

High School
Student Guide



Real Money Course



Financial Capability Curriculum Series

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Student Guide

Adult

College

High School

6th - 8th Grade

3rd - 6th Grade

PK - 2nd Grade



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Can I Afford That? Vehicles

Warm-Up Activity

You have \$400 total to spend on a car each month. You need a car right away because your car broke down and you need to purchase one now. You go to a car lot and see cars you like. Which one(s) fit your budget?

- a. The car that costs \$250 per month?
- b. The car that costs \$350 per month?
- c. The car that costs \$500 per month?

Lesson Activity: Vehicle Considerations

What are the additional car-related expenses you should expect to incur?

How much money will you need to purchase a \$20,000 car “no down payment?”

- a. \$0
- b. \$750
- c. \$1,500
- d. \$2,500+

Can I Afford That? Vehicles

Use the information provided in the two tables below to consider the differences between having no clear plan and having a carefully thought-out plan to prepare for buying a vehicle.

**TABLE I
NO CLEAR PLAN**

- You see an advertisement and decide to go buy a new car from the dealership.
- You check out a few cars on the lot, find one you like, and decide to purchase it.
- You have some marks on your credit which takes your interest rate from 5% all the way up to 12%, increasing your payment by \$150 per month.
- You decide to buy it anyway, and drive off happy.
- A month later, you realize you can't afford the car you bought — and you're surprised about the insurance cost.
- A year later, you are shocked by the cost to register the car, and you don't have the money saved.
- You decide to sell the car but are "upside down" (meaning you owe more on the loan than the car's current value).
- The dealer gives you a deal you can't pass up, sells you a new car, and waives the upside-down portion of your loan.
- The cycle continues.

**TABLE II
CAREFULLY THOUGHT-OUT PLAN**

- This month: You get an idea about how much you need by looking at vehicles you may want and finding out how much you'll need for a down payment.
- Next month: You create a savings plan to set aside money each month.
- In the next three months: You start building your credit so you can qualify to buy the vehicle.
- This year: You find out how much insurance and registration may cost per month. Complete a preliminary budget. Always **BBB — Budget Before Buying!**
- Six months prior to purchase: You pre-qualify for a loan.
- Five months prior: You research the vehicle; look at *Consumer Report* articles; talk to friends with car expertise; and talk to your mechanic.
- Three months prior: You reevaluate your decision to buy the vehicle, to make sure it aligns with your goals. If it does, you begin searching for a vehicle by shopping at several dealerships and deciding on features.
- One month prior: You enter into a longer-term negotiation strategy.
- Purchase date: You do not get *upsold* for any other items. You ensure that you're within budget and that all your goals are met with this purchase.

Lesson Activity: Purchasing a Car

Follow the instructions given by your instructor.

Make sure you look at the information of each vehicle as well as your assigned budget to make informed decisions.

Electric / hybrids cars require no gas. You can use the monthly funds allocated to gas for your monthly payment or save that extra money!

GROUP 1	GROUP 2
<input type="checkbox"/> Monthly Payment: \$2,300	<input type="checkbox"/> Monthly Payment: \$400
<input type="checkbox"/> Est. Gas Cost: \$200	<input type="checkbox"/> Est. Gas Cost: \$600
<input type="checkbox"/> Affordable Down: \$12,000	<input type="checkbox"/> Affordable Down: \$6,000
<input type="checkbox"/> Extra Savings for Down: \$8,000	<input type="checkbox"/> Extra Savings for Down: \$2,000
GROUP 3	GROUP 4
<input type="checkbox"/> Monthly Payment: \$500	<input type="checkbox"/> Monthly Payment: \$250
<input type="checkbox"/> Est. Gas Cost: \$120	<input type="checkbox"/> Est. Gas Cost: \$120
<input type="checkbox"/> Affordable Down: \$3,000	<input type="checkbox"/> Affordable Down: \$4,000
<input type="checkbox"/> Extra Savings for Down: \$2,000	<input type="checkbox"/> Extra Savings for Down: \$0

Can I Afford That? Vehicles

New Tesla Model S

\$106,000 and \$10,600 down.
Monthly Payment \$2,380
ELECTRIC



Registration fee \$980 per year
Tax \$8,200 one time

___ Initial here to choose this car.

New Chevy Volt

\$42,000 and \$4,200 down.
Monthly Payment \$920
ELECTRIC



Registration fee \$570 per year
Tax \$3,700 one time

___ Initial here to choose this car.

Total Monthly Expense:

Total Down Payment:

Used 2009 BMW 5 Series

17,700 miles in good shape
\$72,000 and \$14,400 down.
Monthly Payment \$1,500



Registration fee \$890 per year
Tax \$6,300 one time

___ Initial here to choose this car.

Used Smart Car Coupe

100,000 miles in good shape
\$19,500 and \$3,900 down.
Monthly Payment \$440



Registration fee \$310 per year
Tax \$1,700 one time

___ Initial here to choose this car.

New Toyota Camry

\$21,000 and \$2,100 down.
Monthly Payment \$550



Registration fee \$325 per year
Tax \$1,800 one time

___ Initial here to choose this car.

Used 1989 Honda Civic

100,000 miles in fair shape
\$1,400 and must pay full amount
Payment \$0
Add \$50 per month - maintenance



Registration fee \$80 per year
Tax \$120 one time

___ Initial here to choose this car.

Used Scion xB

12,000 miles in good shape
\$7,900 and \$2,400 down. Monthly
Payment \$150
Add \$30 per month-maintenance



Registration fee \$980 per year
Tax \$820 one time

___ Initial here to choose this car.

Initial the phrase that
describes you:

___ I'm green. I ride my bike,
walk or take public transportation.

___ I live close to work, combine
my trips and don't drive much.

___ I live close to work but take
a lot of weekend driving trips.

___ I drive every day of the week
and take weekend driving trips

TIPS: CAR BUYING

- Budget first. Before you ever set foot onto a car lot, know how much you can afford. Be sure to consider not just the loan payment, but also the hidden costs: registration, insurance, maintenance, and gas.
- Consider the features you need in a car, and find a car that best fits your personal needs.
- Once you decide on a make and model, do your research. Get the *Kelley Blue Book* value to find out the dealer's cost you can expect to pay for your chosen vehicle. The difference between the Kelly Blue book price and the dealer's price is a rough estimate of the money the dealer will make on the sale. It is okay if they make some money; they are running a business that provides you a service. Just make sure it's reasonable.
- Buy used. New cars lose between 20-30% of their value the minute you drive off the lot. On a \$20,000 new car, that's like throwing away \$6,000.
- Buy fuel-efficient cars. Not only is this choice good for the environment, you may save money as fuel prices increase.
- Car financing is important. Check out auto loans with your bank before going to the car lot. Get pre-qualified for a 3-year (or shorter) loan, and look for cars that fit your budget based on what the bank is willing to lend.
- Ask about the vehicle's past history and the dealer's warranties. Have the car inspected by a mechanic independent of the dealership.
- Negotiate. Whether you're purchasing from a private party or a dealer, work toward lowering the cost or adding other benefits.
- Get insurance immediately after purchasing the car. Some dealerships have insurance policies that are extended over the car for a short period of time after the sale. This gives you a few days to engage your own insurance over the vehicle. Be sure to ask; DO NOT assume this to automatically be the case

Can I Afford That? Vehicles

Lesson Questions

1. Which of the following is an example of a cost that is not associated with a car loan payment?
 - a. Principal
 - b. Interest
 - c. Registration
 - d. None of the above
2. If someone says you have been “upsold,” what does that mean?
 - a. You have purchased exactly what you intended to purchase.
 - b. You have purchased less than you intended to purchase.
 - c. You have not been advised as to the available extras.
 - d. You have purchased more than you intended to purchase.

Essential Question

What are all the costs associated with purchasing and owning a car?

What Your Credit History Really Says

Warm-Up Activity

In what ways do you earn or lose trust? _____

How can trust in someone or something change from time to time?

Debt and Credit Explanation

You are to research the following words:

Positive debt _____

Negative debt _____

Credit history _____

What Credit History Says



Online Personal Credit Report from Experian for

Experian credit report prepared for

JOHN Q CONSUMER

Your report number is

1562064065

Report date:

04/24/2012

1

Index:

- Potentially negative items
- Accounts in good standing
- Requests for your credit history
- Personal information
- Important message from Experian
- Contact us

Report number:

You will need your report number to contact Experian online, by phone or by mail.

Experian collects and organizes information about you and your credit history from public records, your creditors and other reliable sources. Experian makes your credit history available to your current and prospective creditors, lenders, employers and others as allowed by law, which can expedite your ability to obtain credit and can make offers of credit available to you. We do not grant or deny credit; each credit grantor makes that decision based on its own guidelines.

To return to your report in the near future, log on to www.experian.com/consummr and select "View your report again" or "dispute" and then enter your report number.

If you disagree with information in this report, return to the Report Summary page and follow the instructions for disputing.

2

Index:

Navigate through the sections of your credit report using these links.

Potentially Negative Items

3

Public Records

Credit grantors may carefully review the items listed below when they check your credit history. Please note that the account information connected with some public records, such as bankruptcy, also may appear with credit items listed later in this report.

MAIN COUNTY CLERK

Address:	Identification Number	Plaintiff:
123 MAINTOWN S COMMISSIONER O. BUFFALO, NY 10000	1	ANY

Status:

Civil claim paid.
updated in Apr 2012.

Status Details:

This item was verified and

Date Filed:

10/15/2012

Claim Amount:

\$200

Date Resolved:

03/04/2012

Liability Amount

NA

Responsibility:

INDIVIDUAL

Potentially negative items:

Items that creditors may view less favorably. It includes the creditor's name and address, your account number (shortened for security), account status, type and terms of the account, and any other information reported to Experian by the creditor. Also includes any bankruptcy, lien and judgment information obtained directly from the courts.

Credit Items

For your protection, the last few digits of your account numbers do not display.

ABCD BANKS

Address:
1099 CENTER RD
BUFFALO, NY 10000
(555) 555-5555

Account Number:

1000000....

Status: Paid/Past due 60 days.

4

Status:

Indicates the current status of the account.

If you believe information in your report is inaccurate, you can dispute that item quickly, effectively and cost free by using Experian's online dispute service located at: www.experian.com/disputes Disputing online is the fastest way to address any concern you may have about the information in your credit report.

Date Opened:

10/2012

Type:

Installment

Credit Limit/Original Amount:

\$523

Reported Since:

11/2012

Terms:

12 months

High Balance:

NA

Date of Status:

04/2012

Monthly Payment:

\$0

Recent Balance:

\$0

Last Reported:

04/2012

Responsibility:

Individual

Account History

60 days as of 12-02012

30 days as of 11-2012

Credit, Debt & Loans

MAIN COLL AGENCIES

Address: PO BOX 123 ANYTOWN, PA 10000 (555) 555-5555	Account Number: 0123456789	Original Creditor: TELEVISION CABLE COMM.
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Status: Collection account. \$95 past due as of 4-2012.

Date Opened: 01/2005	Type: Installment	Credit Limit/Original Amount: \$95
Reported Since: 04/2012	Terms: NA	High Balance: NA
Date of Status: 04/2012	Monthly Payment: \$0	Recent Balance: \$95 as of 04/2012
Last Reported: 04/2012	Responsibility: Individual	Recent Payment: \$0

Your statement: ITEM DISPUTED BY CONSUMER.

Account History:
Collection as of 4ko-2012

Accounts in Good Standing

5

AUTOMOBILE AUTO FINANCE

Address: 100 MAIN ST E SMALLTOWN, MD 10000 (555) 555-5555	Account Number: 1234567898....
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Status: Open/Never late.

Date Opened: 01/2008	Type: Installment	Credit Limit/Original Amount: \$10,355
Reported Since: 01/2012	Terms: NA	High Balance: NA
Date of Status: 04/2012	Monthly Payment: \$210	Recent Balance: \$7,984 as of 04/2012
Last Reported: 04/2012	Responsibility: Individual	Recent Payment: \$0

MAIN

Address: PO BOX 1234 FORT LAUDERDALE, FL 10000	Account Number: 1234567898....
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Status: Closed/Never late.

Date Opened: 03/1997	Type: Revolving	Credit Limit/Original Amount: NA
Reported Since: 03/2012	Terms: NA	High Balance: \$3,228
Date of Status: 08/2012	Monthly Payment: \$0	Recent Balance: \$0 as of 08/2012
Last Reported: 08/2012	Responsibility: Individual	Recent Payment: \$0

Your statement: Account closed at consumer's request.

Accounts in good standing:

Lists accounts that have a positive status and may be viewed favorably by creditors. Some creditors do not report to us, so some of your accounts may not be listed.

Type:

Account type indicates whether your account is a revolving or an installment account.

What Credit History Says

Lesson Activity: Credit is Reputation

In small groups, you will discuss and create two character profiles. Each of these two people will have a name, a job, choices, bills, lifestyle differences, varying access to resources, education level, and credit score.

CHARACTER #1	This character should have a good credit history with a high credit score.
Name	
Job Choice	
Bills	
Lifestyle choices	
Access to resources	
Education level	
Credit Score	
Other	
Other	
Other	
Other	
Other	
Other	
Other	
Other	

Credit, Debt & Loans

CHARACTER #2	This character should have a more difficult credit history with a low credit score.
Name	
Job Choice	
Bills	
Lifestyle choices	
Access to resources	
Education level	
Credit Score	
Other	
Other	
Other	
Other	
Other	
Other	
Other	
Other	

