Wee-Savers Financial Literacy Curriculum

201: PILLARS OF PERSONAL FINANCE

Introduction (2 minutes)

I. This presentation will cover the four major pillars of personal finance: banking, colleges choices, career choices, and spending habits. This is an overview of what is going to be discussed during this section of the presentation/class.

a. Banking 101 (8 minutes)

I. Checking vs. Savings Account.

II. List of banking terms:

- These terms are found on the attached term sheet. You can hand out the terms sheet and go over the terms: overdraft fee, overdraft protection, checking and savings account, FDIC, and whatever else you want to talk about. Have them follow along.

- There is a difference in the type of bank account that you have and what it can yield for you in interest depending on the type of account and the rate of the interest that is on the account. Most checking accounts have a rate of return. Also, liquid money market accounts should be included as they are liquid accounts that you can draw from.

- Suggest highlighting a few terms before presenting.

- Savings accounts should have a high interest rate. Credit unions can be better for savings accounts as opposed to a traditional bank as they tend to have a higher percentage return rate.

- Checking accounts also have a rate of return. The rate of return for checking and savings account are received monthly and it is based on the average daily balance.

- Bank statements help you to keep record of your account activity, and it is also a good way to track your spending habits. A lot of banks will not break down what you are spending your money on every month and it can help you see where you are spending outside of your bills.

III. The Power of Credit:

- Credit is really a powerful thing. When one maintains a good credit score, that means that they pay their bills on time, manages their credit card spending, and possess good debt.

- A decent credit score starts at 640

- A better credit score can lead to:

a. lower financing rates

b. more negotiating power

c. attractive mortgage and refinancing rates

d. higher credit card limits

IV. Good vs. Bad Debt:

- Good debt includes mortgages, student loans, and business loans.

- Bad debt includes credit card debt, car loans, consumer loans and pay day loans.

V. Present the Credit Range Chart. Just explain the different categories and the score ranges.

b. College Choices (5 minutes)

I. Find a college that is for you.

- Do not choose a scholarship because it is popular.

- Choose a college that fits what you stand for and where you will be comfortable.

- Do not be afraid of going to college out of state.

- Do your research on what you want to study and see what schools best fit those needs. Make sure that the schools that you are thinking of attending are in line with your personal needs and beliefs. If you learn better in smaller classrooms don't go to a school with a large population as you can become overwhelmed.

- Look to see what scholarships or grants that the school that you would like to attend has to offer. You want to have a list of maybe 3-5 schools that you want to attend. If money is a concern, you can look at going to a community college first for general courses, just make sure that all of your credits are transferrable so that you don't have to take a class again. Community colleges tend to be a little on the cheaper side and can be a good way for you to go to school and work if you want to save some additional money before going to a 4-year institution.

c. Career Choices (5 minutes)

I. Find what excites you and you are good at.

- When most think of a career, they look for the ones that pay the most money.

- Careers are not based on money all the time. A career should be something that one can enjoy and make money off of.

- You want to be confident and comfortable in the career that you choose.

- If you have something that you are good at or interested in follow that path. Don't pick a career that may be lucrative if it is a subject that you have no interest in because you will be less likely to stay on that path and you may have to start over which would be a waste in your time and your money.

You can speak with someone in the field in your early years in college, you can try to get an internship or find a mentor to see if the thing that you want to do is something that you want to do by getting some firsthand knowledge from someone that is working in that field.

II. Do an internship in that field.

- To really understand what happens in that career, you should do an internship.

- An internship can be during the summer or during a course of months. It is where individuals can go and learn about a career and gain experience.

- An internship can help one see if the career they are thinking about going into is actually the career for them.

III. Find a mentor that does what you like.

- Another way to gain an understanding about a career is to find a mentor.

- A mentor can be anyone that you know that is already in the career that you are interested in and can help you understand more about it.

- Mentors are also great because if you decide to take the career path of your interest, they can help get you in the door.

IV. Do research on the daily duties of that career.

- It is always beneficial for one to do the research of the career.

- Understand what the pay is, what the duties are, and what education is needed to get into the career.

- This helps you get a better understanding if the duties are something you can handle.

c. College Choices (5 minutes)

I. Find a college that is for you.

- Do not choose a scholarship because it is popular.

- Choose a college that fits what you stand for and where you will be comfortable.

- Do not be afraid of going to college out of state.

II. Look at the scholarships that are offered.

- Majority of schools offer scholarships.

- Look at the financial aid office to see what grants and scholarship they offer.

- Then look at what the colleges inside the university offer. For example, the school of business offers scholarships to business majors, the college of science offers scholarships to science majors, and etc.

III. Look at the structure of the program.

- When picking a college, you want to look at the structure of the program.

- Look at how many classes one has to take a semester to finish in a timely manner.

- Look to see if there are any guidance counselors to assist along the way for they can help with making the transition from high school to college easier.

- Check the school's tutoring program. Make sure there is help when you need it.

IV. Ask other students that are in the program you are interested in.

- If you are not totally confident that the school is for you, ask other students about their experience. They will tell you the truth.

V. Make sure that the annual median income is more than the yearly cost of tuition

- You do not want to attend a school where you get into more debt than you can get out of.

- Check to see what the annual median income is for the graduating seniors at the school.

- For example, if the school costs $75,000 a year, but the annual median income is $42,000, then you might want to reexamine your choice. This does not apply to all for different career paths have different earning rates.

- Just make sure that you can go somewhere where it will pay off, literally.

d. Spending Habits (5 minutes)

I. Necessary vs. Unnecessary Spending:

- Necessary spending includes bills and food.

- Unnecessary spending includes leisure shopping and spending excess money on fast food.

- A lot of times, we think unnecessary items are necessary.

- If we examined our unnecessary spending then we will have the opportunity to save more and spend less.

II. Just because you have it does not mean you can spend it.

- This means exactly what it says. Just because we have $100 in our pockets, does not mean we must spend it.

- What happens if the tire on the car blows and you do not have the money necessary to fix it because you spent it on a pair of shoes? What would you do then?

III. If something is on sale, you did not save anything because you still spent a certain amount.

- Saving means to not spend. When one buys an item, even an item that is on sale, they are still buying something.

- Just because a pair of shoes was $40 instead of $70, does not mean you saved. You still spent $40.

e. Questions (5 minutes)

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KEY TERMS ON PERSONAL FINANCE

Annual percentage rate **(APR).** The amount of interest you gain from keeping money in an account in a year, not including compounding interest.

Annual percentage yield **(APY).** The amount of interest you gain from keeping money in an account in a year, including compounding interest.

Automated Teller Machine (ATM CARD): A plastic card issued by a financial institution that gives you access to an ATM. It does not necessarily allow you to purchase items as a debit card would.

Automated Teller FEE (ATM): A fee banks and banking networks charge when you use an ATM outside your bank's network.

CASHIER'S CHECK: A check issued by a bank, usually for a fee, funded by the bank's money and signed by a cashier or teller. It may be requested by some sellers in place of a personal check to ensure the check won't bounce for lack of funds.

CERTIFICATE OF DEPOSIT (CD): an account in which you deposit money for a specified length of time. The account typically pays higher interest rates than standard savings and checking accounts.

CHECKING ACCOUNT: An account at a financial institution into which you can deposit money and from which you can write checks for purchases. Most people use checking accounts to receive their wages and pay their bills.

COMPOUND INTEREST: Interest that applies to the original deposit as well as any newly earned interest. For example, if you put $100 in an account that earns compound interest at 5% a year, in the next year you will earn 5% on $105. Non-compounding interest would continue to earn 5% on $100.

CREDIT UNION: A financial institution similar to a bank that is not-for-profit and is owned by its members. Credit unions tend to have reduced fees, higher saving rates and lower loan rates than banks.

DEBIT CARD: A plastic card issued by a financial institution that allows access to ATMs and can be used to pay for items at stores or online. Funds are drawn directly from your checking account.

DIRECT DEPOSIT: Money transferred directly from a payer's account to a recipient's account electronically rather than with a paper check. It is typically used for paychecks, Social Security checks, pensions or other recurring payments.

DIVIDENDS: The interest paid on money in a savings account at a credit union. **FDIC:** The Federal Deposit Insurance Corporation. A government-run organization that insures customers' bank deposits up to $250,000 if the bank fails.

INTEREST RATE: The rate the bank pays on the money in your accounts.

JOINT ACCOUNT: A bank account that has two owners who can access and view transactions. Usually used by couples, parents and their teenage children, and adults assisting aging parents.

LINKED ACCOUNT: A checking or savings account that's connected to another account, usually with the same owner, to facilitate transfers between the two.

MOBILE BANKING: The process of accessing or using banking products and services through a mobile device. It's usually accessed through an app your financial institution provides.

MOBILE DEPOSIT: A way to deposit checks into your bank account using your mobile device. It typically requires you to take a picture of the check and send that picture to your bank through an app.

MONEY ORDER: A prepaid, secure way to send money to others, issued by a bank or post office. It is a physical slip of paper and must be signed by both the sender and receiver for it to be valid.

NSF FEE: Non-sufficient funds fee. A fee your bank or credit union charges when you don't have enough funds in to cover the amount of a check. An NSF fee means the bank rejected a check or card payment.

ONLINE BANK: A bank that is operated entirely online. Most offer higher interest rates or lower fees because they don't have to maintain branches.

OVERDRAFT FEE: A fee incurred when your checking account doesn't have enough funds to cover a payment that is requested. The financial institution will pay what your account lacks, after which your account may have a negative balance.

OVERDRAFT LINE OF CREDIT: Money you borrow from your bank or credit union if you go over the amount available in your account. You will have to pay interest on the overdraft.

OVERDRAFT PROTECTION: A service offered by financial institutions that allows you to pay for an item even though you don't have the total funds available in your account. This means your card will not be denied, but the service usually comes with a hefty fee.

ROUTING NUMBER: A nine-digit number that identifies your financial institution. Larger banks may have multiple routing numbers that are based on the geographic location where the account was opened.

SAVINGS ACCOUNT: An account that usually pays interest at a financial institution that holds money you want to keep for long-term goals or emergencies.

STOP PAYMENT: A request you can make to your financial institution to deny a check or payment that has not cleared.

WITHDRAWAL LIMIT FEE: A federal limit on how many times you can transfer and withdraw money from your savings or money market account, which is six times per month. Going above the cap usually results in a charge from your financial institution.