

Instructor Guide

SETTING FINANCIAL GOALS

FDIC

Money
Smart



FDIC Money Smart for Young Adults

EXPENSES		Month	Due	Paid
Housing				
Utilities				
Food	\$125			
Clothing				
Transportation				
Child Care				
Other				

Building: Knowledge, Security, Confidence

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Module 3: Setting Financial Goals Layering Table

Please read the Layering Table Instructions in the [*Guide to Presenting Money Smart for Young Adults*](#).

Pages	Time (Min.)	Topic	Subtopic & Activities	Target Audiences
8-12	10-15	Checking In		<ul style="list-style-type: none"> Everyone
13	5	Why Create a Spending Plan?	Discussion about spending plans	<ul style="list-style-type: none"> Everyone
14	5	Financial Goals	Setting financial goals	<ul style="list-style-type: none"> Anyone interested in money management through planning
15-19	20	Preparing a Spending Plan	Step 1: Keep track of your daily spending, Step 2: Determine income and expenses <ul style="list-style-type: none"> Activity 1: Daily Spending Diary Activity 2: Monthly Income and Expense Worksheet 	<ul style="list-style-type: none"> Anyone who wants to learn how to track their spending Anyone interested in money management through planning
20-21	15	What You REALLY Earn: Income	Gross income versus net income, Social Security benefits <ul style="list-style-type: none"> Activity 3: What Grace REALLY Earned 	<ul style="list-style-type: none"> Anyone who wants to learn how to track their spending Anyone interested in money management through planning
22-23	5	Paying Up: Expenses	Fixed expenses, flexible expenses	<ul style="list-style-type: none"> Anyone who wants to learn how to track their spending Anyone interested in money management through planning
24	5	Decreasing Spending	Step 3: Find ways to decrease spending, direct deposit myths and facts	<ul style="list-style-type: none"> Anyone who wants to learn how to track their spending Anyone interested in money management

Module 3: Setting Financial Goals Layering Table

Please read the Layering Table Instructions in the *Guide to Presenting Money Smart for Young Adults*.

Pages	Time (Min.)	Topic	Subtopic & Activities	Target Audiences
				through planning
25	5	Increasing Income	Step 4: Find ways to increase income	<ul style="list-style-type: none"> Anyone who wants to learn how to track their spending Anyone interested in money management through planning
26-29	20-25	Planning Tools	Monthly payment schedule, monthly payment calendar, computer system <ul style="list-style-type: none"> Activity 4: Monthly Payment Schedule Activity 5: Monthly Payment Calendar 	<ul style="list-style-type: none"> Anyone interested in money management through planning Those creating a spending plan who need an organized method
30-32	10-15	Help! I Cannot Pay My Bills!	Tips if having trouble paying all of your bills <ul style="list-style-type: none"> Activity 6: A Hole in Todd's Pocket 	<ul style="list-style-type: none"> Anyone whose spending plan or income is not meeting their expenses Anyone interested in money management through planning Those needing an organized or alternate approach to planning
33	5	Module Summary		<ul style="list-style-type: none"> Everyone
34-36	5	Knowledge Check		<ul style="list-style-type: none"> Everyone

Getting Started

Purpose

The *Setting Financial Goals* module shows students how to manage their money by preparing a personal spending plan and identifying ways to decrease spending and increase income.

Presentation Time

Each topic has an approximate completion time listed in the *Setting Financial Goals* Layering Table. Use the suggested times to personalize the module based on your students' needs and the given time period. Allow extra time for activities and questions when teaching larger groups.

Materials and Equipment

The materials and equipment needed to present all of the *Money Smart for Young Adults* modules are listed in the *Guide to Presenting Money Smart for Young Adults Curriculum*. Review the guide thoroughly before presenting this module.

Module Activities

- Activity 1: Daily Spending Diary
- Activity 2: Monthly Income and Expense Worksheet
- Activity 3: What Grace REALLY Earned
- Activity 4: Monthly Payment Schedule
- Activity 5: Monthly Payment Calendar
- Activity 6: A Hole in Todd's Pocket

Icons

The following icons are used throughout the Instructor Guide and Participant Guide to indicate what type of activity will be conducted.



Learning Objectives

List the objectives to set the stage for learning.



Flip Chart

Use a flip chart to document students' comments or write important points for students to remember.

**Presentation**

Present information or demonstrate an idea.

**Review**

Refer students to and summarize material provided in the Participant Guide.

**Activity**

Guide students through an activity to support their learning.

**Assessment**

Direct students to take a short test.

**Discussion**

Facilitate a discussion about a topic as directed.

**Ask a Question**

Present a problem or question for discussion.

Character Usage

The following characters will be used in the situational comic strips of the module to depict students in a real-world application of the content. The comic strips and characters can be used to facilitate discussions related to the module content.

**Jasmine**

Jasmine is an 11th grade student at Lakeview High School. Her activities include hanging out with friends and going shopping. In school, her favorite subject is English and she also swims on the swim team. She works part time on the weekends around the holidays in her aunt's gift shop nearby, and has a younger brother named Dominique. Jasmine wants to attend an in-state college and plans to be an exercise physiologist.

**Todd**

Todd, a sophomore at Lakeview High School, is shy with a very sarcastic sense of humor. He is always avoiding social situations because he comes from a lower-income family and cannot afford to do the things the other teens are doing. He is very intelligent and is planning to attend college, but he is not sure how he will pay for it or where he will go. Todd works part-time at a fast food restaurant and the local grocery store, and is saving all he can for college.

**Ramón**

Ramón was born in the United States (U.S.) but his parents are from Peru; they came here when they were teenagers themselves. Ramon is 18 and preparing to graduate from Lakeview High School. He will be attending college on a soccer scholarship and studying mechanical engineering, since his dream job is to work for NASA. Ramón has a little sister, and an older brother who is a pilot in the Air Force. He likes to take his girlfriend to the movies or to play mini golf with the money he earns working as a technician at a local computer shop.

**Grace**

Grace is an artistic student who wants to go to Fashion Design School after she graduates high school, but her parents want her to go to college. She does not really fit in to the “high school scene,” but the teachers really see potential in her to do great things. She works at a clothing store at the mall, and spends her free time on fashion sketches. Since her parents are totally against Grace going to Fashion Design School, she is very careful with her money so she can continue to buy design supplies.

Checking In

Welcome



Welcome to *Setting Financial Goals*! One of the first steps to financial security is planning and following through on a personal spending plan. Setting and meeting financial goals is about choices—choosing how to spend money and save money.

Introductions



Before we get started, I will share a little about myself and I would like to know a little bit about you.

[Introduce yourself and share a little of your background and experience.]

Record students' expectations, questions, and concerns on chart paper. If there is anything you will not teach, tell students where the information can be obtained (e.g., another module or a website). Check off their responses at the end of the training to show that the lesson content met their expectations.

As you introduce yourself, state:

- Your expectations
- Questions and/or concerns about the training content

Purpose



Setting Financial Goals will help you get a handle on how you spend your money and show you how to prepare and follow a personal spending plan.

Objectives



Objectives

- Track daily spending habits
- Prepare a personal spending plan or budget to estimate monthly income and expenses
- Identify ways to decrease spending and increase income
- Identify budgeting tools that will help you manage your money



Slide 2: Objectives

After completing this module, you will be able to:

- Track daily spending habits.
- Prepare a personal spending plan to estimate monthly income and expenses.
- Identify ways to decrease spending and increase income.
- Identify various tools that will help you manage your money.

Agenda and Ground Rules



In addition to me presenting material to you, we will have classroom and small group discussions and exercises that allow you to practice what you have learned.

If you have experience or knowledge in some aspect of the material, please share your ideas with the class. One of the best ways to learn is from each other. You might be aware of some method that has worked well for you or some pitfall to avoid. Your class contribution will enhance the learning experience. If something is not clear, please ask questions!

Student Materials

Refer students to the Participant Guide. Review its contents and organization.

Each of you has a copy of the *Setting Financial Goals* Participant Guide. You can take it home and use it as a reference. It contains:

- Information and activities to help you learn the material
- Tools and instructions to complete the activities
- Checklists and tip sheets
- A glossary of the terms used in this module

What Do You Know?



Use the Pre-Assessment to gauge students' prior knowledge of the content, and customize your presentation focusing on content with which they are the least familiar.

Before we begin, we will see what you know about setting financial goals.

Take a few minutes to complete the Pre-Assessment beginning on page 6 of your Participant Guide. It will not be scored and you will be able to determine whether you answered each question correctly as we progress through the module.

Which questions were you unsure of or unable to answer?

[Note: If time is limited, make sure you cover these content areas.]

What questions do you have about the module overview?

Pre-Assessment



1. Select all that apply. Your financial goals should be:
 - a. **Realistic**
 - b. **Aligned with a timeframe**
 - c. **Organized by milestones**
 - d. Open-ended and flexible
2. The main reason that it is helpful to track daily spending habits is to:
 - a. Enter them on a computer spreadsheet
 - b. **Know exactly how your money is spent**
 - c. Increase your income
 - d. Decrease your spending
3. Before you prepare a spending plan, the two most important things you must know are:
 - a. **Total income and expenses**
 - b. Your car payment
 - c. How to plan for savings and food
 - d. What you spend on your phone bill and movies

4. Which of the following are generally considered examples of a flexible expense? Select all that apply.
 - a. Car payment
 - b. Car insurance
 - c. Cell phone bill**
 - d. Personal expenses**

5. Which of the following are generally considered examples of a fixed expense? Select all that apply.
 - a. Car payment**
 - b. Car insurance**
 - c. Personal expenses
 - d. Cell phone bill

6. Adopt the habit of paying yourself first. On your worksheets, list savings as:
 - a. A fixed expense
 - b. Income
 - c. Entertainment
 - d. A flexible expense**

7. “Increasing cash flow” means:
 - a. You must get a part-time job to fill up free time
 - b. Getting more money from the Automated Teller Machine (ATM)
 - c. Borrowing money from a family member
 - d. Lowering your expenses so you have more money at the end of the month**

8. On a pay stub, deductions made for Social Security are often referred to as:
 - a. SSD
 - b. FICA**
 - c. Retirement
 - d. Social-S

9. Social Security benefits may include:
- a. Retirement benefits
 - b. Disability benefits
 - c. Survivor benefits
 - d. All of the above**
10. On a typical pay stub, Net pay (sometimes referred to as take-home pay) is often smaller than:
- a. Total Social Security deductions
 - b. Gross pay**
 - c. Overtime hours
 - d. Bonus pay
11. If you earn \$10.00 an hour at a part-time job and you work 16 hours in a week, your take-home pay for that week will likely be:
- a. Exactly \$160.00
 - b. Slightly more than \$160.00
 - c. Less than \$160.00, due to deductions**
 - d. Automatically deposited
12. If you are having trouble paying your bills, you should first:
- a. Try to increase the limit on one or more of your credit cards
 - b. Talk to a payday lender to get some extra cash
 - c. Talk with a parent or guardian**
 - d. Stop all payments



5 minutes Why Create a Spending Plan?



Why Create a Spending Plan?



This section will help you gauge how much students know about setting financial goals. Share or have students read the comic strip on slide 3 or page 9 of their Participant Guide. Facilitate a discussion with students about their spending and budgeting habits and their financial goals.

A good way to start taking control of your financial situation is to develop a personal spending plan.

- What is a personal spending plan?
- What is the purpose of creating a personal spending plan?

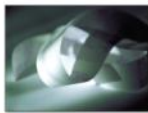
Acknowledge students' responses. They should approximate the definition.

A spending plan is a step-by-step guide for meeting expenses in a given period of time. There is a glossary of terms on page 25 in your Participant Guide. The glossary includes the definition of spending plan.

Slide 3: Why Create a Spending Plan?

What is a Spending Plan?

- A spending plan is:
 - A step-by-step guide for meeting expenses in a given period of time



Slide 4: What is a Spending Plan?

Click the space bar, right arrow, or mouse to display the definition of a spending plan after students have provided their responses.

5 minutes Financial Goals



Slide 5: Financial Goals

A milestone in this example is a gauge to determine how much progress you have made toward a goal.

Setting financial goals will help you create and stick to a spending plan. If you know what you want to do with your money in the future, it will help you spend wisely now and save where you can.

Consider your goals when creating a spending plan. For example, if you want to save for a car, consider reducing your cell phone bill and using the extra to put in savings. If you want to buy a new outfit for the prom, you might be able to work an extra hour or two at your job.

No matter what goals you have for your money, they should:

- **Be realistic:** A student working part time is not likely to be able to afford a new car every couple of years.
- **Be specific:** “I plan/want to save \$5,000.00 for a down payment to buy a new Honda Civic.”
- **Have a timeframe:** “I plan/want to pay off my credit card within the next 12 months.”
- **State the action to be taken:** “I will ask my bank to transfer a certain amount of funds from my checking account into my savings account each month.”
- **Have milestones:** For example, “My goal is to purchase a bicycle that costs \$800.00 by paying for it without borrowing money. To do so, I asked my employer to transfer \$50.00 from each of my paychecks into a savings account I set up to purchase the bicycle. Every couple of months, I plan to check to see how much money I have.”

20 minutes Preparing a Spending Plan



Slide 6: Preparing a Spending Plan

Spending and saving are about choices—choosing how to use your money. Knowing what your income and expenses are every month will help you take control of your financial situation. You will then be able to meet some financial goals you might set for yourself.

There are four steps to preparing a personal spending plan.

They are:

1. Keep track of your daily spending.
2. Determine what your monthly income and expenses are the month before they are due.
3. Find ways to decrease spending.
4. Find ways to increase income.

Let us talk about those steps now.



Step 1: Keep Track of Your Daily Spending

Lead a discussion about spending money. The objective is to get students to understand that sometimes we spend more money than we realize. You also want to stress the importance of considering whether expenses are a need or a want.

Do you know where your money goes each month? What do you spend it on? Can you list everything exactly? Have you ever had any money and then spent it, but you do not remember exactly what you bought?



Slide 7: Step 1: Keep Track of Daily Spending
Click the space bar, right arrow, or mouse to display

Can anyone tell me what the difference between a “need” and a “want” is? Needs are expenses that are absolutely necessary (e.g., your housing, utilities, food, and transportation). Wants are optional purchases (e.g., music, magazines or books, and eating out). Some items can be both a need and a want. For example you need to eat, but you could pack a lunch instead of paying to eat out at a restaurant or cafeteria every day.

the second question and the tips to controlling your money.

Read the following scenario to students. Do not read it to them again. See if they can remember where the money went.

It is common for people to spend all the money they make and not have anything left over to save for their goals. I am going to read you a scenario. Listen closely because I am going to ask you a question afterwards.

Scenario

Imagine that you go to the mall with some friends and you take \$50.00 in cash. You buy pizza and a soda in the food court, and then you go to a movie. You stop in the t-shirt shop where you buy two new shirts on sale; and then you head next door to the music store for a 3-for-1 sale on compact discs (CDs), where you buy 6 CDs. You buy a new sketchbook at the art shop, and some new color pencils; then you head to the card store to buy a birthday card for your friend from another town. You and your friends feel like getting a snack, so you go to the ice cream store for some cones. There is a great pair of sneakers on sale at the sports outlet, so you buy them and decide to wear them home that day. Soon it is time to go home and since you are tired from walking all day, you and your friends decide to take the bus home. The ride costs \$1.50, but you dig in your pocket and find that you only have \$1.10! How did that happen? Where did all of your money go?

Now let us try to list everything that you spent money on during your trip.

Have students call out the items they remember. Write them on chart paper. Another option is to give students about 2 minutes to list everything they can recall. Review the following list to see if students remembered everything.

Where did you spend money?

Food court (pizza and soda)
Movie
T-shirt shop (2 t-shirts)
Music/CD store (6 CDs)
Art store (sketchbook/pencils)
Card store (birthday card)
Ice cream shop (cones)
Sports outlet (sneakers)

If you want to be in control of your money, you must understand where your money goes. One way to do this is to keep a personal spending diary to record everything you spend. It is particularly important to track the money you spend on optional purchases or “wants” (e.g., eating at restaurants and entertainment).



Activity 1: Daily Spending Diary

Complete Activity 1 in your Participant Guide

- Write down what you spend in a typical day
- Use a daily spending diary to keep track of everything you spend



Slide 8: Activity 1

Refer students to Activity 1: Daily Spending Diary on page 11 in their Participant Guide.

Activity 1: Daily Spending Diary


Let us look at the Daily Spending Diary. As we will see in a minute, this information is an important part of our personal spending plan. It will help us determine what spending we can cut out or cut back on in order to have money to pay our monthly bills and expenses or to save for our goals.

Many adults use spending plans to track their expenses and to be sure they have enough money to pay all of their bills. You can use a personal spending plan in the same way, even though your income might not be as much. Just like adults, you probably have goals for your money: things you want and things you need. Take a few minutes to write down what you spend in a typical day. If you spend your money differently from day to day, be sure to write down everything you can. You can use this spending diary or recreate one after class to keep track of everything you spend.

Day	What did I spend my money on today?
Sunday	
Monday	
Tuesday	
Wednesday	
Thursday	
Friday	
Saturday	

Step 2: Determine Income and Expenses

- Income—money that comes to you from:
 - Jobs
 - Allowances
 - Interest and dividends
 - Other sources
- Expenses—items you spend money, on including:
 - Bills
 - Transportation expenses
 - Entertainment



Slide 9: Step 2: Determine Income and Expenses

Step 2: Determine Income and Expenses

The next step to perform in preparing a personal spending plan is to determine your monthly income and expenses.

Income is money that comes to you from:

- Various jobs or work, like cutting grass or babysitting wages
- Allowances
- Odd jobs
- Interest and dividends
- Other sources, including tips

Expenses are the items you spend money on each month. They might be from:

- Bills (e.g., cell phone or cable bill, rent)
- Transportation expenses (e.g., car payment, gas, insurance, and bus or transit fares)
- Movies, CDs or music downloads, or other entertainment
- Clothes
- Eating out

- Personal items (makeup, cologne, etc.)
- Savings for college or other future purchases

As we discuss income and expenses, we are going to complete the Monthly Income and Expense Worksheet. This worksheet is prepared on a monthly basis and will help you determine how much money you have coming in, how much is going out, and whether or not you have enough income to pay your bills and expenses each month.



Activity 2: Monthly Income and Expense Worksheet

Complete Activity 2 in your Participant Guide

- Enter the income source and income amount
- Total the income



Slide 10: Activity 2
Refer students to Activity 2: Monthly Income and Expense Worksheet on page 13 in their Participant Guides.

Activity 2: Monthly Income and Expense Worksheet

Part of the worksheet is complete. However, we need to list our monthly income sources and income amounts in the left column. Let us start with our monthly take-home pay, which is going to be \$425.00. *Direct students to list the income source in the first column and the income amount in the second column under “My Income.” Then have them enter the total income at the bottom of the worksheet.*

Do not forget to include and plan for expenses that you pay one time a year. For example, if your car insurance is \$600.00 a year, and you pay only once per year, consider adding a monthly expense of \$50.00 for auto insurance and putting that money aside each month. When you receive your annual car insurance bill, you will have already saved the entire \$600.00 amount due.

We will discuss the fixed and flexible expenses in a few minutes.

My Income

Monthly take-home pay	\$425.00
Total Income	\$425.00

15 minutes What You REALLY Earn: Income



What You REALLY Earn: Income

- Gross income – deductions = Net income
- Deductions include:
 - Federal and state income taxes
 - Social Security taxes
 - Retirement savings contributions
 - Premiums for medical insurance

Slide 11: What You REALLY Earn: Income

Gross Income versus Net Income

When creating a spending plan, remember that your employer has to subtract certain taxes and other deductions from your paycheck.

$$\text{Gross income} - \text{deductions} = \text{Net income}$$

Gross income is your total income before deductions.

Net income is gross income after deductions (e.g., federal and state income taxes, Social Security taxes, retirement savings contributions, and premiums for medical insurance).

Be sure to ask your employer to learn more about workplace benefits. In particular, once you start working, it pays to find out if your employer offers a retirement savings program. Many employers will match a portion of your retirement savings contributions, plus you will likely pay less in taxes. Not participating is like leaving free money on the table!

Who can briefly tell me what Social Security is?

Social Security Benefits

- Social Security is like an insurance plan.
 - It is also called FICA (Federal Insurance Contributions Act)
 - Benefits include:
 - Retirement
 - Disability
 - Family
 - Survivor
 - Medicare

Slide 12: Social Security Benefits

Social Security is like an insurance plan. On some pay stubs, it is called *FICA*, which stands for Federal Insurance Contributions Act. Social Security benefits include:

- **Retirement benefits** paid every month to eligible retired workers, as early as age 62
- **Disability benefits** paid every month to eligible workers of all ages who have a severe disability
- **Family benefits** paid every month to spouses and children of eligible retired and disabled workers
- **Survivor benefits** paid every month to the eligible widow or widower and children of a deceased worker
- **Medicare benefits** paid as needed to help with hospital

bills and offer limited coverage of stays in skilled nursing facilities, hospice care, and other medical services to people 65 or older and to younger people who are disabled

Once you are 25 or older, and are not already receiving Social Security benefits, you will receive a Social Security statement just before your birthday each year. This statement is a record of your earnings and the Social Security taxes you have paid during your working years. The statement provides estimates of the monthly Social Security retirement, disability, and survivors' benefits you and your family could be eligible to receive.

In our Monthly Income and Expense Worksheet, total income is \$425.00. It represents the total income you receive in a month from all the income sources you have identified.



Activity 3: What Grace REALLY Earned

Complete Activity 3 in your Participant Guide
 – Review Grace's paystub
 – Answer the questions



Slide 13: Activity 3
Refer students to Activity 3: What Grace REALLY Earned on page 14 of their Participant Guide.

Activity 3: What Grace REALLY Earned

Let us review a paystub that Grace received from her employer. Pay stubs like this are attached to her check each week, and contain information about how much she worked and how much she earned. It also details all of the deductions that were made.

<u><i>The Fashion Place at the Walnut Grove Shopping Mall</i></u>	
Employee Identification: Grace	Check Date: August 19 th
Hourly Rate: \$10.00/hour	Hours Worked: 16
Gross Earnings:	\$160.00
Deductions:	
Federal Income Tax	\$20.00
State Income Tax	\$7.50
Social Security (FICA)	\$9.00
Medicare/Medicaid	\$2.40
Insurance	\$0.00
Net Pay:	\$121.10

Facilitate a discussion about the paystub.

What deductions were made to Grace's gross pay? *Answer: Federal income tax, state income tax, Social Security (FICA), and Medicare/Medicaid. Discuss the deductions in more detail.* Based on the pay stub details, does Grace pay for insurance coverage? *Answer: No.* Not all states have income tax. Does yours?



What questions do you have about income?

Now let us return to the Monthly Income and Expense Worksheet on page 13 of your Participant Guide.

5 minutes

Paying Up: Expenses



Expenses include everything a person might pay for in a time period. For someone on his or her own, this might include housing and car payments; gas, food, and utilities; or other things like daycare or insurance.

Paying Up: Expenses

- **Fixed expenses do not change from month to month**
– Example: car payment, rent, and savings
- **Flexible expenses might change from month to month**
– Example: electricity, food, clothing, and entertainment

- **Fixed** expenses do not change from month to month.
- **Flexible** expenses might change from month to month, like a heating bill that is lower in May than in December.

Slide 14: Paying Up: Expenses

Fixed Expenses

On our worksheet, we have a car payment, car insurance, and a credit card bill listed as fixed expenses.

Savings is also listed as a fixed expense. This is because you should get into the habit of paying yourself first. You can do this by setting aside some money each month from your paycheck for savings.

In our example this amount is \$25.00. This amount may not

work for everyone. Set a savings goal that is appropriate for you and save toward it.

Flexible Expenses

You will have to estimate the amount of your flexible expenses because the amounts may vary each month.

In our example, we estimate paying about \$60.00 for gas and car maintenance, \$30.00 on cell phone use, \$40.00 on entertainment, and \$25.00 for personal expenses each month.

We have not included charitable donations (e.g., cash donations or purchased items) in our example. However, you would want to plan for these expenses if you make donations regularly (e.g., monthly, several times a year, or annually).



Add up your expense column. Compare the income and expenses totals. Is there enough money to pay bills each month? *Answer: Yes.* We will soon discuss ways you can increase your income and reduce your expenses if your expenses are greater than your income.

What questions do you have about income and expenses? How might you modify the Monthly Income and Expense Worksheet to meet your personal needs? *Acknowledge students' answers.*

My Income		My Expenses	
		Fixed Expenses	
Wages	\$425.00	Car payment	\$150.00
		Car insurance	\$ 30.00
		Loans/credit cards	\$ 10.00
		Savings	\$ 25.00
		Flexible Expenses	
		Gas/car	\$ 60.00

		maintenance	
		Cell phone	\$ 30.00
		Entertainment	\$ 40.00
		Personal expenses	\$ 25.00
Total			
Income	\$425.00	Total Expenses	\$370.00

5 minutes Decreasing Spending



Step 3: Find Ways to Decrease Spending

In our example, we were fortunate enough to have more income than expenses. Remember, decreasing spending increases the amount of money you have left each month. This is also referred to as “increasing your cash flow.”



Slide 15: Step 3: Decreasing Spending

What are some ways you can decrease your spending?

Answers may include:

- *Carry only small amounts of cash in your wallet and limit your spending to this amount.*
- *Avoid or limit your use of credit cards.*
- *Avoid shopping just for fun; take your written savings goals with you as a reminder.*
- *Determine whether your purchase is a need or a want and only buy what you need.*
- *Pay your bills on time to avoid late fees and extra finance charges.*

Write students' responses on chart paper. Offer direct deposit as a possible method of decreasing spending.

MYTH: Direct deposit is expensive.

FACT: Most banks and credit unions do not charge you to sign up for direct deposit. In fact, they may waive your monthly checking account fee if you have direct deposit.

MYTH: People who do not have a bank account should not consider direct deposit.

FACT: If you have not yet signed up for an account, call the U.S. Treasury's *Go Direct* toll-free helpline at **1-800-333-1795** for help finding a financial institution that offers low- or no-cost accounts.

MYTH: If you use direct deposit, you will not know when your money is in your account.

FACT: You can be sure your money is in your account by the time your bank opens on payment day. Paper checks can be lost or stolen.

MYTH: Direct deposit does not really save time because the check still must be mailed to the bank.

FACT: With direct deposit, your payment is electronically transferred to your bank account. The payment process is completely paperless.



MYTH: Direct deposit is not as safe as receiving a check because it is sent over the Internet.

FACT: Direct deposit works by transferring funds directly into your account through a highly secure electronic banking system—not the Internet. It is the same system used by the world's leading financial institutions.

5 minutes Increasing Income

Step 4: Increasing Income

- Other than finding a job or finding a job that pays more, what are some ways you can increase your income?



Slide 16: Step 4: Increasing Income

Step 4: Find ways to increase income.

Other than finding a job or finding a job that pays more, what are some ways you can increase your income? *Possible answers: sell some of your belongings or assets that you no longer use or want (e.g., sporting equipment, CDs, or a bike). Use a talent or hobby to increase your income (e.g., making items that you can sell). As you enter adulthood and start working, there are also federal tax credits that can bring you*



additional income. Investments can potentially generate income also.

What questions do you have about how to prepare a personal spending plan?

20-25 minutes Planning Tools



Now let us look at some planning tools to help you keep spending and savings records, so that you can more easily carry out your personal spending plan. These tools include:

- The monthly payment schedule
- The monthly payment calendar
- The computer system



Slide 17: Planning Tools

We are going to focus on the first two: the monthly payment schedule and the monthly payment calendar.

Monthly Payment Schedule

A monthly payment schedule:

- Helps you plan in advance when you will pay your bills
- Lets you record in advance when you will receive income to pay those bills

We are going to complete the monthly payment schedule together. You can follow along, using the worksheet in your guide.



Activity 4: Monthly Payment Schedule

You will need the Monthly Income and Expense Worksheet that you completed earlier. Copy the income and expense information to the Monthly Payment Schedule.

Activity 4: Monthly Payment Schedule

Complete Activity 4 in your Participant Guide

- Enter the income and expense information in the monthly payment schedule
- Use the information provided



Slide 18: Activity 4

Refer students to Activity 4: Monthly Payment Schedule on page 17 in their Participant Guides.

Direct students to copy the income sources, expenses, dates, and amounts to the appropriate columns on the Monthly Payment Schedule. Always list your income and expenses in order by date. It will help you organize your income and payments.

Your income and savings payment are already listed for you. Fill in the rest of the monthly payment schedule using the following additional expenses, amounts, and dates:

- Car payment: \$150.00 due 4/1
- Car insurance: \$300.00 due 4/1
- Gas/car maintenance: \$60.00 due 4/2
- Personal expenses: \$25.00 due 4/3
- Cell phone: \$30.00 due 4/6
- Credit card/loan: \$10.00 due 4/20
- Entertainment: \$40.00 due 4/28

Walk around the room to ensure students complete the schedule properly. Share a student's properly completed schedule with the other students so they can check their work.

Completed Monthly Payment Schedule

Month: April

Income	Expenses/Bills	Date Income Received or Expense Due Date	Amount Due	Date Paid
Wages		4/1	\$425.00	
	Savings	4/1	\$25.00	
	Car payment	4/1	\$150.00	
	Car insurance	4/1	\$30.00	

	Gas/Car maintenance	4/2	\$60.00	
	Personal expenses	4/3	\$25.00	
	Cell phone	4/6	\$30.00	
	Credit card/Loan	4/20	\$10.00	
	Entertainment	4/28	\$40.00	



Note that savings is first on the list. Why should your savings due date be before other expenses?

Answer: When able to save, you should always put money in a savings account before you pay your bills and spend your money for the month. Otherwise, you may not be able to accomplish your savings goal.

Why should you assign early due dates to food, transportation, and essential personal expenses?

Answer: You need money for these expenses throughout the month; therefore, it is important to set aside the money early and spend wisely so it will last throughout the entire month.

If you do this, you will have to make sure you spend this money wisely so it will last throughout the entire month.



Activity 5: Monthly Payment Calendar

Another planning tool that will help you carry out your personal spending plan is the Monthly Payment Calendar. Many people find it easier to see when things are due. We are going to complete the Monthly Payment Calendar together. Follow along, using the calendar in your Participant Guide.

Activity 5: Monthly Payment Calendar

Complete Activity 5 in your Participant Guide

- Transfer the income and expense information from the monthly payment schedule to the monthly payment calendar



Slide 19: Activity 5

Refer students to Activity 5: Monthly Payment Calendar

We will transfer the same income and expense information to the Monthly Payment Calendar. You can use the sample information or your own personal information. Two entries have already been made so you can see how it is done.

This tool does the same thing as the Monthly Payment Schedule; it just uses a different format. Note: you can mark

in their on page 18 in their Participant Guides.

through or cross out the entry when you pay the expense.

Give students a few minutes to enter information. Be sure they understand how to enter it into the calendar. Display the completed calendar.

Monthly Payment Calendar

Slide 20 Monthly Payment Calendar

Month: <u>April</u>						
SUN	MON	TUES	WED	THURS	FRI	SAT
1 \$425.00 paycheck \$150.00 car payment \$30.00 insurance \$25.00 savings	2 \$60.00 gas/car maintenance	3 \$25.00 personal expenses	4	5	6 \$30.00 cell phone	7
8	9	10	11	12	13	14
15	16	17	18	19	20 \$10.00 credit card/loan	21
22	23	24	25	26	27	28 \$40.00 entertainment
29	30					



What questions do you have about how to complete the Monthly Payment Calendar?



Another Way to Track Your Spending Plan: The Computer

If you do not want to use paper, or you pay bills in cash instead of with a checking account, you can use a computer to keep track of expenses.

On a personal computer, you can create a spreadsheet to track your income and expenses.

You may also want to purchase a personal finance program. They are available for less than \$75.00. Using one of these programs to manage your finances is relatively simple. Once you set it up, updating information is quick and easy. You should enter transactions frequently so that you always have a good grasp on your financial position.

Your financial institution may also offer you online access to free or low-cost services that can help you track your money.

There are many different ways to track your spending plan. You can find one that works for you.

10-15 minutes Help! I Cannot Pay My Bills!



What payments do you think you should make first if you do not have enough money to pay all of your bills?

Acknowledge students' responses. Generally speaking, it is most important to pay necessary household expenses, or basic necessities, first: rent or mortgage, utilities, food, and transportation. You should pay these bills before paying others (e.g., telephone or credit card bill).



Slide 21: Help! I Cannot Pay My Bills!



Slide 22: Help! I Cannot Pay My Bills!

If your personal spending plan shows that you have more expenses than income, there are ways to get out of trouble. But remember, everyone has different priorities. For example, adults who are responsible for a home should make rent or mortgage payments a priority to avoid eviction or foreclosure. As a young adult, make the decisions that are right for you.

If you are having trouble paying all of your bills:

- **Talk with a parent, guardian, or another adult you trust** and let them know that your bills exceed the money you are bringing in. You may be able to work together to identify ways you can increase your income, reduce your expenses, and adjust your spending plan.
- **Pay your necessary expenses first.** For example, you may rely on a vehicle to get to and from a part-time job. Since this job is likely the biggest source of your income, losing the car may result in also losing the job—worsening your situation. In this respect, staying current on your car payments would be a priority.
- **Pay off loans with the highest interest rate first to save on interest.** If you have several credit cards with outstanding balances, focus on paying off the one with the highest interest rate first.
- **Talk to your creditors as soon as you think you will have a problem making a payment.** Your creditor may be willing to reduce your payments or change the terms to accommodate your situation. Some creditors might offer extensions, accept smaller payments over a longer period of time, or accept partial payments.



Activity 6: A Hole in Todd's Pocket

Direct students to Activity 5: A Hole in Todd's Pocket. Have them work in small groups to come up with a plan for Todd.

Activity 6: A Hole in Todd's Pocket

Complete Activity 6 in your Participant Guide

- Read the scenario
- Develop a spending plan for Todd

Slide 23: Activity 6

Refer students to Activity 6: A Hole in Todd's Pocket on page 20 in their Participant Guides.

Read the scenario below. With your group, work out a plan for Todd!

Scenario

Todd gets an allowance. He does chores around the house for which he earns \$100.00 a month. His cell phone bill is \$30.00 a month. The rest of his money goes toward savings (\$10.00); going out with his friends (\$25.00); and clothes, MP3 downloads, and video games (\$35). Right now he has \$70.00 in savings.

Last month, Todd went much too far over his allowable minutes. His cell phone bill ended up being \$256.00! If he continues to pay his regular payment of \$30.00 a month, he will continue to owe the extra charges.

Using what you have learned in this module, make a plan for Todd to pay his cell phone bill. Suggest ways he could lower his expenses and/or increase his income.

Acknowledge students' responses. Answers may vary. For example, students might recommend that Todd should use all or part of his savings to help pay for the extra charges, find ways he can increase his income (e.g., work more hours, do more chores at home to increase his allowance, or help neighbors with odd jobs so he can earn some extra money), and reduce his expenses (e.g., he may have to cut out the clothes, MP3 downloads, and video games for a few months). Todd may also want to consider getting a prepaid phone plan so this does not happen to him again.



What questions do you have?



Module Summary



Share or have students read the comic strip on slide 24 or page 21 of their Participant Guide. Facilitate a conversation about what Todd learned.

What have you learned about setting financial goals and developing a spending plan?



Have students complete the Knowledge Check and answer any final questions they have.

Now turn to page 22 in your Participant Guide. Complete the Knowledge Check and see what you have learned today.



What final questions do you have?

Congratulations! You have completed the *Setting Financial Goals* module. We have covered a lot of information today about how to save for the future. You learned:

- How to track what you spend each day so you know exactly where your money goes.
- How to prepare a personal spending plan to estimate monthly income and expenses so that you do not run out of money at the end of the month.
- Ways to decrease spending and increase income to help you manage your money.
- Which tools you can use to help you manage your money.

Slides 24-25: Module Summary

You should now be able to take this information and begin managing your money effectively.

Knowledge Check



1. Your financial goals should consist of what? Select all that apply.
 - a. **Specific information**
 - b. **Milestones**
 - c. **Actions to be taken**
 - d. Items you want to purchase
2. You will be more likely to do this if you track daily spending habits by:
 - a. Reducing deductions from your paycheck
 - b. Working more hours
 - c. Purchasing a larger number of items
 - d. **Understanding how your money is spent**
3. You cannot prepare a personal spending plan without first knowing these two things.
 - a. **Your total income and expenses**
 - b. Your address and zip code
 - c. Your overtime hours and vacation pay
 - d. Your savings account's interest rate and fees
4. Select all of the flexible expense items from the list.
 - a. **Personal expenses**
 - b. Monthly car payment
 - c. **Cell phone bill**
 - d. **Savings**
5. Select all of the fixed expense items from the list.
 - a. **Monthly cable television bill**
 - b. Savings
 - c. Personal expenses

d. Monthly car payment

6. You can pay yourself first by listing this item as a flexible expense on your worksheet.
 - a. Clothing expenses
 - b. Entertainment costs
 - c. Savings**
 - d. Tuition fees
7. If you increase your cash flow, then you have:
 - a. Agreed to work no fewer than 4 hours of overtime each week
 - b. Lowered your expenses and increased the amount of money you have at the end of the month**
 - c. Doubled the amount of cash you are able to access from Automated Teller Machines (ATMs)
 - d. Arranged for your boss to pay you twice a week instead of once a week
8. When you see the acronym FICA on your pay stub, it refers to deductions made for:
 - a. State income tax
 - b. Your local plant-a-tree program
 - c. Social Security**
 - d. Federal income tax
9. Social Security benefits do not include:
 - a. Retirement benefits
 - b. Employer-funded pension benefits**
 - c. Survivor benefits
 - d. Disability benefits
10. Gross pay (on your pay stub) is usually the larger amount when compared to what other items? Select all that apply.
 - a. Year-to-date earnings
 - b. Federal income tax deduction**

c. Net pay

d. FICA deduction

11. If you worked 10 hours in 1 week at your part-time job and you earn \$8.00 an hour, your take-home pay for that week will likely be:

- a. Slightly more than \$80.00
- b. Withheld until you earn at least \$100.00
- c. **Less than \$80.00, due to deductions**
- d. Exactly \$80.00

12. You should do this if you are having trouble paying your bills.

- a. Talk with a parent or guardian**
- b. Ask close friends to loan you some money
- c. Stop paying them until you have saved enough money to continue
- d. Apply for at least one additional credit card

Glossary

Fixed Expenses: Expenses with amounts that do not change from month to month.

Flexible Expenses: Expenses with amounts that often change from month to month.

Gross Income: Total income without deductions.

Net Income: Gross income minus deductions including Social Security and other taxes.

Spending Plan: A step-by-step plan for meeting expenses in a given period of time:

1. Keep track of your daily spending
2. Determine what your monthly income and expenses are the month before they are due
3. Find ways to decrease spending
4. Find ways to increase income

For Further Information

Federal Deposit Insurance Corporation (FDIC)

www.fdic.gov/consumer

1-877-ASK-FDIC (275-3342)

Visit the FDIC's website for additional information and resources on consumer issues. For example, every issue of the quarterly *FDIC Consumer News* provides practical hints and guidance on how to become a smarter, safer user of financial services. Also, the FDIC's Consumer Response Center is responsible for:

- Investigating all types of consumer complaints about FDIC-supervised institutions
- Responding to consumer inquiries about consumer laws and regulations and banking practices

U.S. Financial Literacy and Education Commission

www.mymoney.gov

1-888-My-Money (696-6639)

MyMoney.gov is the U.S. Government's website dedicated to teaching all Americans about financial education. Whether you are planning to buy a home, balance your checkbook, or invest in your 401k the resources on MyMoney.gov can help you. Throughout the site you will find important information from federal agencies.

Federal Consumer Information Center

www.pueblo.gsa.gov

1-800-688-9889

The Federal Consumer Information Center (FCIC) provides free online consumer information to help the public. The FCIC produces the Consumer Action Handbook, which is designed to help citizens find the best sources for assistance with their consumer problems and questions.