



Theme 2: Spend

Topic Connections: Connects with *Money Smart* curriculum in the classroom: Lesson 3 (Spending and Budgeting), Lesson 10 (Automobile Purchase), Lesson 12 (College and Student Loans), Lesson 16 (Homeownership and Renting), and Lesson 17 (Charitable Giving).

Topic Overview:

How do you make wise choices with money? A budget is at the top of the list in answering this question, because it provides a plan for every dollar that comes in and out of your wallet. Moreover, budgeting helps you to maintain good cash flow throughout the month or year, avoiding crunch time for bills and impulse spending. But there are also other elements to think about when it comes to spending, like renting versus buying a home, whether or not you need or want a car, paying for college, and giving money to causes you care about. We can control how, where, and when we spend by making a plan.

From the classroom:

What is a budget? A budget is a plan on paper that shows how you will spend and save your money. It includes a list of money you earn (income) and money you spend (expenses) and save.

What are your transportation needs? Whether buying a car or using public transportation, it helps to analyze what your needs are and how much you can afford to spend. For example: if you live close to work, buying a car may not be a necessity, because you can walk. On the other hand, if you live in a rural area with no public transportation, having a car may be a top priority.

How much should you spend on a college education? How much can your family afford to contribute to college education? While everyone is unique and has his or her own education and financial goals, you can determine how much different degrees will cost and the types of jobs and salaries that go with the majors your teen is interested in. Review the College Scorecard to begin comparing education costs with occupations at <https://collegescorecard.ed.gov> and visit www.StudentAid.gov to explore financial aid and scholarship possibilities. Visit the CFPB's Know Before You Owe website for more information on calculating college costs and exploring student loans at www.consumerfinance.gov/students/knowbeforeyouowe/.

Should you rent or buy a home? When choosing between renting or buying a home, it's important to consider what your budget is, how much you have stashed away in available savings, your personal and career goals, and what your current and future housing needs are. If you are interested in buying a home, you will need to have money for a down payment. When you purchase a home, there are additional expenses as well, such as closing costs, property taxes, and the ongoing maintenance of the home. Renting also carries its own set of costs. For example, you may be asked to pay first and last month's rent when signing a new lease. You may also pay a security deposit and possible additional fees for extras like parking, pets, and renters insurance.

What is philanthropy? Philanthropy is based on promoting the welfare of others, or the common good. Philanthropy is expressed not just through donating money, but also through using your talents, skills, resources, and time to help support causes you care about.

Words To Know:

Budget: A plan that outlines what money you expect to earn or receive (your income) and how you will save it or spend it (your expenses) for a given period of time; also called a spending plan.

Cash Flow: The amount of money flowing in (income) and flowing out (expenses) of a personal budget.

Cash Flow Statement: A summary of the money that comes in (income) and out (expenses) of a household or business over a period of time.

Direct Loan: A low-interest loan for students and parents to help pay for the cost of a student's education after high school.

Expense: The cost of goods and services.

Financial Aid: Award(s) to individuals to help pay for education expenses.

Fixed Expense: An expense that does not change from month to month.

Free Application for Federal Student Aid (FAFSA): The free application used to apply for federal student aid, such as federal grants, loans, and work-study.

Grant: A form of financial aid, often based on financial need that does not need to be repaid (unless, for example, you withdraw from school and owe a refund).

Income: Money that you receive from jobs, allowances, gifts, interest, dividends, and other sources.

Mortgage (Home Loan): A contract, signed by a borrower when a home loan is made, that gives the lender the right to take possession of the property if the borrower fails to pay off, or defaults on, the loan.

Philanthropy: Giving money or time for the purpose of trying to make life better for others.

Rent: The amount of money needed to live in or use someone else's property, such as a home, condo, or apartment.

Scholarship: Money awarded to students based on academic or other achievements to help pay for education expenses. Scholarships generally do not have to be repaid.

Variable Expense: Money that a person spends or gives away that varies from month to month.

Conversation Starters ... Ask Your Teen:

- What are ways you can give other than with money?
- Why do you think it's important to keep track of money you earn and spend?
- What do you want to do after high school? If you want to go to college, how much total money do you think it will cost?
- What is the difference between renting and buying a home?

What if My Teen Wants To...:

What if my teen wants to donate money? Research local charitable organizations together and select one that your teen is interested in helping. If he or she has saved money to donate, make a contribution to the charity you researched. If he or she does not have savings set aside, remind your teen that giving isn't just about money — we can also give our time, skills, and talent to help a charity and organization. Help your teen figure out where and how his or her skills and talents could best be used to help the organization.

What if my teen wants to buy a car? Think first about the motives behind the car and whether it is a need or want. If your teen travels a long distance to get to school, work, and other extracurricular activities, a car could help get her where she needs to go. But if your teen wants a car because everyone else has one or he wants to go out on the weekends and cruise with friends, then the purchase would be more of a want, not a need. Make sure you also consider the responsibility level of your teen and whether or not he or she will be able to manage the upkeep of the car (including changing the oil regularly and keeping it filled with gas). Also be sure to keep an eye on your budget — can you or your teen afford to make such a large purchase? If neither of you is quite ready for such an expenditure, challenge your teen to save up to purchase the car. This will be a great way to teach financial goals, responsibilities, and how to plan ahead to get something he or she wants.

What if my teen wants to rent his or her first apartment? Whether your teen is moving from a dorm to an apartment or branching off on his or her own for the first time, renting an apartment requires careful planning, budgeting, and self-assessment. Is your teen ready for the responsibility of paying rent, holding a steady job to earn income, and managing utility bills? If you feel your teen is of an appropriate age and maturity to live independently, create a budget together and help him or her set savings goals and research rental prices.

Family Activities:

Daily Spending Choices: Involve your teen in routine financial activities, like writing a check, paying a bill online, depositing or withdrawing money from the bank, or the process of deciding how to pay for an item at a store (credit, debit, or cash).

Volunteer Together: Find a local organization that could use volunteer help and set aside one afternoon or day each month to volunteer together as a family.

Budget Project: Challenge your teen with a budgeting project for an item the family might need or want, such as a new cell phone or household item. Give your teen a set amount to “spend” and challenge him or her to research and find the best deal.

Research College Costs: Help your teen research college costs by gathering tuition information on different college education options, such as universities, community colleges, and two- and four-year colleges, private and public colleges, as well as vocational and training schools.

Resources:

Articles:

- *Buying a Home* by the American Institute of Certified Public Accountants: How much house can you afford? How does a mortgage work? Get answers to those questions and more in this article. www.360financialliteracy.org/index.php/Topics/Home-Ownership/Buying-a-Home/Buying-a-home
- *Fair Housing: It's Your Right* by the U.S. Department of Housing and Urban Development: Read the Fair Housing Act and discover what it means to you as a homebuyer. http://portal.hud.gov/hudportal/HUD?src=/program_offices/fair_housing_equal_opp/FHLaws/yourrights
- *Looking for the Best Mortgage: Shop, Compare, Negotiate* by the U.S. Department of Housing and Urban Development: Tips on how to get the best mortgage rate and a mortgage comparison worksheet. www.hud.gov/buying/booklet.pdf
- *Before Giving to a Charity* by the Federal Trade Commission: Before making a donation, follow these research guidelines. www.consumer.ftc.gov/articles/0074-giving-charity#Checklist
- *378 Starbucks Customers "Pay It Forward"* by the Associated Press, Smithsonian Tween Tribune: Read about the concept of "paying it forward" in this real-life example. <http://tweentribune.com/teen/378-starbucks-customers-pay-it-forward>
- *Giving* by The Mint.com, Northwestern Mutual: Learn how to make a plan for giving money, giving time and energy, and giving things. www.themint.org/teens/giving.html

Online Tools:

- *College Scorecard* by the US Department of Education: Make informed decisions by reviewing college affordability and assessing personal factors such as location, size, and programs offered. <https://collegescorecard.ed.gov>. Financial Aid is available to help make college a reality. Explore your options to help pay for college at www.StudentAid.gov.
- *Paying for College* by the Consumer Financial Protection Bureau: Get help making smart decisions for college by comparing financial aid offers and understanding how to repay student loans. www.consumerfinance.gov/paying-for-college/
- *Young America Saves* by the Consumer Federation of America: Explore multiple resources, including videos featuring young adults on credit card debt, buying a car, and how to save the money you earn. www.americasaves.org/for-savers/young-america-saves
- *Buying & Owning a Car* by the Federal Trade Commission: Explore tips on leasing versus buying and how to finance a car purchase. www.consumer.ftc.gov/topics/buying-owning-car
- *Auto Loan Calculator* by Cars.com: Calculate the cost of a car loan. www.cars.com/go/advice/financing/calc/loanCalc.jsp?mode=full
- *Rent or Buy? Calculator* by Trulia.com: Determine by location if it is less expensive to rent or buy a home. www.trulia.com/rent_vs_buy/

Games/Apps:

- *Car Costs* by Money Talks, University of California Cooperative Extension: Learn how to do your homework before buying a car, in this interactive game.
<http://moneytalks4teens.ucdavis.edu/games.cfm?std=4>
- *ATM Game* by Money Talks, University of California Cooperative Extension: Explore how an ATM works and compare different ATM fees to find the lowest cost to withdraw money.
<http://moneytalks4teens.ucdavis.edu/games.cfm?std=25>
- *Groove Nation* by Financial Entertainment: A fun simulation where you play the choreographer and financial manager for a competitive dancer. You help manage income and expenses and work to create a budget to ensure the dancer's success.
<http://financialentertainment.org/play/groovenation.html>
- *Compulsive Spending! Episode 5* by Feed the Pig, American Institute of Certified Public Accountants: Listen to examples of how impulse spending can cause major hits to savings.
www.feedthepig.org/toolbox/podcasts#.VCmv_GRdVNu
- *Creating a Budget, Episode 10* by Feed the Pig, American Institute of Certified Public Accountants: Listen in on how to build a strong budget by exploring needs and wants.
www.feedthepig.org/toolbox/podcasts#.VCmv_GRdVNu