



# Per\$onal Finançe:

## Learning to manage MY Money



**Economics  
Arkansas**  
EDUCATION FOR REAL LIFE



UNIVERSITY OF  
**ARKANSAS**  
SAM M. WALTON  
COLLEGE OF BUSINESS

Bessie B. Moore Center for Economic Education

## Teacher Background:

Benjamin Franklin once said, “An investment in knowledge pays the best interest.” This is certainly true regarding knowledge about financial decisions. A recent article by Bankrate.com reveals that 76% of Americans who make less than \$50,000 live paycheck to paycheck, compared to 65.9% of those making \$50,000-\$100,000, and 47.1% making more than \$100,000. According to a recent survey by NerdWallet, 74% of Americans have a monthly budget, but also revealed that 84% of them sometimes exceed their budget. It also reveals that 24% of Americans have no emergency savings and an additional 39% do not have enough savings to cover six months of living expenses. The average American household holds a debt balance of \$96,371 with \$5,221 being credit card debt. Some debt is justified if it leads to improved productivity such as debt for schooling or if the purchase increases in value such as a house. At other times, debt prevents us from achieving our financial goals. Students need to learn the difference between types of debt now so they won't find out the hard way later.

Developing skills related to budgeting, saving, investing, and credit are important as students prepare for the future. It is important to define savings goals and determine how much to save over a given period of time to reach those goals. Long term savings goals such as purchasing a home or car or saving for retirement or college can take more than three years. Some of them take one's whole career. Short term goals take three years or less and include things such as saving for a car, emergency fund or for a vacation. People should begin saving for retirement with their first paycheck.

This project based unit will challenge students to become knowledgeable about the topics of budgeting, saving, investing, and credit as they become informed decision makers about a topic near and dear to them . . . their money!

### Sources:

Living Paycheck to Paycheck Statistics, Bankrate. <https://www.bankrate.com/finance/credit-cards/living-paycheck-to-paycheck-statistics/#paycheck>

Most Americans Have a Monthly Budget, but Many Still Overspend:

<https://www.nerdwallet.com/article/finance/data-2023-budgeting-report>

Average American Debt Statistics: <https://www.bankrate.com/personal-finance/debt/average-american-debt/>

## Glossary:

- **Bond:** A certificate of indebtedness issued by a government or a publicly held corporation, promising to repay borrowed money to the lender at a fixed rate of interest and at a specified time.
- **Budget:** A spending-and-savings plan, based on estimated income and expenses for an individual or an organization, covering a specific time period.
- **Certificate of Deposit:** A certificate issued by a bank to a person depositing money in an account for a specified period of time (often six months, one year or two years). A penalty is charged for early withdrawal from CD accounts.
- **Compound Interest:** Interest that is earned not only on the principal but also on the interest already earned.
- **Credit:** The opportunity to borrow money or to receive goods or services in return for a promise to pay later.

- **Credit Application:** A request for a loan, submitted to a lender (for example, a bank or a credit union) by a prospective borrower. The credit application provides background information which the lender uses to assess the prospective borrower's creditworthiness--his or her ability to repay the loan.
- **Credit Card:** A small, specially coded plastic card issued by a bank, business, etc., authorizing the cardholder to purchase goods or services on credit.
- **Credit History:** A record of past borrowing and repayments.
- **Credit Limit:** The maximum amount of money that will be extended to a person by a financial institution or credit-card issuer.
- **Credit Score:** A number based on information in a credit report, which indicates a person's credit risk.
- **Interest:** Money paid regularly, at a particular rate, for the use of borrowed money.
- **Interest Rate:** The price paid for using someone else's money, expressed as a percentage of the amount borrowed.
- **Investing:** The process of putting money someplace with the intention of making a financial gain. Investment possibilities include stocks, bonds, mutual funds, real estate, and other financial instruments or ventures.
- **Mutual fund:** A pool of money used by a company to purchase a variety of stocks, bonds or money market instruments. Provides diversification and professional management for investors.
- **Portfolio:** A person's or an institution's collection of savings and investments.
- **Rate of Return:** Earnings from an investment, stated as a percentage of the amount invested; usually calculated on an annual basis.
- **Risk:** The chance of losing money.
- **Rule of 72:** A mathematical rule for determining the number of years it will take for an investment to double in value. The number of years is determined by dividing 72 by the annual rate of return. Thus, an investment expected to earn interest at a rate of 8 percent will double an investor's funds in  $72/8$ , or nine years. Dividing 72 by the number of years in which an investor wishes to double his or her return will yield the necessary rate.
- **Saving:** Disposable income (income after taxes) minus consumption spending.
- **Savings Account:** An interest-bearing account (passbook or statement) at a financial institution.
- **Savings Goal/Plan:** A plan for setting aside money for future use.
- **Stock:** An ownership share or shares of ownership in a corporation.
- **Stock Market:** A market in which the public trades stock that someone already owns; the buying and selling of stock.

## Resources:

- A Penny Saved: <https://www.econedlink.org/resources/a-penny-saved-is-a-penny-at-4-7-earned/>
- A Plan for the Future: Making a budget: [https://www.practicalmoneyskills.com/assets/pdfs/lessons/lev9-12/TG\\_Lesson9.pdf](https://www.practicalmoneyskills.com/assets/pdfs/lessons/lev9-12/TG_Lesson9.pdf)
- Cards, Cars and Currency Curriculum Unit: <https://www.stlouisfed.org/education/cards-cars-and-currency-curriculum-unit>
- Credit Card Statement Explained: Personal Finance 101 Financial Forms Explained: <https://www.stlouisfed.org/education/personal-finance-101-financial-forms-explained/credit-card-statement>
- Credit Cred: <https://www.stlouisfed.org/education/credit-cred-online-course-for-teachers-and-students>
- Get Real Here's the Deal: <https://www.uaex.uada.edu/life-skills-wellness/personal-finance/About%20Get%20Real.pdf>

- Growing Money: Compound Interest: <https://www.stlouisfed.org/education/no-frills-money-skills-video-series/episode-1-growing-money-compound-interest>
- The Benefits of Investing Early: <https://www.econedlink.org/resources/the-benefits-of-investing-early/>
- A Penny Saved: <https://www.econedlink.org/resources/a-penny-saved/>
- Saving and Investing for Students: <http://investor.gov/node/277>
- Take Charge Today: <https://takechargetoday.arizona.edu/node?destination=node>

**Explore the Livebinder:** <https://www.livebinders.com/b/1607807>

### Essential Question:

Why is it important for me to learn about money issues now? And, plan for retirement? Really? I'm in high school, and I don't even have a full time job yet!

### Springboard Activity:

Challenge students to list 5 items they would like to purchase in the next 10 years. Ask them to share how they plan to purchase the items. Explain to students that the purpose of this unit is to help them understand basics on the topics of saving, spending, budgeting, investing, and credit that will enable those goals to become realities.

### Suggested Outline of Project Based Unit:

The content is divided into four content areas: budgeting, saving, investing and credit. Each is color coded for ease in locating the activities and information in the LiveBinder.

#### 1. Introducing Personal Finance:

- Play the **Millionaire Game**: (PowerPoint, template for the cards and score sheet are in the LiveBinder of resources under **Millionaire Game** tab.)
  - Divide your students into teams and give each team a TRUE/False card and a \$ sign card.
  - Project one statement at a time. Students, working in teams, decide if they feel the statement is true or false. They will record their answers on their score sheets and keep a running tally.
  - When asked to share their response, each group holds up their response card.

- Each correct answer will add 5 points to the team score. Each incorrect answer will subtract 5 points from the team score.
- Allow students to use the \$ sign option five times during the 15 statements.
- Each correct \$ answer will add 10 points to the team score. Each incorrect \$ answer will subtract 10 points from the team score.
- A perfect score is 100.

b. **Great Online Resource Options:**

- A wonderful online course that addresses the topics of setting financial goals, budgeting, saving, investing, building credit and managing debt is *Building Wealth* by the Dallas Federal Reserve Bank. [It is free and available at Teachers may order hard copies for use with their students. It is available in Spanish, also.](#)
- The St. Louis Federal Reserve Bank has assignable online courses that pre and posttest your students and have them work through financial literacy topics for mastery. Register at [www.stlouisfed.org/education\\_resources](http://www.stlouisfed.org/education_resources)

2. **BUDGETING BASICS: Developing a Plan**

*(pink tab of the LiveBinder)*

Introduce the concept of budget as “a plan for spending and saving money.” Some available activities to introduce students to the concept of budgeting are found below and in the **Budgeting Basics** tab on the LiveBinder.

a. Budget Game: See LiveBinder

*This quick board game challenges students to budget their income using 20 pennies (beans, tokens, or other manipulatives may be used). It's harder than you think!*

b. PlaySpent.Org: <http://playspent.org/>

*Imagine surviving on a limited budget for 30 days. This interactive challenge will force your students to make some tough decisions.*

c. Moneytopia: <https://www.finra.org/investors/tools-and-calculators/moneytopia-game-and-tutorials>

*The goal of this online game is for students to manage their money and achieve their Big Dream!*

3. **SAVING**

*(orange tab of the LiveBinder)*

Most students can identify goods or services they would like to obtain that require them to save in order to purchase their economic wants. The path or plan to achieving their goals may be the challenge. The links below indicate the benefits of compound interest and letting your money work for you to achieve those goals.

a. **Where to Stash Your Cash (Savings Options)**

Many students are unaware of the many ways to save and invest their money. This quick lesson explains alternatives for doing just that and challenges them to analyze the best saving option based on different criteria. [https://www.practicalmoneyskills.com/foreducators/lesson\\_plans/lev9-12/SA\\_Lesson10.pdf](https://www.practicalmoneyskills.com/foreducators/lesson_plans/lev9-12/SA_Lesson10.pdf)

b. **Putting Your Money to Work for You: The Power of Compound Interest**

(Show one or more of the videos and then challenge students to see first-hand the power of compound interest using the compound interest calculator.)

**Great Videos**

- *Growing Money: Compound Interest:*  
<https://www.stlouisfed.org/education/no-frills-money-skills-video-series/episode-1-growing-money-compound-interest>
- *Investopedia Explains Compound Interest:*  
<https://www.youtube.com/watch?v=wf91rEGw88Q>
- *Save and Invest.Org:* (each are 1 minute or less)  
<http://www.saveandinvest.org/financialbasics/teens/>

**Compound Interest Calculator:** <https://www.econedlink.org/resources/compound-interest-calculator/>

*This calculator allows the ability to enter varying ages, amounts of savings and return on investment. This is a great visual for students to see how money can work for them.*

c. **Setting Savings Goals:** Don't leave savings plans to chance. Plan!

A GREAT lesson and game that reinforces this concept is found in the *Financial Fitness for Life* curriculum. Although this lesson is in the 6-8 guide, it is applicable to all grade levels. The Council for Economic Education has made this lesson available at no cost on the LiveBinder of resources. Click on the **Saving** tab. (Used with permission. *Financial Fitness for Life 6-8*. Copyright ©2010 Council for Economic Education, New York, NY. All rights reserved. For more information visit [www.councilforeconed.org](http://www.councilforeconed.org) or call 1-800-338-1192.)

After playing the game, encourage students to consider something they would like to purchase that would require saving. There are several templates available in the Setting Savings Goals tab of the LiveBinder.

4. **INVESTING:**

*(green tab of the LiveBinder)*

A great introduction to investing in stocks, bonds and mutual funds is the Stock Market Game. This simulation is designed for 4th-12th grade students in the state. There are funding opportunities to provide the team fees to participate. Check out [www.stockmarketgame.org](http://www.stockmarketgame.org) or contact Marsha Masters at [marsha@economicsarkansas.org](mailto:marsha@economicsarkansas.org).

a. **Great Videos:**

- Damon's Story: DO NOT MISS! [https://youtu.be/S\\_M996Djcf8](https://youtu.be/S_M996Djcf8)
- No Frills Money Skills (Stocks, Bonds, Mutual Funds) <https://www.stlouisfed.org/education/no-frills-money-skills-video-series>

b. **Stock Research:**

Select the **Investing** tab of the LiveBinder. There is a recorded webinar to guide students as they learn how to research a stock. Have students use the research sheet in the tab to investigate a company of their choice. (There are also a number of great videos and activities on the topic of investing available in this tab.)

## 5. CREDIT:

*(light blue tab of the LiveBinder)*

Students need to understand the benefits and costs of credit. Credit can be a very useful tool if helping fund skill development or purchasing of a house. But it can also be a liability. It costs to use credit. Using it unwisely can prevent one from achieving financial goals. Below are some resources to consider using. More are available in the [Credit](#) tab of the LiveBinder.

- a. **Credit Cred Course:** <https://www.stlouisfed.org/education/credit-cred-online-course-for-consumers>

*This course is designed to help students learn about types of credit, the importance of building strong credit, and the benefits and costs of credit.*

- b. **Spot the Credit Crisis:** [https://www.practicalmoneyskills.com/foreducators/lesson\\_plans/lev9-12/SA\\_Lesson6.pdf](https://www.practicalmoneyskills.com/foreducators/lesson_plans/lev9-12/SA_Lesson6.pdf)

*This lesson provides strategies for understanding credit reports and scores. Interactive scenarios will allow students to make informed decisions about the issues of credit.*

- c. **The True Cost of Credit:**

Powerful!

Visit the [Credit](#) tab of the LiveBinder and click on “The True Cost of Credit” tab. Print off some of the credit card templates. There are also printable ads for purchase found on that tab, or you may allow students to select ads from the newspaper.

Have students work through the questions on the “Calculate the True Cost of Credit” website: <http://www.aie.org/manage-your-money/manage-credit-cards/calculate-the-true-cost-of-credit.cfm> to find out what the true cost of the items are when only the minimum payment is paid monthly.

- d. **It Costs What?** <http://www.thirteen.org/finance/games/itcostswhat.html>

*This online game challenges students to investigate case files to see why four teens buy the same item but pay different amounts based on credit card rates.*

- e. **Credit Score Videos:**

- Understanding how a FICO Score is Determined: <https://www.stlouisfed.org/education/continuing-education-video-series/episode-1-understanding-how-a-fico-credit-score-is-determined>

*This 6 minute video provides a short overview of credit scores - how they are determined and why they are important.*

- What is a Credit Score? [https://www.youtube.com/watch?v=zA\\_Wln52w9w](https://www.youtube.com/watch?v=zA_Wln52w9w) credit scores in this 90 second video. Students will learn about the components and considerations of data that determines credit scores in this 90 second video.



## ASSESSMENT:

(burnt orange tab of the LiveBinder)

Create a financial portfolio including the following items:

(Templates for each of the items required are found in the **Assessment** tab of the LiveBinder.)

Item	Yes	No
<b>Savings Plan:</b> Identify a savings goal and list steps that would allow you to successfully achieve your goal.		
<b>Investment Plan:</b> Select a stock investment option and complete a research sheet. Present to the class whether you think the stock is a good investment for a portfolio based on research findings.		
<b>Budgeting Plan:</b> Using a budget tracker, create a budget for the month and follow it.		
<b>Credit Plan:</b> Given three credit card offers, identify the costs and benefits of each alternative and select the one that would be the best offer. Write a paragraph to justify your credit card choice.		

**For More Information Contact:**  
**Economics Arkansas**  
[www.economicsarkansas.org](http://www.economicsarkansas.org)

Marsha Masters  
[marsha@economicsarkansas.org](mailto:marsha@economicsarkansas.org)

Lisa Byrum  
[Lisa@Economicsarkansas.org](mailto:Lisa@Economicsarkansas.org)

University of Arkansas Bessie B. Moore Center for Economic Education  
<http://bmcee.uark.edu/>