget at any age. If you do chores around the house, mow the lawn, or babysit, then you have income coming in. Creating a budget can help you control your expenses and save up for something that is really important to you. As a teenager, your income will likely fluctuate more than when you are an adult. But if you start this practice now, it will be part of your regular routine as you incur more expenses.

Remember, budgeting helps individuals make sound decisions and manage their money. It can help you too!

Name: _____

Question: Spend or Not Spend?

There are only two things you can do with money: spend it or save it.

We're often warned not to spend more than we earn, to save for the future, and to be careful about our money. Yes, that's important, but it's also important to learn how to enjoy your hard-earned money without feeling guilty about spending.

Here are some things to consider:

- Before you spend on extras, be sure that your basic financial needs are covered (e.g., rent, food, phone, gas for your car, etc.)
- Always have an emergency fund of three to six months of expenses. You never know when your car will need brakes, you get a stain on your winter coat, or the price of peanut butter drastically rises!
- Even though you are still young, when you get a job you should immediately save a bit of each paycheck in a retirement fund. Once you do that, then it's okay to spend some of your income on an enjoyable treat.
- When you do decide to spend, it's probably better to spend on "experiences" instead of just "things." Some studies have shown that spending money on experiences like travel tends to make people happier, and for longer, than spending money on material things. Maybe that's because we get accustomed to the goods we buy, and pretty soon they don't seem so special anymore. But the experiences we have not only live on in our memories, but they even become better memories as time goes by.



Now it's your turn. Search online for items that cost approximately \$1,000. You want to find three "things" or items along with three "experiences", for a total of six. List each item on the chart. Then decide whether each item would be a good or bad spending choice.

Check on-line for three “things” and three “experiences” that would cost around \$1,000. List them in the table below and explain why each would be a good or bad spending choice for you.

Things		
Cost	Good or Bad Spending Choice	Why?

Experiences		
Cost	Good or Bad Spending Choice	Why?

Name: _____

Cash Flow Activity

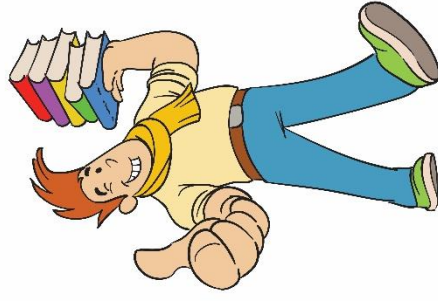
What is cash flow? Think of it as the money you have coming in and the money that goes out. It's important to understand where you are spending money and if it is on wants or needs. Remember, you should never spend more than you earn! A common way of tracking expenses is to determine if something is a fixed cost or variable. A fixed cost is a recurring cost (generally monthly) that and generally involves needs whereas a variable cost fluctuates. Typically, a variable cost involves wants.

Have you ever been out with your friends and find that by the end of the day, you have run out of money and don't even have enough to buy something to eat? It's so easy to spend money and it adds up quickly. You might even be surprised to see where you are spending your money.

Below is a chart listing a variety of common expenses. Track every expense you have over the next week. Indicate whether the expense is for food, clothing, entertainment, or other. Place the amount you spend in the appropriate column. In the next column, indicate whether the cost is a fixed (FX) or variable (V).

After a week, add the totals of each column and this tells you how much has been spent in each category. Add all of the columns together or a grand total.

For the next step, find out how many expenses were planned and how many were unplanned. Do the same thing for fixed versus variable expenses.



Date	Item/Service	Food	Clothing	Entertainment	Other	Planned or Unplanned	Fixed or Variable
9/14	Coffee	\$6.75				Unplanned	Variable
Totals							
Percent							
Grand Total for Week							

Use the information above to answer the following questions:

1. Which of the expenses were planned?

2. Which expenses were unplanned – that is, bought on the spur of the moment?

3. If you had a chance to redo anything, which expenses would you change?

4. Are there any expenses that were bad decisions?

5. Which unplanned expenses were a good decision?

6. Which sort of expense would be the easiest to decrease? A fixed expense or variable? Why?

7. Which of the expenses would be easiest for you to decrease if you needed money for an emergency purchase?

Housing & Utilities*

- Live with relatives sharing cost of utilities (no phone) ☐ ☐
- Share an apartment or house with others, including basic utilities (no phone) ☐ ☐ ☐
- Rent a place of your own, including basic utilities (no phone) ☐ ☐ ☐ ☐

Insurance

- Auto – liability coverage only ☐ ☐
- Auto – complete coverage ☐ ☐ ☐
- Health – job-related benefit ☐
- Health – basic coverage ☐ ☐
- Health – individual plan ☐ ☐ ☐
- Renters – property & liability coverage ☐

Communications

- No phone ☐ No cost
- Prepaid cell phone, 4GB ☐
- Cell phone with 6GB ☐ ☐
- Cell phone with unlimited data ☐ ☐ ☐
- Bundle – cell phone with unlimited data and high speed internet ☐ ☐ ☐ ☐

Savings

- Change in piggy bank ☐ No cost
- Five percent of income ☐
- Ten percent of income ☐ ☐
- Invest for retirement ☐ ☐
- Contribution to charities and religious groups ☐

Gifts

- Make your own ☐
- Purchase cards or small gifts occasionally ☐ ☐
- Purchase frequent gifts for friends and family ☐ ☐ ☐

Furnishings*

- Borrow from friends and relatives ☐ No cost
- Rent furniture or live in a furnished apartment ☐
- Buy at a garage sale or thrift shop ☐
- Buy new furniture ☐ ☐

Sources: www.wvtreasury.com, www.ohiotreasurer.gov, Washington State University Extension, Next Gen Personal Finance, Utah State Cooperative Extension

Recreation

Hiking, walking, visiting friends, or library	No cost
Cable TV, sports, movies	☐ ☐
Hobbies	☐
Streaming music, books, video games	☐ ☐
Concerts, vacations, spectator sports	☐ ☐ ☐

Personal Care

Soap, shampoo, toothpaste, make-up	☐
Occasional professional haircuts, personal care	☐ ☐
Regular professional hair-styling, name brand products	☐ ☐ ☐
Manicures, pedicures, or other expenses	☐ ☐

Food*

Cook at home, dinner out once a week	☐ ☐
Bring lunch to work, eat lunch out once a week	☐ ☐
Frequent fast food, weekly dinner out	☐ ☐ ☐
All meals away from home	☐ ☐ ☐ ☐
Frequently purchase coffee at a specialty shop	☐ ☐

Clothing & Laundry*

Wear present clothing	No cost
Buy at a discount or thrift store	☐
Buy at a department store or online	☐ ☐
Shop for designer clothes	☐ ☐ ☐
Do laundry at parents	No cost
Use a laundromat or dry cleaning	☐
Purchase wash machine & dryer	☐

Transportation*

Walk or bike	No cost
Ride bus or carpool	☐
Buy fuel for car	☐ ☐
Buy used car and fuel	☐ ☐ ☐
Buy new car and fuel	☐ ☐ ☐ ☐

More Choices

Books or other items	☐
Subscriptions – magazine, etc.	☐
New TV, iPad, video game console, or computer	☐ ☐

Sources: www.wvtreasury.com, www.ohiotreasurer.gov, Washington State University Extension, Next Gen Personal Finance, Utah State Cooperative Extension

Budget Game – Teacher’s Guide

Overview:

Students need to make choices about how they will spend their money each month. This activity helps them understand the difference between wants and needs. Students can work individually or in pairs. Working in pairs helps simulate what happens when they have a roommate and their choices involves more than one person. Working individually is helpful to represent living on their own. There are two rounds to the game so another option is to have them work individually for Round 1 and then work with a partner for Round 2. Round 2 is challenging because they have a reduced number of beans for that month.

Items Needed:

- Small dried beans (enough for each student in the class to have 20 beans each)
- Handout with game board

Instructions:

- Begin with a discussion explaining wants and needs. A *need* is a necessity (such as food, shelter, water) and these items are represented by red in the game. A student cannot opt out of the required expenses. A *want* can be very similar to a *need*, but typically these items are “nice to have” or additional purchases.
- During the discussion, ask students to provide an example of each.
- Pass out the game board and give each student 20 beans.
- **Round 1:** Students will use the 20 beans and allocate how they want to spend their monthly income (represented by the beans).
 - Round 1 discussion questions:
 - How did you decide where you placed your beans? (leads to a discussion on needs versus wants)
 - Did you find it easy to make decisions or difficult?
 - What trade-offs did you have to make?
 - Did you change your mind throughout the first round?
 - Were you surprised with the costs of any category?
- **Round 2:** Before having students clear their beans from the game card, ask how many saved money during Round 1. Students who saved during Round 1 can keep that number of beans on their card. Everyone is to remove the other beans from their cards.
 - Inform the students that they have lost their job and accepted a new position that pays less money.
 - Collect 7 beans from each student. They now have 13 beans to work instead of 20 on their budget. However, the students who saved money during Round 1 are able to keep those beans along with their 13. (Two beans are the most students would have been able to save from Round 1, bringing their total for Round 2 to 15 beans.)

Sources: www.wvtreasury.com, www.ohiotreasurer.gov, Washington State University Extension, Next Gen Personal Finance, Utah State Cooperative Extension

- Round 2 discussion questions:
 - What categories did you reduce to get down to 13 beans? If they dropped insurance make certain they understand there are risks involved with that.
 - Did they use any of their savings from Round 1 in Round 2? How did that help them? Were they still able to save money in Round 2?
 - (If students were paired up in Round 2) Was it harder or easier to work with a partner in Round 2 than making the decisions yourself?

Teacher ends the activity by letting students know that most people have a set amount of income each month that is used to cover their needs and wants. It is important to create a budget and keep track of income coming into a household and the expenses being paid out.

Sources: www.wvtreasury.com, www.ohiotreasurer.gov, Washington State University Extension, Next Gen Personal Finance, Utah State Cooperative Extension

Excerpt from: What Is Disposable Income, and Why Is It Important?

By Will Kenton

Updated June 18, 2024

Investopedia.com

What Is Disposable Income?

Disposable income is the amount of money that an individual or household has to spend or save after federal, state, and local taxes are deducted. Economists closely monitor disposable personal income as a key indicator of the strength of the economy. Also known as disposable personal income or net income, it includes both necessary spending on essentials like food and rent and discretionary spending on leisure and luxury items.

Formula and Calculation of Disposable Income

There are several ways to calculate disposable income, but the main formula used is:

$$\text{Disposable Income} = \text{Total Income} - \text{Taxes}$$

Total income is the entirety of gross wages that an individual earns. This is sometimes adjusted to reflect factors that alter that total. For example, products returned by a customer would reduce a sole proprietor's total income.

Taxes are excluded from disposable income because they are mandatory. An individual may down-size to save money or splurge on a fancier car but there's no wiggle room in taxes.

Understanding Disposable Income

Disposable income is the amount of money that a person or family has left after paying their taxes. It is the portion of income that can be spent on necessities, such as food and rent. People can also use disposable income to pay for discretionary items, leisure activities, and investments.

This type of income plays a critical factor in the economy. It drives how much consumers spend, how much companies earn, and how much people save and invest. By extension, it drives consumer demand for goods, manufacturing levels, distribution, and the overall well-being of the economy.

How to Use Disposable Income

Unlike taxes, disposable income is relatively flexible and highly individualized. It includes both essential and non-essential spending. We've listed some of the key spending categories that people can and often do use with their disposable income.

Discretionary Income

Discretionary income is equal to disposable income minus all payments for necessities, including a mortgage or rent payment, health insurance, food, and transportation. This portion of disposable income can be spent at will.

Discretionary income is the first to shrink after a job loss or pay reduction. Businesses that sell discretionary goods like jewelry or vacation packages tend to suffer the most during recessions. Their sales are watched closely by economists for signs of both recession and recovery.

Personal Savings Rate

The personal savings rate is the percentage of disposable income that goes into savings for retirement or other goals.

For several months in 2005 and 2006, the average personal savings rate dipped into negative territory for the first time since 1933.

This means that Americans spent all of their disposable income every month and still had to tap into savings or debt to make ends meet.

Marginal Propensity

Marginal propensity to consume is the percentage of each additional dollar of disposable income that is spent immediately, while marginal propensity to save is the percentage that is saved.

Importance of Disposable Income

Disposable income is not only important to individuals but holds massive value to society as a whole. Its essential qualities include:

- **Financial flexibility:** Having disposable income gives people the freedom to decide how to spend their money. It is key to taking care of current requirements as well as making long-term plans.
- **Higher level of living:** More disposable income means a higher level of living. It makes it possible for people to enjoy higher quality goods and services, leisure pursuits, hobbies, and participation in social and cultural events.
- **Economic growth:** Consumer spending, a major contributor to macroeconomic growth, is driven in large part by disposable income. When people have extra money, they are more inclined to spend it on products and services, which boosts economic activity and encourages job creation.
- **Savings and investments:** People with disposable income can put money away for the future. It makes it possible for people to achieve long-term goals such as college tuition and retirement. Investing feeds economic growth by providing capital to companies.
- **Tax revenue:** A person who has no disposable income probably has little or no taxable income. Tax revenues are the primary source of government spending.

Interpreting Disposable Income

The Bureau of Economic Analysis (BEA) tracks the month-to-month changes in disposable personal income. The agency reported that disposable income increased by \$40.2 billion, or 0.2%, in April 2024 compared to the previous month. A decrease in this month-over-month measurement would mean that households have less residual income compared to the prior month.

The Federal Reserve is also interested in disposable income, as household savings and spending influence monetary and fiscal policy. The Federal Reserve Bank of St. Louis reported aggregate real

disposable personal income of over \$16.94 trillion as of April 2024. It was substantially higher (about \$20.42 trillion) in March 2021 when the Federal Reserve raised interest rates to cool inflation.

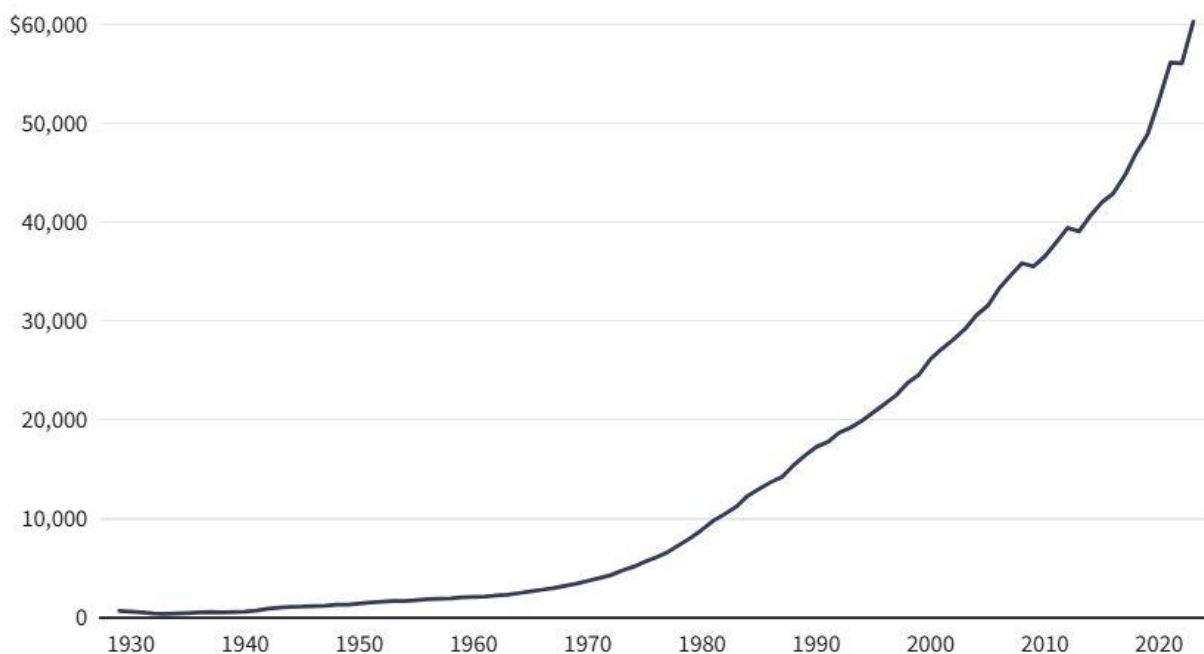
Certain industries like agriculture have good reasons to watch the numbers on disposable income. The U.S. Department of Agriculture measures the percent of disposable income an average individual spends on food. That helps farmers plan future harvests.

What Is the Average Disposable Income in the U.S.?

The disposable income per capita in the United States was \$60,276 in 2023. The average number notably does not reflect the gap between the richest and the rest. The Organisation for Economic Co-operation and Development (OECD) reports that the top 20% of the U.S. population earns almost seven times as much as the bottom 20%.

Disposable Personal Income Per Capita, 1929–2023

Dollars, not seasonally adjusted. Disposable personal income is the amount someone has left to spend or save after paying taxes.



Source: Federal Reserve Bank of St. Louis, via U.S. Bureau of Economic Analysis • [Get the data](#) • [Add this chart to your site](#)

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The Bottom Line

Disposable income is money that remains to be used after all taxes are paid. All products and services including rent or mortgage payments, food, and utilities come out of disposable income. What is left over for wants (as opposed to needs) is known as discretionary income.

In a society as a whole, when disposable income increases, people spend or save more, leading to a growth in overall consumption. Consumer spending is one of the most important measures of demand, in turn driving business expansion and the creation of jobs.

Name: _____

Disposable and Discretionary Income

Key terms to remember:

- **Disposable Income** – Amount of money that an individual or household has to spend or save after taxes
 - Disposable Income = Total Income – Taxes
- **Discretionary Income** – Disposable income minus all payments for necessities
 - Examples of necessities: mortgage or rent payment, utilities, food, health insurance, transportation, etc.

Step 1: What do you personally consider to be your most important discretionary purchases, and which purchases would you reduce or eliminate if you needed to due to loss of income? Mark an R for reduce or an E for eliminate in the corner of each box in the reduce or eliminate section.

Most Important Discretionary Purchases		
1.	2.	3.

Discretionary Purchases to Reduce or Eliminate		
1.	2.	3.

Step 2: Survey five people you know who are around your age. Ask them to name three of their most important discretionary purchases and three purchases they would reduce or eliminate if they needed to. Mark an R for reduce or an E for eliminate in the corner of each box in the reduce or eliminate section. Be prepared to explain disposable and discretionary income and what is included in each.

Person #1: _____ Gender and Age: _____		
Most Important Discretionary Purchases		
1.	2.	3.
Discretionary Purchases to Reduce or Eliminate		
1.	2.	3.

Person #2: _____ Gender and Age: _____		
Most Important Discretionary Purchases		
1.	2.	3.
Discretionary Purchases to Reduce or Eliminate		
1.	2.	3.

Person #3: _____ Gender and Age: _____		
Most Important Discretionary Purchases		
1.	2.	3.
Discretionary Purchases to Reduce or Eliminate		
1.	2.	3.

Person #4: _____ Gender and Age: _____		
Most Important Discretionary Purchases		
1.	2.	3.
Discretionary Purchases to Reduce or Eliminate		
1.	2.	3.

Person #5: _____ Gender and Age: _____		
Most Important Discretionary Purchases		
1.	2.	3.
Discretionary Purchases to Reduce or Eliminate		
1.	2.	3.

Step 3: Survey five people you know who are older than you. Ask them to name three of their most important discretionary purchases and three purchases they would

reduce or eliminate if they needed to. Mark an R for reduce or an E for eliminate in the corner of each box in the reduce or eliminate section. Be prepared to explain disposable and discretionary income and what is included in each.

Older Person #1: _____ Gender and Age: _____		
Most Important Discretionary Purchases		
1.	2.	3.
Discretionary Purchases to Reduce or Eliminate		
1.	2.	3.

Older Person #2: _____ Gender and Age: _____		
Most Important Discretionary Purchases		
1.	2.	3.
Discretionary Purchases to Reduce or Eliminate		
1.	2.	3.

Older Person #3: _____ Gender and Age: _____		
Most Important Discretionary Purchases		
1.	2.	3.
Discretionary Purchases to Reduce or Eliminate		
1.	2.	3.

Older Person #4: _____ Gender and Age: _____		
Most Important Discretionary Purchases		
1.	2.	3.
Discretionary Purchases to Reduce or Eliminate		
1.	2.	3.

Older Person #5: _____		
Gender and Age: _____		
Most Important Discretionary Purchases		
1.	2.	3.
Discretionary Purchases to Reduce or Eliminate		
1.	2.	3.

Step 4: Analyze the responses you have received from everyone, including yourself. What are the similarities and differences? Do you notice any patterns or trends in your data? What types of differences are there among your peers versus people older than you?

Step 5: Create a poster charting and highlighting your results.

Impulse Buying – What is it? Why do we do it?

Have you heard the term 'impulse buying?' It means purchasing something at the spur of the moment or on a whim. It is not a planned purchase. From time to time almost all of us are guilty of impulse purchases. One of the main reasons retailers put candy, snacks, and other random items near the cash registers in the checkout lanes is to encourage you to make an impulse purchase. Many times, these items have higher mark-ups, meaning that the stores make more money when you can't resist making the purchase.



Did you know that the average American spends more than \$1,800 on impulse purchases each year? That's a lot of money! Impulse purchases are not restricted solely to the small items at the checkout lane. Have you ever headed to the store to pick-up one or two items and the next then you know, you have several items in your cart?

Scientists have determined five reasons why people buy on impulse. They are:

1. **Enjoyment.** We tend to pick up things that make us happy. The thought of immediate pleasure can make us feel good – especially if we have been having an unpleasant or stressful day.
2. **Fear of Missing Out (FOMO).** Have you purchased an item because the sign said it was only there for a limited time? Or that the sale ends tomorrow? Individuals become so concerned that they are going to miss out on something, that they make an impulsive purchase.
3. **Bargains and Deals.** When consumers think they are getting a good deal on an item, they tend to purchase it. Our brain can easily be tricked into thinking that purchasing an item is a really good idea. After all, who doesn't want a great deal?
4. **Stockpiling.** Another reason people purchase impulsively is to stockpile. As humans, we tend to think that we may run out of items. If we have a bunch of items, we don't have to worry about running out. It's good to stock up on certain items in case there is an emergency, such as a blizzard or power outage, but other items we may not need so much of.

Americans Are Spending Less on Impulse Purchases in 2023 Than in Prior Years, According to Annual Survey Commissioned by Slickdeals." PR News Wire, July 2023

5. **Biased Evaluation of Use.** This is another area where many people fall prey to impulsive purchases. You think you justify the purchase of an item and overestimate how often you will use it. This may happen to you around the fall and winter holidays or other seasonal times of the year. Cabinets and cupboards are always filled to the brim with things our families thought they really needed but seldom actually get used.

Since purchases like these make us feel good, they are considered emotional purchases. Scientists say this happens because the items can sometimes not only make us feel good about ourselves, but also helps minimize unhappy thoughts or self-doubt we might be experiencing. Research also shows that the worse people feel when they are near a shopping destination, the more likely they are to make an impulsive purchase.

So, what can you do to counter any impulsive purchasing tendencies? Here are some tips:

- ✓ Don't go grocery shopping on an empty stomach. You are likely to buy food you don't really need.
- ✓ Be careful walking by vending machines. They can lure you into buying something quick.
- ✓ When heading to a store, set a spending limit and stick to it. Only purchase the items you headed to the store for.
- ✓ Carry small amounts of cash. Never allow yourself to use a plastic card or mobile pay for impulse purchases.
- ✓ If you are going to be away from home for a period of time, bring along a couple of snacks and a drink. That way if you get hungry, you already have something on hand.
- ✓ Be careful with "buy one, get one" offers. Do you really need that second item?
- ✓ Pay attention to when you are most vulnerable. Once that is identified, what can you do to control your impulses?

Americans Are Spending Less on Impulse Purchases in 2023 Than in Prior Years, According to Annual Survey Commissioned by Slickdeals." PR News Wire, July 2023

48TH SEMI-ANNUAL

Taking Stock With Teens® Survey, Fall 2024

13,515

TEENS SURVEYED



47

U.S. STATES

15.8

AVERAGE
AGE



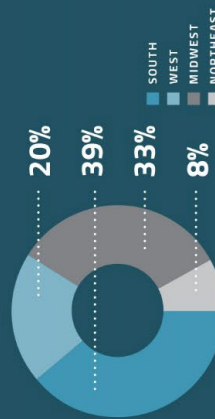
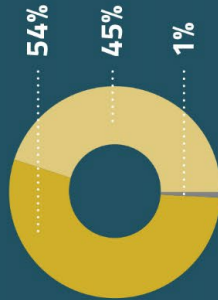
\$67,440

AVERAGE
HOUSEHOLD
INCOME

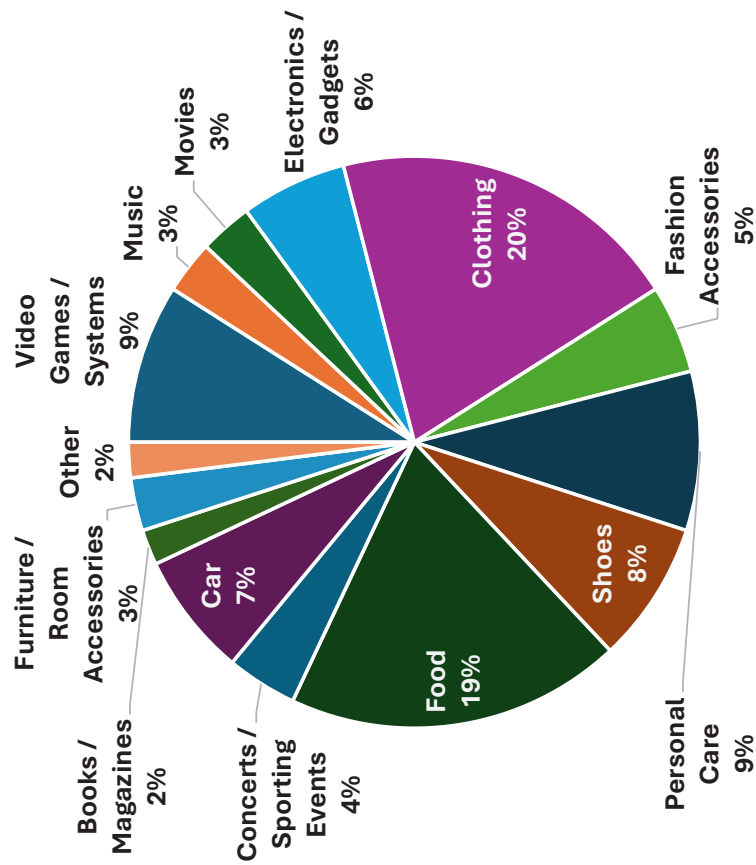


34%

TEENS CURRENTLY
PART-TIME EMPLOYED



Teen Spending



Now it's your turn. Survey 5 teenagers and ask them about their favorites. Form of entertainment could be one of the categories from the teen spending pie chart (video games, music, movies, books, concerts/sporting events) or it could be something else.

Person #1	
What's your favorite ...	
Restaurant	
Clothing brand	
Footwear	
Social media platform	
Streaming platform	
Form of entertainment	

Person #2	
What's your favorite ...	
Restaurant	
Clothing brand	
Footwear	
Social media platform	
Streaming platform	
Form of entertainment	

Person #3	
What's your favorite ...	
Restaurant	
Clothing brand	
Footwear	
Social media platform	
Streaming platform	
Form of entertainment	

Person #4	
What's your favorite ...	
Restaurant	
Clothing brand	
Footwear	
Social media platform	
Streaming platform	
Form of entertainment	

Person #5	
What's your favorite ...	
Restaurant	
Clothing brand	
Footwear	
Social media platform	
Streaming platform	
Form of entertainment	

Compare the results from your survey to Piper Sandler's findings. Are your results similar or different?

Why do you think food, clothes, and entertainment are the top 3 spending categories for teens?

Name: _____

Wise Shopper

Investigate what it means to be a wise shopper. Does it mean comparison shopping, such as looking at lots of things while you are at the store? Or does it mean choosing between buying gas near your house for \$3.60 a gallon or driving to the next town where it's \$3.45 a gallon? Perhaps it means buying the brand-name shampoo for \$9.99 instead of the private label brand for \$6.99.



Think of two questions you have about how to be a wise shopper:

1. _____
2. _____

Research the answers to your questions. Write down the Top 5 tips you learned about being a wise shopper.

1. _____
2. _____
3. _____
4. _____
5. _____

Do you think you could realistically use these tips in your life? Why or why not?

Name: _____

Wants and Needs Activity

Question: When is a want not a want?

Answer: When it becomes a need.

Separating needs and wants is not always easy. What may be a want this year (premium phone service) may be a need next year if your job requires it. If you are able to take public transportation to school, then a car is a want; but if your new job is not near any bus or commuter train service, a car becomes a need. The highest speed internet connection is a want if you are using it for games and videos, but if you are a gaming or video critic and create a successful (and profitable) blog, then you need the best internet connection you can get.



In each of the scenarios below, think of a situation in which a want can become a need.

1. Drinking almond milk is a want, unless ... _____

2. Eating organic vegetables is a want, unless ... _____

3. Riding an imported racing bike is a want, unless ... _____

4. Wearing high end basketball shoes is a want, unless ... _____

5. Living in a downtown apartment in a big city is a want, unless ... _____

6. Going to a private university is a want, unless ... _____

Come up with your example and write it below.

Scenarios of Wants and Needs

Review each of the scenarios and answer the questions that follow.

Scenario #1: Terrell has been saving for a new laptop for the past six months. He has done his research and found a model that experts say will more than meet his needs. But new, it costs \$3,000. He also found a refurbished version of the same computer with all the same features online for \$1,500. The refurbished laptop comes with a warranty, and Terrell has had no problems with another refurbished item he previously bought from the same company last year. Terrell's third option is a different brand-new laptop that costs \$1,800 and has all of the features he needs – but not all of the features he wants.



What are the wants? _____

What are the needs? _____

Which decision should Terrell make and why? _____

Scenario #2: Maria received \$500 from her grandparents for graduation. She has been wanting to buy a new watch and some new clothes before she heads off to a new school in the fall. However, she also wants to buy a new oboe that costs \$1,000. Maria is pretty certain that if she continues to play the oboe in the high school band that she can qualify for a big scholarship to college. Maria thinks that if she uses her graduation money to buy the watch and clothes, she can still save enough money from summer babysitting to buy the oboe, but she's not sure.

What are the wants? _____

What are the needs? _____

What decision should Maria make and why? _____

Adapted from: https://www.practicalmoneyskills.com/assets/pdfs/lessons/lev9-12/SA_Lesson11.pdf

Scenario #3: Tanya's been invited to go to a three-day trip to her friend's family cottage on a lake. The only catch is that it's a 9-hour drive and traveling for an entire weekend means she'll need lots of cash. She estimates that her share of gas, food, and activities will cost about \$400. She has an \$89 cell phone bill that is due at the end of the month. She also needs to buy her mom a birthday gift, which she thinks will cost \$50. She has \$500 in savings.

What are the wants? _____

What are the needs? _____

What decisions should Tanya make and why? _____



Adapted from: https://www.practicalmoneyskills.com/assets/pdfs/lessons/lev9-12/SA_Lesson11.pdf

Living Within Your Means

Here are five different scenarios. Decide if the person is living within his/her means (meaning they are staying within a budget).

Scenario #1: Sam is a 4th grade teacher and earns \$52,000 per year. Here is a list of her monthly expenses:

Contribution to the retirement plan	\$250
Rent/mortgage payment	\$1,000
Utilities	\$340
Phone/cable/internet	\$200
Food/groceries	\$300
Car payment	\$660
Insurance (car/home)	\$200
Transportation and gas	\$170
Charity	\$100
Clothes	\$70
Loan payments	\$200
Entertainment	\$240
Services (cleaners, hair dresser)	\$180
Other	\$150



What is Sam's total expenses every month? _____

How much income does she have every month? _____

Is she controlling her expenses and living within her means? _____

Source: Financial Fitness for Life, Council for Economic Education

Scenario #2: Omar is self-employed and earns \$60,000 per year. He has the following monthly expenses:

Contribution to retirement plan	\$225
Rent/home mortgage	\$1,300
Utilities	\$300
Phone/cable/internet	\$225
Food/groceries	\$300
Car payment	\$450
Insurance (car/rental/home)	\$200
Transportation and gas	\$125
Charity	\$100
Clothes	\$125
Loan payments	\$375
Entertainment	\$180
Services (cleaning, barber)	\$150
Other	\$225

What are Omar's total expenses every month? _____

How much income does he have every month? _____

Is he controlling his expenses and living within his means? _____

Scenario #3: Juan is a pre-med student, meaning that he will be studying to become a doctor. He works part-time as a lab assistant at the university he attends. He earns \$45,000 a year and has the following monthly expenses:

Contribution to retirement plan	\$125
Rent/home mortgage	\$1,100
Utilities	\$340
Phone/cable/internet	\$270
Food/groceries	\$450
Car payment	\$250

Source: Financial Fitness for Life, Council for Economic Education

Insurance (car/rental/home)	\$250
Transportation and gas	\$100
Charity	\$25
Clothes	\$225
Loan payments	\$700
Entertainment	\$200
Services (cleaning, hair dresser)	\$100
Other	\$175

What are Juan's total expenses every month? _____

How much income does he have every month? _____

How much money is left over at the end of the month? _____

Is he controlling his expenses and living within his means? _____

Overall Questions:

1. Who has the most money at the end of the month? _____

2. Who needs to control their expenses better in order to maintain a budget?

3. Sam wants to take a vacation. What changes do you think she can make to her budget, so she can start saving money?

Source: Financial Fitness for Life, Council for Economic Education

Name: _____

The PACED Decision-Making Method

Making good decisions can become easier if you use a plan. The PACED plan is a good one to learn. PACED is an acronym:

- P identify the **problem**
- A list the **alternatives**
- C name your **criteria**
- E **evaluate** the alternatives, based upon your criteria
- D make a **decision**

Here's an example ---

You have \$100 to spend. There are three things you really want: a video game, new athletic shoes, a trip to the amusement park. What should you do?

Your **problem** is that you can't have everything you want.

The PACED grid can help: List the **alternatives** in the first column (game, shoes, amusement park). Name the **criteria** across the top row (fun, be with friends, long-lasting). **Evaluate** by numbering each criterion (3 means most; 1 means least). The alternative with the highest score is your **decision**. In this case, the Amusement Park has the most points (7). So, based upon the criteria you have named, the Amusement Park is the Decision.

Alternatives	Lots of fun	Be with friends	Long-lasting
Video game	2	2	2
Athletic shoes	1	1	3
Amusement Park	3	3	1

Your Turn: Think of a decision you need to make (what kind of sports jersey to buy with your birthday money, what kind of dessert to have at your club's next meeting, which restaurant to go to with your friends, etc.)

Share your completed grid with classmates and be prepared to defend your choice and your reasoning.

Source: Marsha Masters, Economics Arkansas

Decision to Make: _____

Alternatives			

After you have evaluated and ranked the alternatives, add up the scores. The item with the highest score is your decision.

What is your decision? _____

Why is this best decision compared to the alternatives?



Source: Marsha Masters, Economics Arkansas

Taxes

Taxes paid at the federal level help support services available to individuals throughout the United States. One of the agencies in charge of collecting taxes is the Internal Revenue Service, commonly referred to as the IRS. The IRS was established around the Civil War. In 1862, Congress created the position of Commissioner of the Internal Revenue and enacted an income tax to pay for war expenses. Approximately ten years later, the income tax was repealed. That didn't last for long as the income tax was revived in 1894; however, the Supreme Court ruled it as being unconstitutional the following year.



An attempt to amend the Constitution of the United States began in the early part of the 20th century. For the amendment to take place, a three-quarter majority of the states was needed. This was achieved in 1913 and the 16th Amendment gave Congress the authority to enact income tax. The Bureau of Internal Revenue was created. The same year, the Form 1040 appeared after Congress levied a 1% tax on net personal incomes above \$3,000. Individuals who had incomes more than \$500,000 received a 6% tax. Just imagine ... today's equivalency of \$500,000 would be \$16,086,785.71!

Personal income tax rates rose during the first World War. In 1918, the rate became 77% to help finance the war effort and dropped down to 24% in 1929. The Great Depression saw it increase yet again. However, it wasn't until World War II that Congress introduced payroll withholding and quarterly tax payments. In the 1950s, the agency was reorganized, and the Bureau of Internal Revenue was changed to the Internal Revenue Service. In 1998, the IRS was restructured and modernized to try and resemble the private sector model.

The IRS Form 1040 is a standard tax form that individuals have used for decades. Matter of fact, the Form 1040 has been around since 1913! Initially both the form and directions were merely four pages long. Today it consists of over 106 pages.

What are federal taxes used for? Your federal taxes help pay for programs that provide goods and services to the American people. The three biggest categories that the money from taxes is used on is major health programs (such as Medicare and Medicaid- you may have heard of these programs on the

Sources: Bureau of Labor & Statistics CPI Inflation Calculator and Internal Revenue Service

news), Social Security (think retirement for workers), and defense and security (all the armed forces, etc.). Other programs include safety net programs such as food stamps and unemployment. Taxes also help pay down the national debt.

College Scholarships. You are likely starting to think about various options after high school. If you decide to go to college or attend a vocational school, you might consider applying for scholarships to offset the costs of post-secondary education. However, it is important to understand that some scholarships are considered income and you are required to pay taxes on them. Always make sure you investigate exactly what your scholarship covers so you can anticipate whether you will owe additional taxes. The current tax laws state that there are two conditions that students must meet for their scholarship or fellowship to be considered tax free. These conditions are:

- You must be a candidate at an educational institution with a regular faculty and curriculum. This school must have a regularly enrolled body of students in attendance.
- The money you receive is for tuition and fees required for enrollment or fees, books, supplies, and equipment needed for schools.

Scholarships that cover incidental expenses, such as room, board, and travel are considered income and are taxed at the federal level.

State Taxes

Much like federal income taxes, Illinois also collects a tax on what you earn. Each state sets their own tax rate. For example, some states like Florida and Alaska, have no income tax. Other states have a flat income tax (also called the proportional tax), which means that no matter what your income is, you pay the same tax rate. For example, if the flat tax rate is 3.0%, and you make \$50,000/year, you would pay \$1,500 a year for taxes. Using that same rate, if you made \$150,000/year, you'd pay \$4,500 in taxes. Other states have what is called "progressive" income tax system. With this system, higher levels of income are taxed at a higher rate. They have different income brackets, and each income bracket pays differently. For example, in Hawaii, there are 12 different tax brackets. There, if you make \$50,000, you would pay 8.25%, which equals \$4,125. If you made \$150,000, your tax rate is 9%, and you'd pay \$13,500. Illinois has a flat income tax rate of 4.95%.

Illinois Department of Revenue- In Illinois, this is the agency that collects your taxes. You can also choose to have your taxes withheld from each paycheck.

Sources: Bureau of Labor & Statistics CPI Inflation Calculator and Internal Revenue Service

By contacting this agency, whether their website or over the phone, you can track your tax refunds, see how much you owe, and more.

Why do we pay state income taxes? The number one expense for states is education and funding their public schools. Your tax dollars help support the school you're currently in. Another big expense is transportation, which also includes ensuring roads and bridges are safe. Just like federal taxes, health care costs are also a big expense for the state. Other programs include state police, parks and recreation (like park districts), pensions, and more.

Local Taxes

Local taxes are administered by county or municipality (city) that you live in. Mostly, for Illinois, this refers to property taxes. **While the state establishes general rules, it is ultimately up to the local government how the rate is enacted.** The amount of property tax to be paid is calculated on the total value of a property or a certain percentage of value. For example, the property tax rate in Darien, IL in DuPage County for 2023 was 6.79%. If your house is worth \$350,000, you will pay \$23,765 in property taxes throughout the year. This is usually done as part of your monthly mortgage payments and is factored in. The revenue from property taxes is used mostly for education.

Taxes withheld from paychecks. Employers are required to withhold taxes from all their employees' paychecks. The amount withheld is dependent on several different items such as how many dependents (typically children under the age of 18) there are in the household and the salary the individual earns.



The IRS encourages individuals to visit their website and use the Withholding Calculator to make sure individuals have the right amount of taxes withheld from their paycheck. This is important because if you have too little withheld from your paycheck then you will wind up owing the IRS money when you file your personal taxes in April. If the IRS withheld too much

from your paycheck, then you will receive a refund.

It is important for individuals to check with accountants or tax professionals if they have any questions about federal, state, or local taxes.

Sources: Bureau of Labor & Statistics CPI Inflation Calculator and Internal Revenue Service
dupagecounty.gov

Name: _____

Investigation Activity – Local Taxes

Amounts of revenue and expenditures are planned and organized each year as part of balancing a budget for a town or city.

Step 1: Investigate what taxpayer dollars support in your town or local municipality. List what the Top 5 categories are for the money that is spent:

1. _____
2. _____
3. _____
4. _____
5. _____



Step 2: Investigate other parts of the budget. What are three categories that you feel should receive more money than they do?

1. _____
2. _____
3. _____

Step 3: Think about what would you do differently? Would you use the same amount of spending for the categories? What would you change? Write your thoughts below.

Budgeting for Teens Activity

Money-related topics can be stressful for most people. When you are a teenager and have your first part-time job, regularly receiving money or income often leads to a variety of decisions. Should I buy the latest video game? I really want that new pair of basketball shoes. Should I be saving money for college?

There are costs associated with everything and some costs are higher than the amount of money you have on hand. When you are faced with that sort of dilemma, the choices you have are earn more or spend less. There is a strong link between earning money and spending.



Nearly every financial advisor has the same advice when doing any sort of financial planning. **Spend less than you earn.** The concept is so simple but, unfortunately, many people fall into the trap of taking on debt and don't realize the problems that can result. Typically, bad habits can be difficult to break so it's best to avoid it from the beginning.

Step 1: Earned Income

When you look at your paycheck, you will see there are two income levels: gross and net. Gross is the amount of money you earn before taxes and other deductions are subtracted. Typically, these deductions include federal and state income tax, Medicare and FICA (Social Security). Your net income is the amount of money left in your paycheck after the deductions. Some refer to net income as your "take-home pay".

Let's do a calculation and help Eduardo figure out what his net income is. He works at the neighborhood supermarket stocking shelves and bringing carts in from the parking lot. He works 25 hours per week and earns \$15.00 per hour.

Eduardo's weekly gross income is _____

Eduardo's employer deducts the following from his paycheck:

Federal Income Tax (12%) _____

State Income Tax (5%) _____

Medicare and FICA (7.65%) _____

What is Eduardo's weekly net income? _____

When Eduardo begins to think about managing his money, he must consider both his **net income** and expenses. **Net income** is what matters because that's how much he has available to spend.

Step 2: Developing a Budget

A budget is a great way to start off being disciplined with managing your money. Basically, a budget is a tool or plan allowing you to visually see a listing of all your income and all of your expenses – and help you spend your money wisely. You will want to compare the two numbers to determine if your expenses are greater than your income. If that's the case, then you will want to revisit how much you are spending and where to see if any adjustments can be made.

There are key areas that developing a realistic budget can help you:

1. **Build your savings.** When you don't have a budget in place, it's tempting to spend all of your money – especially if the money's in a checking account because you see it and assume it's available for use. Any money you have left over at the end of the month should be put into a savings account.
2. **Good decisions.** A budget shows you what your income and expenses are. That information is helpful when you identify ways to save money. There may be expense items that can be eliminated, such as high-priced coffee. There may be other expenses that can't be eliminated but can be reduced.
3. **Long-term plans.** Think about your plans for the future. What type of things do you hope to buy or do? A budget can help you set aside money, so you can accomplish the things you want. How much money would you need to save for a large-purchase item in the future? Perhaps a vacation or a vehicle will make the list.
4. **Becoming self-disciplined.** Most people struggle with this area and it's tough. A budget can be challenging when the first few times you work with it. However, once you stay within your budget, you will notice the routine becomes much easier.

Most importantly, a budget helps you stay within your means – spending less than you earn.

50/20/30

When creating a budget, there are many different strategies you can use. One example that is easy to use is the 50/20/30 rule.

Step One: Figure Out Your Monthly Income

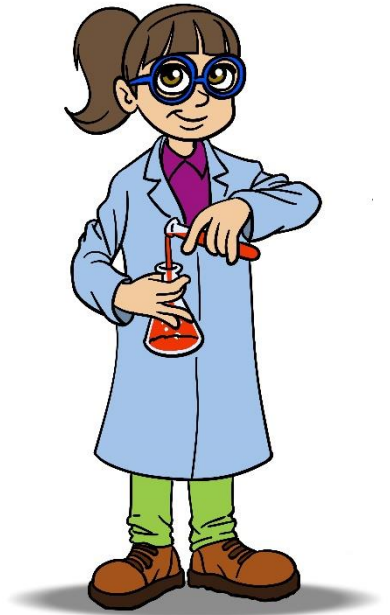
- This number should represent how much you take home **after** taxes.
- If you have a number of automatic deductions (insurance, retirement, etc.) add them back in. Why? It will give you a clearer picture of how your money is being divvied up to accurately budget.
- If you have more than one job, make sure you combine the paychecks of each to get the grand total you have at your disposable each month.

Step Two: 50% of your income goes to NEEDS

- Housing
- Food
- Insurance (health, life, auto, rental, home, etc.)
- Child care, if applicable
- Basic utilities
- Transportation (train/bus tickets, car payments, etc.)
- Phone
- Loan payments, including the minimum payments on any credit cards
- **ALWAYS PAY YOUR NEEDS FIRST**

Step Three: 20% Goes to SAVINGS

- *Always pay your future self!*
- Retirement: This seems like a long way off (and it is!) However, make sure you plan for your future by setting aside a little each month.
- Emergency fund: It is good to have this in case something happens, and you need some extra money.
- Savings account
- Debt repayment. Any minimum payments are a “need,” but in order to get out of debt faster, you can put additional money in each month. An example of this is student loans.



Step Four: 30% of your income goes to WANTS

- These should always be paid LAST!
- Vacation
- Entertainment (going out to the movies, Netflix subscription, books, games, etc.)
- Gym membership
- Dining out
- A new outfit or gadget
- A cell phone with the largest data plan
- The list goes on and on!
- **Note: Be careful. It can be easy to confuse wants and needs. You need to carefully examine each aspect of your decision. Example: You NEED food. You WANT to go to restaurant rather than the grocery store.**
- If you ever need to cut your budget down, it should come from this category!

Step Five: Stay within your budget!

- Knowing how much you should spend in each category is easy but sticking to it is much harder. Make sure you track each month.

Determining a Town's Budget

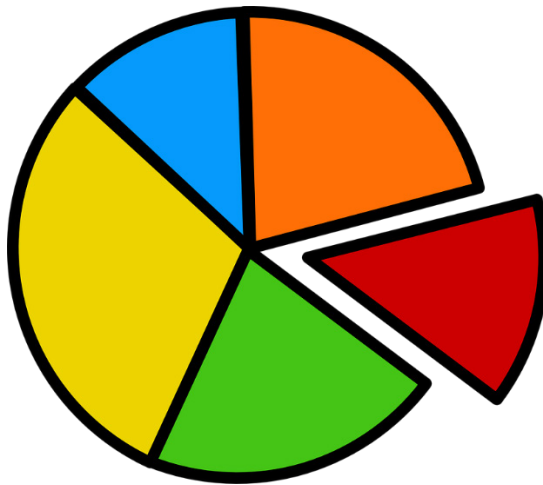
Congratulations! You have just been nominated as your city's next manager! This is a big job and tough decisions must be made so you will work in a small group with other classmates. Your city receives **\$150,000 in tax revenue**. It is a small town of 500 people. You must determine how much money is spent in the below categories.

Step 1:

	Column A
Category	Next Year's Budget
K-12 education	
Parks	
Hospitals	
Transportation (buses, trains)	
Roads, streets, highways	
Police & Fire departments	
Public assistance (emergency youth center)	
Other	

Oh no! You were just notified that the city is expecting a budget shortfall of \$45,000. The mayor has tasked you with cutting \$45,000 out of the city's budget.

Calculate your new budget amount: $\$150,000 - \$45,000 = \underline{\hspace{2cm}}$



Step 2: Using the same categories, determine how you will spend the new amount of money. Are there services you will cut or reduce?

Category	Budget (from Column B above)	Revised Amount	Difference
K-12 education			
Parks			
Hospitals			
Transportation (buses, trains)			
Roads, streets, highways			
Police & Fire departments			
Public assistance (emergency youth center)			
Other			

Step 3: Now that you see what cuts need to happen, you have a decision to make: Do you go along with all the cuts? Do you raise taxes? If so, how much? Do you make combine cuts and raising taxes? Discuss with your group.

If you choose to raise taxes:

How much per person? _____

What does that make your total city budget? _____

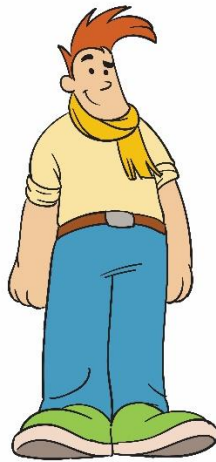
Fill out your budget with the new taxes.

Category	Budget (from Step 2 above)	Revised Amount	Difference
K-12 education			
Parks			
Hospitals			
Transportation (buses, trains)			
Roads, streets, highways			
Police & Fire departments			
Public assistance (emergency youth center)			
Other			

If you choose not to raise taxes:

Explain why you believe that cuts are necessary to the citizens of your town.

Step 4: After you have completed the charts, create a brief presentation/overview to present to your classmates.

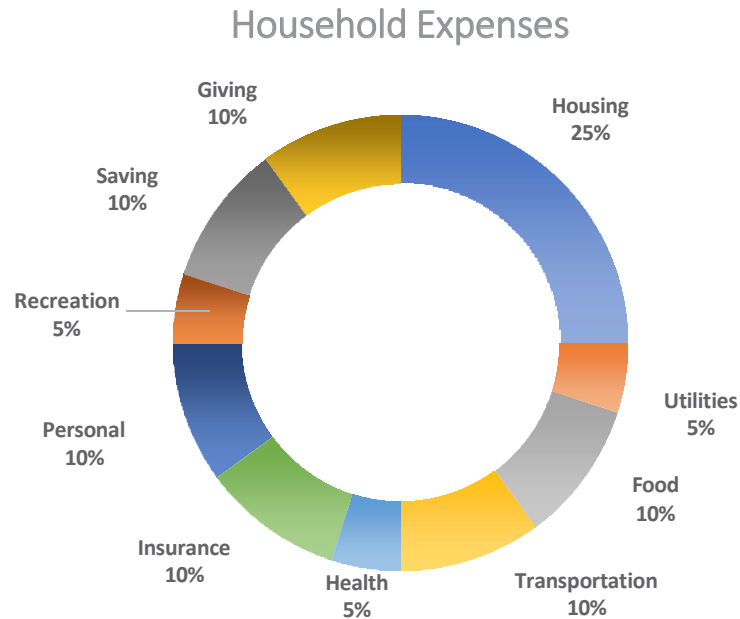


Name: _____

Calculating A Budget Activity

The chart below shows an example of monthly household expenses based on an average person. For this activity, you are to calculate the monthly budget based on the information provided.

Step 1: Calculate the monthly expenses based on a monthly (after tax) income of \$4,000. Use each percentage to determine how much (in dollars) you would set aside each month for the various categories.



Housing: _____

Utilities: _____

Food: _____

Transportation: _____

Health: _____

Insurance: _____

Personal Expenses: _____

Recreation: _____

Step 2: Ask adults in your life what they pay on average for household expenses. Based on your independent research, is this example realistic? Why or why not?

<https://www.ramseysolutions.com/budgeting/budget-percentages>

Monthly Budget Worksheet

Time to practice!

Step One: Combine all income after taxes.

- In 2022, median household income was \$78,433 per year in Illinois. Use this number to as your total income for the year.
- Monthly Income (Total income/12): _____

Step Two: 50% of your income goes to your NEEDS.

Total income: _____ x .50= _____

Step Three: 20% of your income goes to your SAVINGS.

Total Income: _____ x .20= _____

Step Four: 30% of your income goes to your WANTS.

Total Income: _____ x .30= _____

Step Five: Track!

- Do some research on the costs of the average needs per month listed below. Assume you are single and living in Chicago. A few have been filled in for you.

- Electricity: _____
- Water: _____
- Gas: _____
- Rent : _____
- Monthly CTA ticket: _____
- Groceries: _____
- Student Loan Payment: \$280
- Health Care Insurance: \$250
- Car Insurance: \$67
- Cell Phone: \$150
- Federal Tax (22% of yearly income/12): _____
- State Tax (4.95% of yearly income/12): _____
- TOTAL FOR THE MONTH: _____

Source: U.S. Census Bureau, <https://www.census.gov/quickfacts/fact/table/IL/PST045223>

Looking at your list of needs for the month. Does 50% of your income cover your basic needs? Are you surprised at all by what you discovered? Why or why not?

What changes (if any) do you need to make to your budget?

These were just some examples of needs. It does not include such expenses as car insurance or payment, paying into Social Security, cable or streaming service, etc. With that in mind, what are your overall impressions of your monthly budget?



Name: _____

Writing Prompt – Taxes

Taxes are used to provide services to the people of a nation: armies, police, parks, libraries, roads, etc. Below are famous quotes about taxes. Pick one quote and write 2-3 paragraphs about what it means to you.

- "The power of taxing people and their property is essential to the very existence of government." *James Madison*
- "Taxation is the price we pay for civilization." *Oliver Wendell Holmes*
- "America is a land of taxation that was founded to avoid taxation." *Laurence J. Peter*
- "We must care for each other more, and tax each other less." *Bill Archer*
- "I shall never use profanity except in discussing house rent and taxes." *Mark Twain*
- "The income tax created more criminals than any other single act of government." *Barry Goldwater*



Source: Financial Fitness for Life, Council for Economic Education

How Taxes Impact Spending

An employer deducts (meaning subtracts) taxes from an employee's earnings. That means that a person's paycheck will be lower than what they are actually earning. Let's look at an example. Suppose you are working 20 hours at a grocery store at a rate of \$15 per hour. Based on the hours and hourly wage, you will be earning \$300 (referred to as gross income) but the amount of your check will be less (referred to as net income). This is very important to keep in mind when you are creating a spending plan.



There are some jobs or services you do in which taxes are not deducted. Examples are babysitting for a friend or relative, mowing a neighbor's lawn, or washing the family's vehicle. In this instance, the amount someone says they will pay you is the actual amount.

In the following scenarios, decide if the work will be taxed. For those that ARE taxed, assume a four-week month and a tax rate of 15%. Then calculate how much each person will be able to spend at the end of the month.

1. Latisha earns \$10 per hour babysitting for her cousin. She works 20 hours a month.

Taxable? _____

How much spending money at the end of the month?

2. Nguyen earns \$15 per hour at a fast-food diner. He works 12 hours per week.

Taxable? _____

How much spending money at the end of the month?

3. Philippe earns \$10 per hour cleaning the swimming pools for his three neighbors. He works 2 hours for each neighbor each week.

Taxable? _____

How much spending money at the end of the month?

4. Eric earns \$20 per hour doing landscape maintenance for a major landscaping business. He works 25 hours per week.

Taxable? _____

How much spending money at the end of the month?

5. Greta earns \$15 per hour helping her mom in the family restaurant. She goes there after school and generally works 12 hours per week.

Taxable? _____

How much spending money at the end of the month?

6. Look again at the work of Nguyen and Greta. What can you say about their jobs and tax situations?

Tax Calculations

It's important to know various tax rates before making purchases. Sometimes the tax can dramatically change the cost of an item. Below are a few scenarios for you to calculate what the tax will be.

1. You have been saving your money for months to purchase a drone which costs \$100.00. The county tax is 4% and your city has an additional 2% tax.

Cost of drone	\$ 100.00
---------------	-----------

Tax _____

Total cost \$ _____



2. The local property tax was increased by 1.5%. Last year the homeowner paid 3.5% property tax. His home was valued at \$175,000 which amounted to \$6,125 in property taxes. What will the homeowner pay in property taxes each year? _____

3. Esmerelda just purchased a new vehicle and the tax rate is 9.5%. If the vehicle cost \$22,895, how much will Esmerelda pay in taxes?

Cost of vehicle	\$	22,895.00
-----------------	----	-----------

Tax (9.5%) _____

Transfer of title and new license plates	\$	221.00
--	----	--------

Total cost of vehicle \$ _____

4. Jerome just won the state lottery and his ticket is worth \$1,000,000! Tax rate on lottery winnings is 25% at the federal level and 5% at the state level. How much will Jerome pay in taxes?

Lottery winnings	\$ 1,000,000.00
------------------	-----------------

Federal Tax (25%) _____

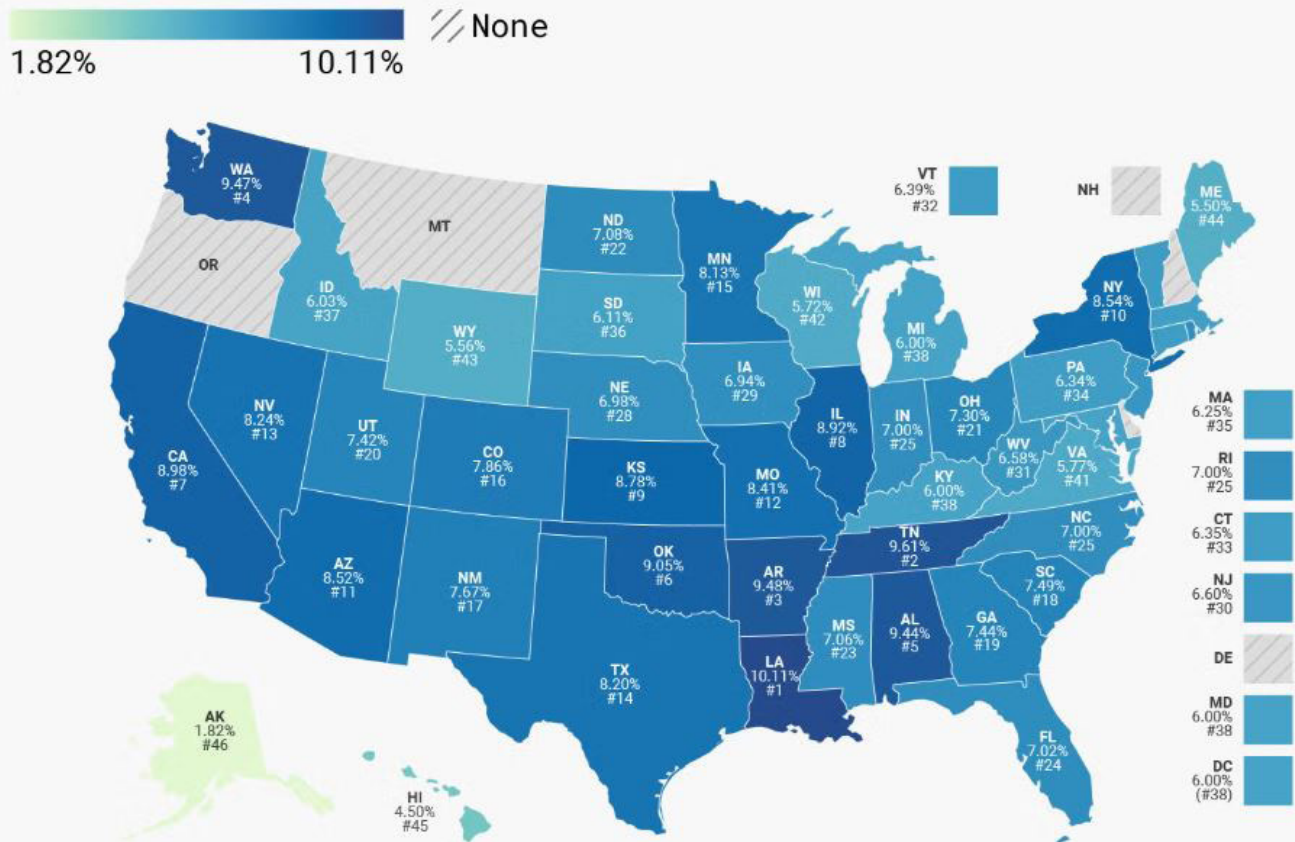
State Tax (5%)

<https://howmuch.net>

Internal Revenue Service *Understanding Taxes - Activity 2: Taxing Times*,
apps.irs.gov/app/understandingTaxes/whys/thm04/les02/ac2_thm04_les02.jsp.

How High Are Sales Taxes in Your State?

Combined State & Average Local Sales Tax Rates, July 2025



Note: City, county, and municipal rates vary. These rates are weighted by population to compute an average local tax rate. The sales taxes in Hawaii, New Mexico, and South Dakota have broad bases that include many business-to-business services. D.C.'s rank does not affect states' ranks, but the figure in parentheses indicates where it would rank if included.

Source: Sales Tax Clearinghouse; Tax Foundation calculations; State Revenue Department websites.

Cost of a Video Game			
Item	State #1	State #2	State #3
Video Game	\$69.00	\$69.00	\$69.00
Tax Rate			
Final Cost			

Cost of a LEGO Set			
Item	State #1	State #2	State #3
LEGO Set	\$65.00	\$65.00	\$65.00
Tax Rate			
Final Cost			

Cost of a Cell Phone			
Item	State #1	State #2	State #3
Cell Phone	\$799.00	\$799.00	\$799.00
Tax Rate			
Final Cost			

<https://howmuch.net>

Internal Revenue Service *Understanding Taxes - Activity 2: Taxing Times*,
 apps.irs.gov/app/understandingTaxes/whys/thm04/les02/ac2_thm04_les02.jsp.
 PlayStation Store, <https://store.playstation.com/en-us/pages/latest>
 Apple, <https://www.apple.com/shop/buy-iphone/iphone-16>

Grades 6-8, Lesson 6

Compelling Question: Why do people borrow money?

IL Financial Literacy Standard	SS.EC.FL.1.6-8.MC: Describe the connection between credit, credit options, interest, and credit history. SS.EC.FL.4.9-12: Analyze costs and benefits of different credit and payment options for goods and services, the role of lenders, and interest.
Inquiry Standard	SS.IS.4.6-8.MdC: Determine the credibility of sources based upon their origin, authority, and context. SS.IS.6.6-9LC: Construct arguments using claims and evidence from multiple sources, while acknowledging their strengths and limitations. SS.IS.7.6-8: Critique the structure and credibility of arguments and explanations (self and others). SS.IS.8.6-8.MC: Apply a range of deliberative and democratic procedures to make decisions and take action in schools and community contexts.
Student Outcomes	Students will be able to explain the advantages and disadvantages of using credit.

Introduction to Lesson

This inquiry initiates an investigation of debt by presenting students with readings and graphic representations of credit, credit cards, credit history, and credit decisions. Students should be able to develop a logical argument or project-based learning activity that answers the question “Why do people borrow money?”

By examining this question and relevant resources, and by creating questions of their own, students address the above-noted standards. Students consider a series of supporting questions about why people borrow money, how to use credit wisely, and what to do to create a good credit history. By engaging with images, videos, charts, and graphs, students activate visual, auditory, and kinesthetic learning. They work independently and in groups to answer questions, but more importantly to ask even more questions of their own.

TIME FRAME: This lesson is designed to work on several levels; therefore, timing may differ depending on how a class chooses to approach it. If the Supporting Questions are divided and offered to groups, the lesson can be completed in 2-3 days. If a whole class works its way through all the supporting questions, it could expand to 5-6 days. On the other hand, if teachers feel pressed for time, they may pick and choose different parts of the lesson to work through.

RATIONALE: The supporting questions develop from simple to more complex, thus providing an opportunity for differentiating and accelerating/compacting the lesson. While the whole class considers the concept of debt, individual students or groups can delve more deeply into concepts at levels that are appropriate for their abilities and interests. The opportunity for project-based learning provides a further level of complexity, as students not only reflect on their learning, but use their new knowledge to take action in the real world.

The lesson is structured as follows: Each lesson consists of three supporting questions that directly tie into the compelling question. Each supporting question gets more difficult as you progress through the lesson. Each supporting question includes an Investigate and Create/Discuss section. The Closed-Reading Activity can be used for each of the supporting questions or one that you select. The Reflect section is located toward the end of the lesson which provides students with a chance to demonstrate their knowledge of money and allows for a summative evaluation.

Ask

Compelling Question: Why do people borrow money?

Supporting Question #1: Is credit good or bad?

Key Understandings: Students learn about different types of credit. They learn not all credit is bad, but consumers do need to be aware of how to use it wisely.

Featured Resources (Investigate): 3 Reading for Information pieces: What is Credit, How a Credit Score is Calculated, & Good Debt vs. Bad Debt, 2 Investigations: US Credit Scores & What are good credit habits

Formative Assessment Task (Create/Discuss): 3 activities: How does a credit card work, Who will you lend to? & What Do You Think? and a writing prompt

Supporting Question #2: How can debt be managed?

Key Understandings: Students will learn about debt and how to responsibly manage debt.

Featured Resources (Investigate): 1 Reading for Information piece: History of Credit Cards & 2 Investigations: Credit Card Holders' Bill of Rights & Credit Card Comparisons

Formative Assessment Task (Create/Discuss): Skit, Shopper Comparison, and Managing Debt activity

Supporting Question #3: Can credit be improved?

Key Understandings: Students will learn about credit reports and its impact on consumers.

Featured Resources (Investigate): 1 Reading for Information piece: Impact of a Bad Credit Report & 1 Investigation: Improving Credit Scores

Formative Assessment Task (Create/Discuss): 2 activities: Are they a good or bad credit risk? and The Cost of Bad Credit

Staging the Compelling Question

The compelling question is, “Why do people borrow money?” The teacher can introduce the question by displaying images of a house, an expensive sports car, an Ivy League university, a pair of designer athletic shoes, and a lavish restaurant meal. Ask students if they would like to have these items and to estimate prices for each. Engage in a discussion about how to pay for things that might cost more than a person’s annual income (e.g., a house and a four-year education at a private college could cost hundreds of thousands of dollars).

Ask, “Should a person borrow money to acquire all of these things?” If students suggest that borrowing is good for some items but not others, encourage them to provide reasons why. Conclude the discussion by pointing out that items such as homes, cars, and a college education have benefits that last a long time. On the other hand, a pair of shoes might wear out or go out of style in a year, and a fancy meal is gone in a few hours. Make the point that all these items can be acquired by borrowing money, but some of them will be gone before the money is paid back.

Talk about wise borrowing, noting that borrowing money is not a bad thing, but consumers need to be mindful of why they are borrowing and how much. Each person’s level of debt depends upon his/her income, risk tolerance, and other financial factors that will affect the ability to repay.

Supporting Question #1: Is credit good or bad?

Supporting Question
The first supporting question asks, “Is credit good or bad?” Students define different kinds of credit and explain how credit works. They learn about revolving credit, installment credit, and service credit, and describe how a responsible borrower uses each type of credit. After reading about the <i>4 Cs of Credit</i>, students evaluate several scenarios and explain whether hypothetical borrowers are making good or bad decisions. They work in pairs to create scenarios and diagrams to explain how a credit card works.

Investigate
Featured Resources
Reading for Information – What is credit? Students learn that when talking about money, credit means a consumer’s ability to pay someone back when they borrow money.
Reading for Information – How is a Credit Score Calculated? Students read about the type of information credit bureaus use to calculate a credit score.
Reading for Information – Good Debt versus Bad Debt: Students read information on good debt versus bad debt. They make a T-chart comparing the characteristics of each.
Investigation Activity – US Credit Scores: Students work in small groups to investigate consumers credit scores in the United States. They are asked to gather data from credible sources and identify whether or not there is a pattern.
Investigation Activity – What are good credit habits? Working in small groups, students are asked to think of three questions to support “What are good credit habits?” These questions should be areas that support the main question but also indicate areas they would like to learn more about. Students then conduct research to help answer their questions. Finally, they create a poster or visual representation highlighting their Top 5 suggestions for good credit habits.

Create/Discuss
Formative Assessment Performance Activities
Activity – How Does a Credit Card Work? Working with a partner, students read an explanation of how a credit card works. They are then asked to create a scenario with a diagram showing how the credit card works for the purchase.
Activity – Who will you lend to? Select five student volunteers from the class. Each one reads a scenario of an individual who wants to borrow money. The rest of the class serves on the “loan committee” at a local bank. Based on the information provided, they select one person who receives the loan and explain their decision.
Activity – What do you think? Students read about six people who need money for a variety of reasons. The students decide if borrowing money is a good idea. The students are asked to consider how each borrower and lender faces risk. The students are then asked to rank the six candidates and should justify their rankings in a class discussion.
Writing Prompt – Responsible Credit: The writing prompt asks students to provide a brief explanation of how a borrower can demonstrate responsibility in three listed categories.

Supporting Question #2: How can debt be managed?

Supporting Question
The second supporting question, “How can debt be managed?” provides a brief history of credit cards and hints for the responsible use of a credit card. Students are challenged to create and role play skits that demonstrate good habits (or bad habits). The notion of a grace period is introduced, and students are challenged to find several credit card offers (either online or in the mail) and compare them according to a number of criteria: interest rate, grace period, annual fee, minimum payment, late fees, and other fees. They decide which offer is the best. Students compare two shoppers, one who chooses to save and pay cash for an item and a second who chooses to use a credit card. In groups, students discuss the advantages and disadvantages of each choice. Debt management is discussed, and students are presented with a hypothetical list of bills they owe. They answer questions about their debt and how to manage it.

Investigate
Featured Resources
Reading for Information – History of Credit Cards: Students learn about the history of credit cards, consumers’ increased usage/reliance on credit cards, and how technology continues to shape the payment industry.
Investigation Activity – Credit Card Holders’ Bill of Rights: In small groups, students are asked to investigate this bill which was enacted in 2009. Students are asked to write questions they have about the bill and then create a T-chart discussing the pros and cons of the Bill. They are asked to list their Top 3 takeaways based on their investigation.
Investigation Activity – Credit Card Comparisons: Students are asked to find two different credit cards online or they can use credit card offers their family got in the mail at home. They use the chart to compare the offers and answer questions about their findings.

Create/Discuss
Formative Assessment Performance Activities
Skit – Good Credit Card Habits: After reading about the History of Credit Cards, students are asked to review the list of good credit card habits (found at the end of the reading activity). In small groups, students develop a skit to demonstrate one of the good credit card habits. Students are encouraged to be creative and “over act” for the effect. The goal is to teach their classmates about good credit habits. Sometimes we learn best when we discuss what NOT to do, so students can choose to demonstrate the opposite of one of the hints and showcase what you shouldn’t do.
Activity – Shopper Comparisons: Students read and analyze information about two shoppers. For this activity, students can work individually, in pairs, or in small groups. After completing the activity, the class discusses answers and determines what is the best choice.
Activity – Managing Debt: Students read through some tips on managing debt. They are then asked to put the tips to use by completing the activity.

Supporting Question #3: Can credit be improved?

Supporting Question

“Can a credit report be improved?” is the third supporting question. Students examine the components of a credit report. They analyze several scenarios of people applying for credit, and they assign them a credit score.

They consider the impact that a bad credit report can have on a consumer and create graphs comparing FICO scores to interest rates and monthly payments.

Investigate

Featured Resources

Reading for Information – Impact of a Bad Credit Report: Students learn about the impact credit reports can have on individuals.

Investigation Activity – Improving Credit Scores: We know that credit scores can have a great impact on a person’s life. What if you do make a mistake? How can you fix it? Students will investigate ways to improve a credit score.

Create/Discuss

Formative Assessment Performance Activities

Activity – Are They a Good or Bad Credit Risk? Students can use the article from Supporting Question 1 called “How is a Credit Score Calculated” to help with this activity. There are five different profiles of individuals, and students are asked to assign a credit score based on each scenario. After completing the activity, the teacher asks students to discuss what credit score they gave each individual and why.

Activity – The Cost of Bad Credit: Students analyze a chart containing credit scores, annual percentage rates, monthly payments, and interest paid. Students are then asked to chart the information on three charts comparing credit scores to interest rates, credit scores to monthly payments, and credit scores to interest paid.

Ask

Compelling Question: Why do people borrow money?

Reflect

Summative Assessment Performance Activities

Task	Develop an argument, using credible sources as evidence, to answer the question, “Why do people borrow money?”
Extension Activity	Hold a Money Fair in your classroom or at your school. This is a great way for students to use inquiry skills to research a money topic that interests them. Students can bring financial awareness to other grades in the school, staff, family members, and community members. Learn more: https://usa.talkwithourkidsaboutmoney.com/moneyfair/
Extension Activity	Use one of the project-based learning activities below: - Write a letter to an adult in your life advising them of good credit habits - Research how much debt the typical American has

What is credit?



Credit has various meanings. In the context of money, it involves a consumer's ability to pay someone back when money is borrowed. Typically, this includes the cost of an item plus interest.

There are three major credit bureaus: Equifax, Experian, and TransUnion. They collect data and determine a credit score based on important characteristics of the borrower. The credit scoring models are different at each credit bureau.

Let's take a look at four types of credit:

- **Revolving credit.** A credit limit is given to an individual. They can make charges up to that limit. Each month the balance is carried forward and the individual makes a payment.
- **Charge cards.** Many charge cards are a form of revolving credit, but others require that the total balance be paid off every month. Therefore, it is difficult for all credit cards to be classified as revolving credit.
- **Service credit.** This category of credit is typically with service providers. Think of your cell service, internet, or cable provider. Your family has an agreement in place that they will pay the provider each month for a service that is performed.
- **Installment credit.** With this type of credit, a creditor loans you a certain amount of money. You agree to repay that amount monthly until the item is paid for. The monthly payment includes the interest and is for a certain number of months or years. A loan for a vehicle or a mortgage for a house is two types of installment credit.

What does it mean to have good credit? Credit is a lot more than just borrowing money. A lender must know that you will pay them back on time. Think of credit as your reputation. Can you be trusted to pay the agreed upon amount every month? So, if you are purchasing a car, the lender will likely pay more attention to your payment history. It's very important to have good credit – and maintain it. Credit scores range from 300-850. The higher the number the better!

Sources: Equifax, Experian, TransUnion, and Investopedia

There are 4 C's of credit. They are collateral, character, capacity, and capital. Sometimes a fifth "C" is added representing conditions. We'll concentrate on the four main ones.

- **Character.** Think about this as your reputation or track record for repaying loans. This information appears on your credit report which includes how many times you have borrowed money in the past, whether it was repaid on time, if you have declared bankruptcy, or been reported to a collector.
- **Capacity.** This is a measurement of an individual's ability to repay a loan by comparing it to other debts the borrower owes.
- **Capital.** This term refers to how much money, or capital, the person can contribute to the purchase price. For example, on larger purchases, individuals are usually required to put money, called a "down payment," against the loan. This reduces the amount you will owe for that item. A higher down payment by the individual helps reduce the overall risk of the loan for the lender. A benefit of a higher down payment also means the individual will not have to pay back as much in interest.
- **Collateral.** This is something of value that the lender hangs on to until the loan is repaid. If the borrower defaults, or doesn't pay the money back, then the lender can repossess the collateral. As an example, when a bank loans money for a car, they keep possession of the title which represents who owns the vehicle. Once the loan is paid off, the bank releases the title to the individual.

What is interest? It's the cost of credit and is usually expressed as a percent. Interest applies to almost any form of borrowing. The lower the interest rate, the less money you have to pay back. Credit cards typically have a higher interest rate than loans, such as a car or mortgage. However, the amount of money involved in a loan is usually higher than what someone purchases on a credit card. Interest rates can fluctuate so it is important to read the fine print and know the facts before you enter into any sort of agreement. A credit card company may offer you a lower interest rate as a special incentive to start using their card. But if you miss a payment, that interest rate may skyrocket!

Sources: Equifax, Experian, TransUnion, and Investopedia

How is a Credit Score Calculated?

Each credit bureau (Equifax, Experian, TransUnion) has a different calculation for computing your credit score. In general, here are the factors typically considered:

- Your payment history
- Your used credit versus your available credit
- The types of accounts you have
- The length of your credit history
- The number of accounts you have
- The number of inquiries about your account



Payment history. When a lender or creditor looks at your credit report, a key question is, "If I extend this person credit, will s/he pay it back on time?" Lenders consider your payment history, meaning how you have repaid your credit in the past.

For a young person, a payment history may include credit cards, retail department store accounts, installment loans, auto loans, student loans, and finance company accounts (you may not realize it, but you get a finance company account if you buy something, like a new TV, and the store lets you pay it off in monthly installments).

Payment history will also include details on late or missed payments, how late your payments were, how much was owed, and how recently and how often you missed a payment. The information will also detail how many of your credit accounts have been delinquent in relation to all your accounts on file. So, if you have two credit accounts, and you have had a late payment on one of the accounts, you're at a 50% late ratio.

Used credit versus available credit. Another factor lenders and creditors look at is how much of your available credit, known as your credit limit, you are using. If your credit limit is \$500 on three credit cards and you owe \$450 to each, you're nearly out of credit on all of them. That's not good. Lenders and creditors like to see that you are responsibly able to use credit. If you have a mix of credit accounts that are "maxed out" or at their limit, that may negatively impact your credit score.

Sources: Equifax, Experian, TransUnion, and Investopedia

Type of credit used. Credit score calculations may also consider the different types of credit accounts you have, including revolving debt (such as credit cards) and installment loans (such as auto and student). Another factor is how many of each type of account you have. Lenders and creditors like to see that you're able to manage multiple accounts of different types.

New credit. Credit score calculations may also consider how many new credit accounts you have opened recently. If you open too many new accounts to increase your credit limit, that might not look good.

Length of credit history. This section of your credit history details how long different credit accounts have been active. Generally speaking, creditors like to see that you have a long and consistent history of paying off your credit accounts. So, don't cancel an old credit card when you get a new one; just stop using the old one.

Hard inquiries. Let's say you see a new phone you like, and you want to pay for it over the next 24 months. The phone company will check your credit report to see if you are able to make the payments. That's a "hard inquiry." Checking your own credit report does NOT affect your credit score. These are known as "soft inquiries."

Credit scores range from 300-850. It's better to have a higher number than a lower number. Here is a breakdown:



Sources: Equifax, Experian, TransUnion, and Investopedia

Good Debt versus Bad Debt

Debt falls into two main categories – good or bad. Here are some differences between them.

Think of **good debt** as something long-term that will likely have an increased value in the future.

Taking out a loan to purchase a house is an example of good debt because homeowners hope that their home will continue to grow, or escalate, in value. Who knows, the house may have doubled or tripled in value when the loan is paid off in thirty years!



Student loans are generally thought of as another form of good debt because getting a college degree improves your potential for future earnings. However, there are a lot of complexities surrounding student loan debt. Individuals should carefully consider the type of higher education institution they are hoping to attend, what the associated costs are for attending that institution, and what scholarships or financial aid may reduce the overall cost. In addition, it's important to look at the future job possibilities in the career field you are interested in as well as the expected income for a position in that field. Sometimes individuals take on too much student loan debt relative to their future income and, just like with anything else, it can become problematic. Remember, even good debt accumulates interest.

Bad debt, on the other hand, finances something that will not increase your wealth or have long-term value. Some view a loan for a brand-new car as bad debt because of the depreciation, or loss of value, of vehicles. If you purchase a new vehicle with a loan, instead of a cheaper used car you can afford without a loan, then you are paying the higher price plus interest. You are getting short-term value from the car and it can help fulfill a need for transportation.

Credit card debt is one of the worst forms of debt. Very seldom are credit cards used to purchase something that will provide long-term value. Additionally, you incur interest charges if the balance is not paid off in full within a month of purchase. If the interest rate is 19-28% (which is typical on a credit card), then the monthly payment can increase very quickly. Also, credit card companies charge a late fee if you happen to be late on a payment.

Investigation Activity – U.S. Credit Scores

Your group is tasked with investigating consumer credit scores in the United States. You need to gather data from credible sources and determine if there are any noticeable patterns in credit scores which have developed over the past 20 years.

Step 1: You may want to begin your investigation with the three major credit bureaus. Please develop three supporting questions to guide your research:

- 1.
- 2.
- 3.



Step 2: In the grid below, write down the average credit score for consumers in the United States over the past 20 years.

2004	2005	2006	2007	2008
2009	2010	2011	2012	2013
2014	2015	2016	2017	2018
2019	2020	2021	2022	2023

Step 3: Use the credit score data to help you investigate the supporting questions you identified in Step 2. What patterns do you see? Why do you think that is?

Step 4: Create a visual representation of your findings. This can be a chart, graph, or other type of image. This should be something you create, not something that has already been created by one of your resources. Be sure your visual representation is based on the evidence you found when researching your supporting questions.

Step 5: Discuss your findings with the class.

What are Good Credit Habits?

Now that you are learning more about credit, what are good credit habits? Think of three questions you would like to learn more about regarding good credit habits. List the questions below:



1.

2.

3.

Conduct research to help answer your questions. After your research is complete, talk among your group to determine the Top 5 tips for good credit habits. Then create a poster or visual representation with your suggestions. List your Top 5 tips here:

1.

2.

3.

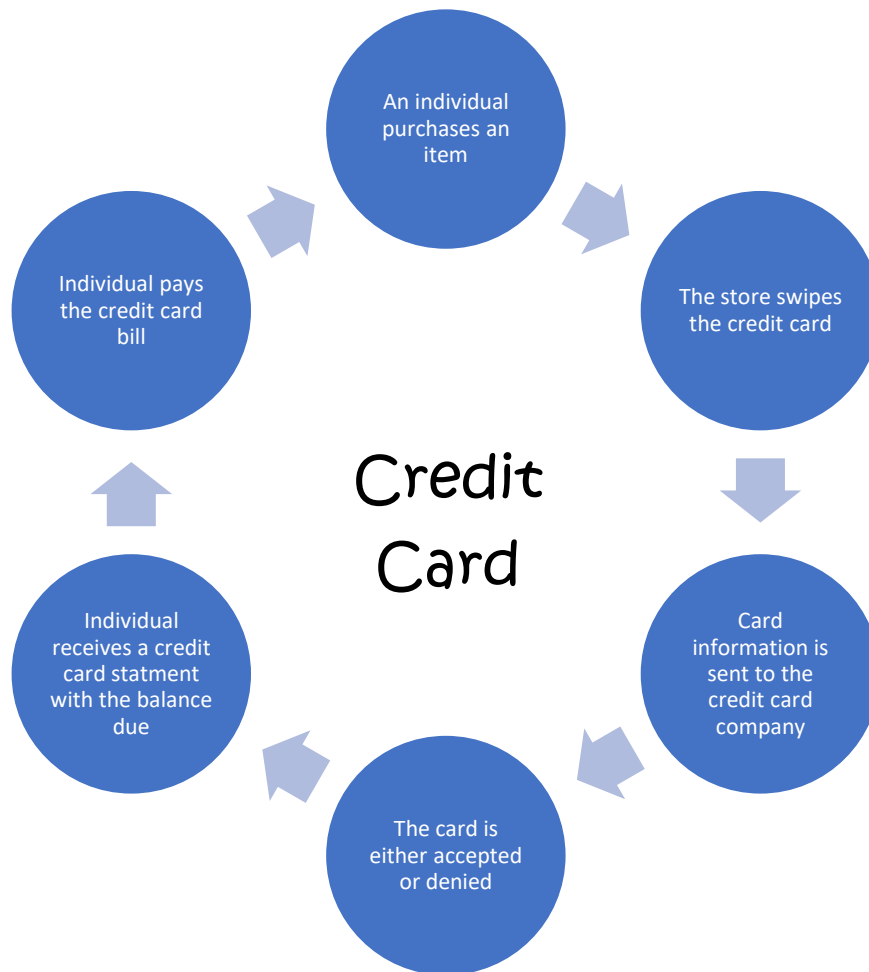
4.

5.

Name: _____

How Does a Credit Card Work?

Below is a basic diagram of how a credit card works:



With your partner, think of a scenario where someone purchases an item with a credit card. It can be either online or in the store. Identify the item being purchased and how much it costs. Assume the credit card has been accepted as payment. Calculate how much the 18% interest rate will be if it takes the individual 3 months to pay off the item on the credit card. What is the final purchase price of the item? Fill in the diagram on the next piece of paper with your findings.

Item being purchased: _____



Name: _____

Student Instructions – Who will you lend to?

You are part of a loan committee at a local bank. The president of the bank says that you have a total of \$100,000 for loans this month. There are five applicants all requesting to borrow money. You will select who receives the loan(s). Make sure you provide evidence for how you arrived at your decision.

Fill in the chart on the back of this paper. Write down all specific and important information each individual tells you. You will need this information when your committee discusses who to give the loan to.

Remember the 4 C's of credit are:

- Character
- Capacity
- Capital
- Collateral



Rank		Applicant #1	Applicant #2	Applicant #3	Applicant #4	Applicant #5
	Purpose of loan					
	Amount					
	Credit Score					
	Credit History					
	Concerns					
	Strengths					

What is your decision? Who should receive the loan(s)?

What additional information would have been helpful to know about the applicant?

Teacher Instructions - Who will you lend to?

Overview:

The purpose of this activity is for students to get a better understanding of the lending process and how everyone's situation is different.

Steps for the Activity:

1. Select 5 student volunteers from the class. They will each receive one "Borrower Information Card." Ask each student volunteer to read the information on the card.
2. The rest of the class becomes the loan committee for the bank.
3. The president of the bank (you) says that there is a total of \$100,000 for loans this month. There are five applicants requesting to borrow money. The loan committee decides (based on the evidence provided in the scenarios) who should receive the loan(s).
 - a. Before beginning the activity, briefly discuss the 4 C's of credit and remind students that these are important attributes lenders look for in their applicants.
 - b. Each individual will provide information as to why they need the loan. The committee should fill in their chart (found in the Student Instructions) with information on each applicant.
 - c. After listening to each applicant, the loan committee (as a group) discusses the various applications and ranks them in order from strongest to weakest (1 = strongest, 5 = weakest).
 - d. The loan committee then decides which individuals' loans should be granted. Remind students that the bank can only lend a total of \$100,000.
4. After completing the activity, discuss with students how important it is to maintain good credit. It is equally important to manage debt wisely.

Source: High School Economics, 3rd Edition, Council for Economic Education

Borrower Information Cards

Borrower Information: Donovan Jones, age 32

- You want to borrow \$100,000 to buy a house.
- The house is about 20 years old and needs some renovations.
- Your wife is a stay-at-home mom and cares for your 5-year-old daughter.
- You graduated from college and have a professional job that pays \$75,000 per year.
- You have saved \$20,000 to put as a down payment on the loan.
- You have a 401(k)-retirement account.
- You previously had a car loan and paid it off. Your car is worth \$15,000. Your credit score is 798.
- You and your wife owe \$60,000 on student loans, but you are current with your student loan payments.

Borrower Information: Chad Overton, age 24

- You want to borrow \$25,000 for a SUV. You have saved up \$850 for a down payment.
- You graduated from college and just accepted a new job as a sales representative. The new job pays \$30,000 per year.
- You have several speeding tickets on your driving record. The new company has already informed you that you will be driving long distances for work.
- You have around \$40,000 in student loan debt but have not had to start making payments yet.
- You do not own a house or have any assets of real value.
- You are single and your credit score is 603.

Source: High School Economics, 3rd Edition, Council for Economic Education

Borrower Information: Isa Perez, age 27

- You want to borrow \$80,000 over 10 years to start a new business.
- Last year you graduated from a local community college with an associate degree in Culinary & Hospitality.
- You worked part-time while attending college and have no student debt.
- Your uncle was a very successful restaurant owner and has agreed to personally finance the rest of the money needed to start the business. He is also helping advise you with the business each step of the way!
- You had a car loan and paid it off. Your car is valued at \$20,000.
- You are single, no children. Your credit score is 763.

Borrower Information: Marielle Martinez, age 46

- You want a \$75,000 15-year home equity loan to remodel your kitchen and bathroom. Your house also needs new windows.
- The current value of the house is \$250,000 and you owe \$220,000 on the mortgage.
- You are a restaurant manager and earn \$45,000 annually. You are married and have two young children. Your husband has a part-time job and earns roughly \$40,00, depending on the amount of weekly overtime.
- You and your husband owe \$30,000 on two auto loans and \$25,000 on a student loan. You lost your job in your early 20's and defaulted on a car loan.
- Your credit score is 729, your husband's is 735. You have \$20,000 in your savings account.

Borrower Information: Paul Pottawatome, age 19

- You want to borrow \$17,000 for a used Ford pick-up truck.
- You have had a steady part-time job since 16. Last year you earned \$18,000 from your job and picked up extra work during the summer months.
- You haven't had a loan before and don't have any student loan debt.
- You have just been accepted into the IBEW Local 146 electrical apprenticeship and begin work in three months.
- You are single and do not have any children. You currently live at home with your parents.
- Your credit score is 701.

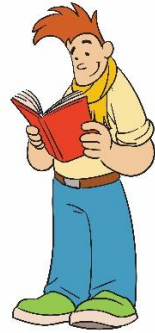
Source: High School Economics, 3rd Edition, Council for Economic Education

Name: _____

What do you think?

Below are six scenarios. Read through each scenario and determine if the individual should borrow money or not. After reading the scenarios, fill in the chart below.

Scenario 1: Maria always got good grades and recently graduated from high school. She has done a lot of research and is interested in becoming a physical therapist. She has been working at her part-time job over the summer and has saved up most of her money to buy textbooks and other school supplies. Physical Therapists can earn more than \$70,000 a year after completing their education. Maria's parents cannot afford to help her pay for college. Maria has been researching student loans and wants to know if she should take out a loan to pay for her education. What do you think? Why?



Scenario 2: Eugene has been waiting years to find a copy of the leather-bound first edition of his favorite book. He just found a copy at the local bookstore for \$250. Very few copies of the first edition exist and this one is in excellent condition. He doesn't have enough money in his savings account and is considering using his credit card to buy the book. What do you think? Why?

Source: Learning, Earning, and Investing for a New Generation. Council for Economic Education.

Scenario 3: Jen has been late for work three times in the last month because of car problems. Her boss understood the first time around, but not anymore. She is a single mother with two young children. She has spent a lot of money fixing up her old used car, but it costs too much money now. She can't afford to lose her job, she really likes the company and is able to provide for her family with her earned income. She is considering getting a loan from the bank so she can get a newer used car. What do you think?

Scenario 4: Jay has three credit cards, all of which have balances. He believes you only live once and he doesn't want to miss out on anything. His friends are planning a trip, but he doesn't have any money in his savings account. He just received an offer from another credit card in the mail. The credit limit is high enough on the new card to cover the cost of the trip. Should he open up another credit card account so he can go on the trip with his friends? What do you think?

Source: Learning, Earning, and Investing for a New Generation. Council for Economic Education.

Scenario 5: Rudy has been eyeing a vehicle at a local car lot. He has always wanted a truck and this one is sweet! His car has been running fine, but this is one of his dreams. He just started work as a salesman a few months ago and a lot of his income comes from commissions. In other words, the more he sells, the more money he makes. The company told him sales typically slow down from the holiday season until the beginning of the new year. He knows the truck payments will be pretty high. Should he take out a loan at the bank? What do you think?

Scenario 6: Sierra has wanted a dog, preferably a puppy, for a really long time. Her parents told her if she saved enough money she could get one from the local animal shelter. However, she just found out that puppies are much more expensive than a dog who is older. Sierra has a part-time job but hasn't saved up enough money for a puppy. She has a credit card with a high enough credit limit to purchase the puppy but it may take 3 or 4 months to pay for it. Should she buy the puppy and put it on her credit card? What do you think?

Who do you think has the strongest case for getting a loan? Why? Be prepared to defend your answer in the class discussion.

Source: Learning, Earning, and Investing for a New Generation. Council for Economic Education.

Name: _____

Responsible Credit Activity

Use this prompt to write a brief explanation:

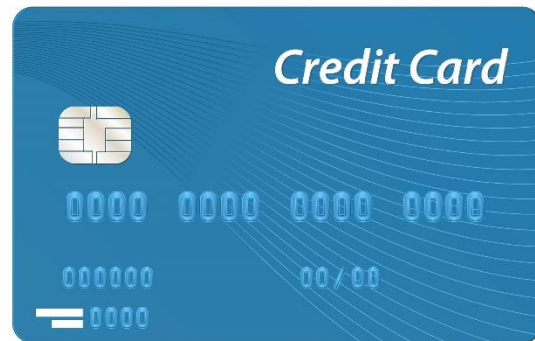
How can a borrower demonstrate responsibility in each of these credit categories:

- revolving credit
- installment credit
- service credit



The History of Credit Cards

Have you ever wondered how credit cards got their start? According to Encyclopedia Britannica, the use of credit cards originated in the United States during the 1920s, when individual companies, such as hotel chains, department stores, and oil companies began issuing them to customers for purchases made at those businesses. This use increased significantly after World War II.



In 1950, the Diner's Club card emerged and became the first card accepted at a multitude of locations. The American Express card followed in 1958. Under this new system, credit card companies charged their customers an annual fee for using the card and billed them monthly. They also charged merchants, or companies, fees to accept the credit cards as payment. These service fees averaged 4-7% of the total amount charged.

When the bank credit card system was established, consumers could pay their charges when the monthly bill was received or in monthly installments with interest. In 1958, Bank of America began offering cards on a state-by-state basis, meaning that the cards could only be used in the state issuing the card. This evolved into a national system allowing individuals to make a purchase anywhere, regardless of the location. Eventually the effort grew into an international system and is now available all over the world.

Store credit cards are another form of credit cards. These cards are issued by a retailer, like the original credit cards of the 1920s, and they have similar restrictions as those original cards, such as only being valid at participating stores or locations.

It wasn't until the late 20th century that credit card usage significantly increased. Unfortunately, that led to many consumers spending more than they were earning. Users who could not pay off their monthly balances incurred high interest rates, sometimes penalty rates, and their accounts became delinquent. The Global Recession, beginning in 2008, further added to the problem. As unemployment rates increased, consumers relied more heavily on their credit cards to make necessary purchases. In 2009, the Credit Card Holder's Bill of

Sources: Encyclopedia Britannica, Experian, The Federal Reserve Bank

Rights Act was created to protect consumers. It also restricts unfair or abusive practices by credit card companies.

Use of plastic cards has become a regular routine for many consumers in the United States. On average, individuals have three credit cards and carry an average of thousands of dollars across all on their cards. According to the Federal Reserve Bank, credit card debt in the United States topped \$1 trillion in 2017.

Credit cards continue to evolve with technology and have become quite sophisticated. In the 1980's, magnetic strips were placed on the back of cards which allowed special computer equipment to read the card and process the transaction. Since then, credit cards have evolved. Cards now use embedded computer chips, called EMV smart chips, that allow for data to be encrypted each time the card is used. The credit card industry continues to change as it adopts newer technologies, such as mobile wallets, wireless payments, and countless other items. One question remains: will consumers become as smart as the technology and reduce their reliance on credit cards?

Here are some good credit card habits to keep in mind:

1. Sign your card as soon as you receive it.
2. Never give your credit card number over the phone unless you called a number you know is secure. Certainly, never give it to anyone who calls you.
3. Ignore any credit card offer that requires you to spend money up front or fails to disclose the identity of the credit card issuer.
4. Make certain to get your card back after you make a purchase.
5. Always keep a list of your credit cards, credit card numbers, and toll-free numbers from the issuing bank just in case your card is lost or stolen.
6. Check your monthly statement to make certain all the charges are accurate. Immediately notify the issuer if there are any errors or unauthorized charges.

Sources: Encyclopedia Britannica, Experian, The Federal Reserve Bank

Investigation Activity – Credit Card Holders’ Bill of Rights



The Credit Card Holder's Bill of Rights was discussed in the article about the history of credit cards. What three questions do you have about the Credit Card Holder's Bill of Rights?

- 1.
- 2.
- 3.

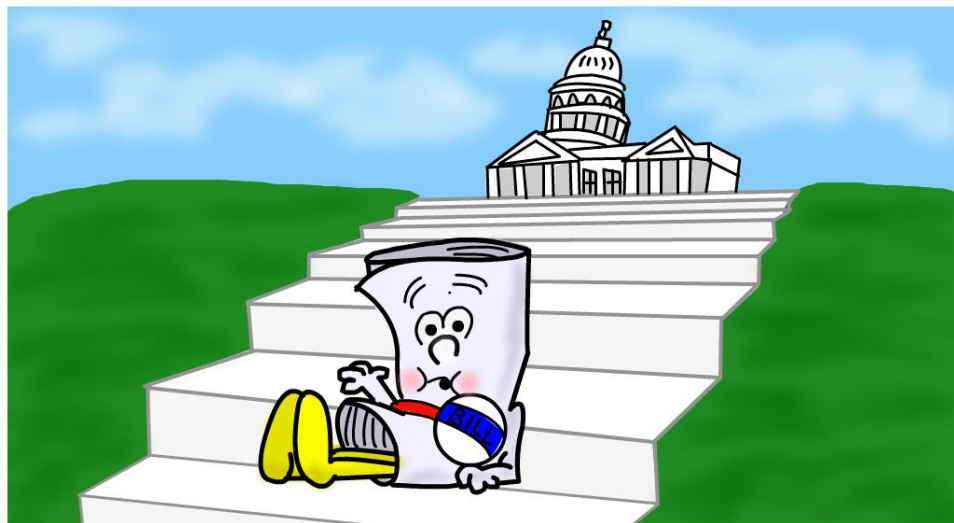
Find the bill online and read about it. Fill in the T-Chart below discussing the pros and cons of the Bill. Then list your Top 3 takeaways based on your investigation.

Top 3 Takeaways:

1.

2.

3.



Credit Card Comparisons

If you decide to apply for a credit card, be sure you understand all the credit talk, referred to as “jargon.” You should know all the fees the card might charge, and if there is a “grace period” on the card. The grace period is the time during which you can pay your credit card bill without having to pay interest on new charges. (If you carry a balance on your card, there is no grace period).



Here's your chance to investigate and compare cards. You will need to get information from two credit card offers. You can either search the internet or see if your family has received any credit card offers in the mail. Use the chart below to compare both and answer the questions that follow.

	Credit Card A:	Credit Card B:
Annual fee		
Interest rate (APR)		
Grace period		
Minimum payment		
Late fee		
Other fees		
Rewards or Points		

1. Which card do you think has the better offer? Why?

2. What costs will you incur every time you use the card?

3. What costs will you incur if you carry a balance to the next month?

4. Are there any benefits to the card you have selected?

Source: Financial Fitness for Life: Student Workbook, Grades 6-8, Council for Economic Education

Skit - Good Credit Card Habits

In your small group, pick one of the Good Credit Card Habits listed below. Develop a skit to help teach your classmates why this is a useful habit. Sometimes we learn best through our mistakes, so one approach you can take is to develop a skit about what NOT to do. In other words, develop a skit showcasing the consequences of a “bad” credit card habit.

Good Credit Card Habits:

1. Sign your card as soon as you receive it.
2. Never give your credit card number over the phone unless you made the call.
3. Ignore any credit card offer that requires you to spend money up front or fails to disclose the identity of the credit card issuer.
4. Make certain to get your card back after you make a purchase.
5. Always keep a list of your credit cards, credit card numbers, and toll-free numbers from the issuing bank just in case your card is lost or stolen.
6. Check your monthly statement to make certain all the charges are correct. Immediately notify the issuer if there are any errors or unauthorized charges.



Shopper Comparisons

Read through the scenarios below and help the shopper decide what to do.



Scenario 1: Gillian wants to buy a new tablet. She has a baby-sitting job but things have been slow lately. It's been several weeks since anyone has hired her to watch their kids. She was hoping to save \$40-50 per month to put towards the tablet. At this point, it feels like it will take forever to save up enough money for the tablet. She has a credit card and has been tempted to use it. Can you help her figure out her options?

- Option A: Save the money, then purchase the tablet. So far, she only has \$108 in her savings account. The bank is paying 3.85% interest. The tablet she wants costs \$475 without tax (the local sales tax rate is 8%). How long will it take her to save enough money to purchase the tablet?
- Option B: Buy the tablet now and put it on her credit card. Gillian figures she can take the money she was going to put in her savings account each month and, instead, use it to pay the credit card balance off. She should at least be able to pay \$40 per month. Her credit card interest is 18.75%. How long will it take for her to pay off the credit card? In the end, what would be the final purchase price of the tablet, including interest?

Scenario 2: Jerome had been wanting to buy a new video game console. He looked at various promotions and decided Best Buy had the best deal. The console cost \$700 and the local sales tax rate is 8%. However, in order to get the sales price, he had to put the purchase on his credit card. Not only was he able to get the sales price, but his purchase also qualified for 0% financing! The next month, his car broke down. He had to get it towed and pay for it to get fixed. That made him late on his payment to Best Buy. He found out that missing a payment means the 0% interest rate is no longer valid and he must now pay a 28% interest rate on the video game console!

- If Jerome pays \$50 every month, how many months will it take him to pay off the credit card?
- What is the final purchase price of the console, including interest (don't forget to add in the sales tax)?

Managing Debt

Here are some tips for managing debt:



1. **Know who and how much you owe.** Make a list of how much you owe, and to whom. Keep track of your monthly payments and when those payments are due. Update the list periodically as your debts change.
2. **Pay your bills on time each month.** Missed and late payments have consequences including late fees, increased interest rates, and higher finance charges. These additional charges add to your debt making it harder to pay off.
3. **Use technology to help you pay your bills.** Use the calendar on your computer or smartphone to track when you need to pay your bills. Set an alert to remind you several days before your payment is due. Some people use an “auto pay” feature for bills they pay every month. If you miss a payment, don’t wait until the next due date to make a payment, send it as soon as you can.
4. **Make at least the minimum payment.** If you can’t afford to pay anything more, at least make the minimum payment. The minimum payment doesn’t help you make progress in paying off your debt, but it saves you from late fees and keeps your account in good standing. When you miss payments, it gets harder to catch up and your accounts could go into default, meaning that a collection agency will get involved. That negatively impacts your credit score and adds even more fees to the debt you already owe.
5. **Decide which debts to pay off first.** Prioritize your debt payments to save money over time. Let’s say you have a car loan with a 6% interest rate, and credit card debt with a 19% interest rate. You should pay off the credit card debt first because it has a higher interest rate. If you have several credit cards, pay off the one with the highest interest rate first because it is costing you the most money.
6. **Use an emergency fund to fall back on.** Keep a savings account and regularly put money in it. Only use it when you need it. This helps if you ever need some extra cash. Even a small emergency fund can help cover unexpected expenses like a flat tire, a broken leg, or a shattered phone screen. Experts advise to save up six months of living expenses in case there is ever an emergency.

Irby, LaToya. “Steps to Managing Your Debt.” *The Balance*, The Balance, 3 Dec. 2018, www.thebalance.com/how-to-manage-your-debt-960856.

Now, let's put these tips to use. Here is a list of Jerome's current debts. He needs help figuring out how to manage and reduce his debt.

I owe money to:	Amount	Due Date	Interest Rate
Dad	\$200.00	3 months	0%
Julie (sister)	\$75.00	2 months	0%
Best Buy Credit Card	\$115.00	10 th of the month	15%
VISA Credit Card	\$350.00	20 th of the month	19%
Gym Membership	\$35.00	15 th of the month	0%
Master Card	\$200.00	5 th of the month	0%
Rent	\$300.00	1 st of the month	0%
Phone/Cable/Internet	\$210.00	19 th of the month	0%

1. Two of his credit cards, the VISA and Master Card, require a 10% minimum monthly payment. How much is the minimum payment for each card this month?
2. Jerome has decided to only have one credit card. Which one should he keep, VISA or MasterCard? Explain why.
3. Jerome has a savings account with a balance of \$4,200. He usually spends about \$200 each month for gas, utilities, clothes, and entertainment. His bank suggested he keep enough cash in his account to pay for at least three months' worth of expenses. Does he have enough saved? Explain your answer.
4. If Jerome has some extra cash in his savings, which debts should he pay off first? Explain.
5. What are some ways that he can prevent making late payments on his six-monthly debts?

Irby, LaToya. "Steps to Managing Your Debt." *The Balance*, The Balance, 3 Dec. 2018, www.thebalance.com/how-to-manage-your-debt-960856.

Impact of a Bad Credit Report

Credit scores can affect an individual's ability to make large purchases such as a house or vehicle. Credit reports are very important to both creditors and lenders. But here is a list of other things that can be impacted if an individual has bad credit.



- ✓ **Car insurance.** Insurance companies consider a person's risk of responsibility along with their ability to pay on time. So, it's not surprising that in 47 states an individual's credit rating can be used to determine what rate will be charged for insurance. The higher a perceived risk, the higher the rate to insure the individual. This means your insurance payments will cost more until your credit score improves – even if you haven't had any accidents or claims.
- ✓ **Mortgage loans.** Most individuals apply for a loan when purchasing a home. The financial institution will definitely check credit scores! If an individual has bad credit, or a low credit score, they will likely be denied for a loan. It can also result in a much higher interest rate. The amount of interest you pay is based on your level of risk and the current market rate. The worse your credit is, the higher your level of risk is, and the higher your interest rates will be. This difference can amount to tens of thousands of dollars over the course of a 30-year mortgage.
- ✓ **Vehicle loans.** This is another item for which most people need a loan. Financial institutions will check your credit score before approving your loan application. If the bank is concerned that it is a risky loan, they may increase the interest rates by 2%. That is a lot of money that folks with good credit don't get charged.
- ✓ **Service providers.** Many service providers (like those for your cell phone, internet, and cable) check your credit score. They assess your risk level and if you can pay your monthly bill. Today, many cell phone bills include the cost of the phone with the monthly service fee, causing them to be more cautious.
- ✓ **Jobs.** Under the Fair Credit Reporting Act, potential employers can check your credit when considering you for a position. They must have your written approval before obtaining the report. However, if you refuse, then there is a good chance you may not get the job.

"The 6 Biggest Ways Bad Credit Can Mess Up Your Life." *Yahoo! Finance*, Yahoo!, 21 Jan. 2013, finance.yahoo.com/news/6-biggest-ways-bad-credit-110012930.html.

Investigation Activity – Improving Credit Scores

Credit scores have an impact in many areas of a person's life. What happens if you made some mistakes, or something unexpected happens, and your credit score plummets? How can you fix it? Your group is tasked with investigating if and how credit scores can be improved. You need to gather data from credible sources.



Step 1: Develop three supporting questions to guide your research:

- 1.
- 2.
- 3.

Step 2: Take notes on all relevant information you find.

Step 3: With your group, create a TV commercial that explains why a credit score is important and what you can do to improve your score. Make sure you include the questions your group asked about improving credit scores and the answers.

Name: _____

Are they a Good or Bad Credit Risk?

Several different scenarios are listed below. Your job will be to read through the information and assign a credit score category based on the adjacent chart.



Pierre is a professional athlete. He has 3 years left on his contract worth \$1 million. He owns 3 homes in various cities. Last year he was late on a mortgage payment for one of his homes. He has 4 open accounts for leased cars, which have been paid on time. He has 5 credit cards and was late on 2 of those payments in the past 6 months. His cards all carry a balance of 60% of the credit limit.

Pierre's credit score is: _____

Abner is a computer technician and makes \$50,000 per year. He opened up a credit card account last year and that's his only open account. He has paid his bill on time each month and currently has no balance. He has two collections from medical bills from over two years ago, but they have been paid off.

Abner's credit score is: _____

Isa is a lab assistant and makes \$60,000 per year. She has had a mortgage for 2 years and always pays it on time. She has 5 credit card accounts that she has had for at least 4 years. She had 1 late payment on those cards 3 years ago. Other than that, everything has been paid on time. One of the credit cards has a balance of 10% of the limit, the other have no balance.

Isa's credit score is: _____

Yolanda is a pharmaceutical sales manager and makes \$75,000 per year. She just bought a new condo 5 months ago, every month she pays her mortgage on time. She has had a car loan for 2 ½ years which she also regularly pays on time. She also has 3

student loans that she has had for 6 years. One month she was 30 days late with one of her student loan payments. Other than that, all payments have been made on time.

Yolanda's credit score is: _____

Julio is a mechanical engineer and makes \$125,000 per year. He has 3 student loans and has not been late on any payments. He bought a townhouse 2 years ago and is on time with his payments. He has 2 credit cards. One has a balance of \$125 and the other is paid off. He has had both credit cards for over 5 years.

Julio's credit score is: _____

Who did you give the highest credit rating to? _____

Why? _____

Who did you give the lowest credit rating to? _____

Why? _____

What factors had the most influence on your ratings? Rank the following from 1 most important to 6 least important in your decision making.

- _____ Profession/Career
- _____ Salary
- _____ Number of Loans
- _____ Number of Credit Cards (with balances on them)
- _____ Payments – on time versus late
- _____ Length of credit history (how long they had an account)

Name: _____

The Cost of Bad Credit

Making good money choices can improve your credit score, but bad decisions can hurt it – and cost you more money. As you have learned, if a lender perceives an individual to be risky, they will charge higher interest rates. Having bad credit can also make it impossible to get a loan.

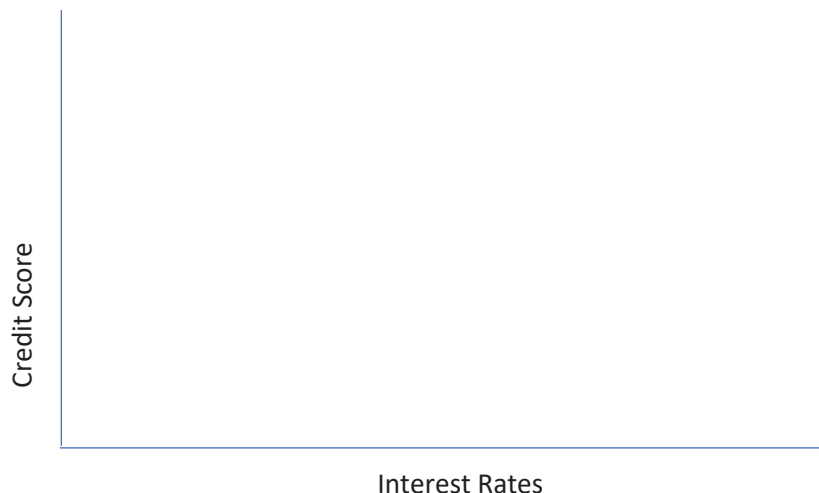
The table below contains three key items to calculate the cost of a three-year \$28,000 loan: a range of credit scores, the annual percentage rate (APR), and the monthly payment.

Credit Score	APR	Monthly Payment	Total Interest Paid
720-850	7.126%	\$773.00	\$2,843
690-719	8.032%	\$784.00	\$3,215
660-689	9.785%	\$804.00	\$3,951
620-659	11.745%	\$827.00	\$4,786
590-619	15.171%	\$869.00	\$6,272
500-589	15.999%	\$879.00	\$6,640

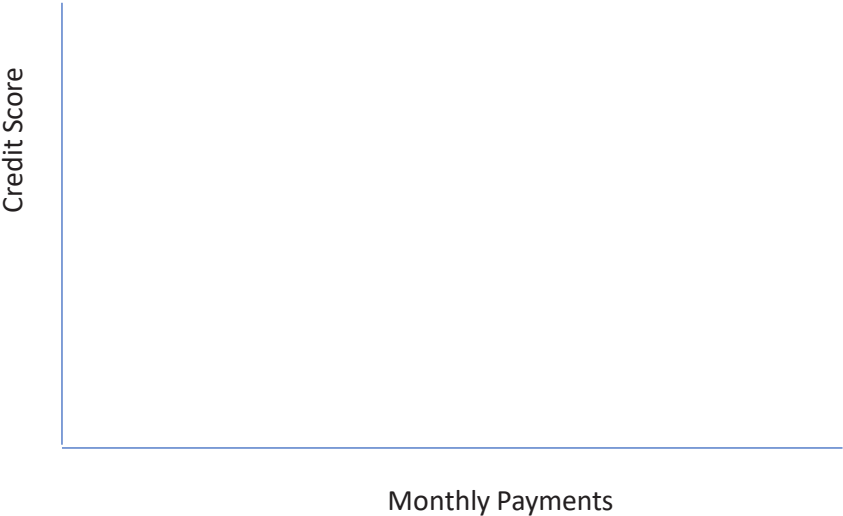
Based on this chart, an individual with a high credit score pays \$773 per month and a total of \$2,843 in interest for a three-year loan. A customer with a low credit score pays \$106 more per month and \$3,797 more in total interest for the exact same loan. That's a huge difference!

Create three graphs charting the information above. What conclusion can you draw from the data and your graphs?

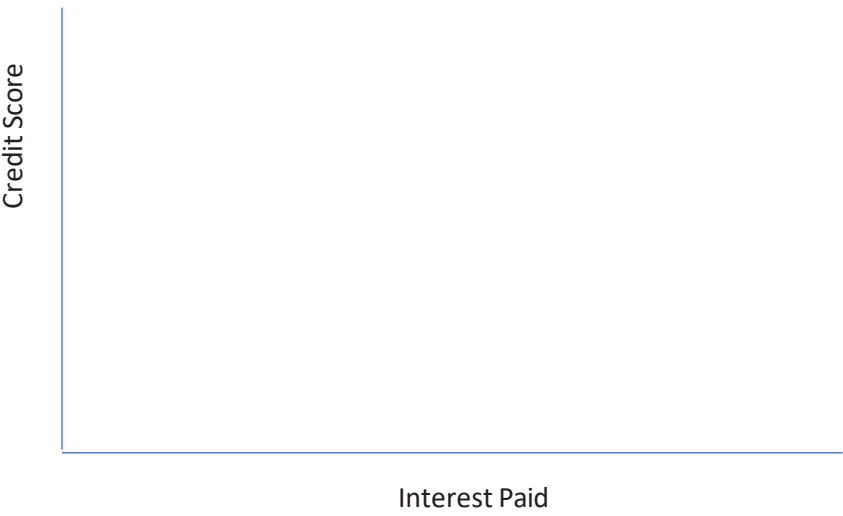
Graph 1: Compare Credit Scores to Interest Rates



Graph 2: Compares Credit Scores to Monthly Payments



Graph 3: Compares Credit Scores to Interest Paid



MONEY MINDED *illinois*



Illinois State Treasurer

MICHAEL FRERICHs



Text box for Print Shop -- please center this box and Teamster logo when done