Money Management 1-2-3

Seminar Lesson Plan and Class Activities

Consumer Action

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Chinese, English and Spanish spoken

Money Management 1-2-3 Seminar

Seminar Purpose:

To make workshop participants aware of the range of financial responsibilities, choices and opportunities that will present themselves over the course of their lives, and to provide them with the knowledge and tools that will enable them to make wise choices, build wealth, and achieve financial security.

Seminar Objectives:

By the end of the training, learners will understand:

- How to make the most of their income.
- How to build good credit and manage it wisely.
- The basics of taxes.
- How to achieve their savings goals.
- The advantages of different types of accounts and savings vehicles.
- The basics of investing.
- How to build an adequate nest egg and replace their paycheck in retirement.
- The advantages and responsibilities of homeownership.
- How to tap their home equity.
- How to protect their assets with insurance.
- What options are available for maintaining health insurance while unemployed.
- Why they need an estate plan.
- Where they can obtain additional information and assistance.

Seminar Duration:

Each segment of the three-part seminar is two hours long. If conducting just one part, a 10-minute break about halfway through the presentation is optional. If conducting the entire seminar in a single day, a half-hour break between parts 1 and 2 and parts 2 and 3 is recommended.

Materials:

For instructor:

- *Money Management 1-2-3* brochure(s): Part 1:*Getting a Good Start*; Part 2: *Achieving Financial Goals*; and Part 3: *Planning a Secure Future*
- *Money Management 1-2-3 Backgrounder Guide with frequently asked questions*
- *Money Management 1-2-3* lesson plan
- *Money Management 1-2-3* class activities and take-home worksheets (included with lesson plan)

    Activities and Worksheets for Part 1

    - Understanding Your Pay Stub (activity)

- Help Max Create a Realistic Budget (activity)
- Budget Worksheet (take-home tool)
- Fritter Finder (take-home tool)
- Checking & Savings Account Comparison Worksheet (take-home tool)
- Using a Check Register (activity)
- Credit Card Comparison Worksheet (take-home tool)
- Sample Credit Card Statement (two pages)
- Understand Your Credit Card Statement (activity)
- To Do at Home: Money Management 1 (follow-up checklist)
- Training Evaluation: Money Management 1-2-3—Part 1

Activities and Worksheets for Part 2:

- Want or Need? (activity)
- My Savings Goals (activity)
- A Question of Investing (activity) (two pages)
- Rent or Buy? (activity)
- To Do at Home: Money Management 2 (follow-up checklist)
- Training Evaluation: Money Management 1-2-3—Part 2

Activities and Worksheets for Part 3:

- Pre-planning Retirement Worksheet (take-home tool) (two pages)
- Personal Net Worth Statement (take-home tool)
- Credit or Equity: Which Would You Advise? (activity) (two pages)
- Insurance Match-up (activity)
- Estate Planning Worksheet (take-home tool) (two pages)
- To Do at Home: Money Management 3 (follow-up checklist)
- Training Evaluation: Money Management 1-2-3—Part 3

- *Money Management 1-2-3* visual teaching aid (PowerPoint presentation with instructor's notes)
- *Community Teaching* PowerPoint slide deck

Instructor will also need:

- A computer and an area on which to project the PowerPoint presentation
- An easel and pad, or a whiteboard, and markers

For learners (provide listed materials according to which section(s) you are presenting):

- *Money Management 1-2-3* brochure(s): Part 1:*Getting a Good Start*; Part 2: *Achieving Financial Goals*; and Part 3: *Planning a Secure Future*
- Copy of seminar PowerPoint slides (optional)
- *Money Management 1-2-3* class activities and take-home worksheets (included with lesson plan)

  Activities and Worksheets for Part 1:
  - Understanding Your Pay Stub (activity)
  - Help Max Create a Realistic Budget (activity)
  - Budget Worksheet (take-home tool)
  - Fritter Finder (take-home tool)
  - Checking & Savings Account Comparison Worksheet (take-home tool)
  - Using a Check Register (activity)
  - Credit Card Comparison Worksheet (take-home tool)
  - Sample Credit Card Statement (two pages)
  - Understand Your Credit Card Statement (activity)
  - To Do at Home: Money Management 1 (follow-up checklist)
  - Training Evaluation: Money Management 1-2-3—Part 1

  Activities and Worksheets for Part 2:
  - Want or Need? (activity)
  - My Savings Goals (activity)
  - A Question of Investing (activity) (two pages)
  - Rent or Buy? (activity)
  - To Do at Home: Money Management 2 (follow-up checklist)
  - Training Evaluation: Money Management 1-2-3—Part 2

  Activities and Worksheets for Part 3:
  - Pre-planning Retirement Worksheet (take-home tool) (two pages)
  - Personal Net Worth Statement (take-home tool)
  - Credit or Equity: Which Would You Advise? (activity) (two pages)
  - Insurance Match-up (activity)
  - Estate Planning Worksheet (take-home tool) (two pages)
  - To Do at Home: Money Management 3 (follow-up checklist)
  - Training Evaluation: Money Management 1-2-3—Part 3

Seminar Outline

Instructor's Notes:

Before conducting the training, familiarize yourself with the brochure(s) for the Money Management 1-2-3 sections that you will be teaching today, as well as those sections of the lesson plan, the FAQs (included with this lesson plan), and the PowerPoint visual teaching aid. *Community Teaching*, a PowerPoint training manual for seminar leaders, provides tips for teaching adults and diverse audiences—it will be helpful to you even if you have taught similar courses before. The slide deck is available at the Consumer Action website.

The MM123 PowerPoint presentation contains notes for each slide (appearing below the slide when in Normal view or Notes Page view). These notes offer talking points and detailed information about the items appearing on the slide. This lesson plan indicates which slide corresponds to each part of the lesson, and when to move to the next one.

Have learners pick up packets on their way into the room, or place them on seats/tables before class begins. Direct learners to begin reading the brochure(s) that you will be teaching today—they should be included in learners' packets.

Welcome (5 minutes)

➡**SLIDE #1** (onscreen as learners arrive)

Welcome learners. Introduce yourself and present the purpose of the seminar and the agenda (which part[s] you will be presenting today and the timeframe).

Review the contents of learners' packets. Ask the class to take a look inside their packets and make sure they have all the materials needed.

If you have a small group, you can have individuals introduce themselves and tell you what they hope to get out of the seminar. If it is a larger group, you can invite volunteers to share their expectations. On your whiteboard or easel pad, jot down some of the specific things learners mention. You can come back to this at the end of the seminar to make sure you've covered these points. (This activity is designed to serve as a brief icebreaker. It will also give you an idea of what learners' expectations and needs are.)

If you will be teaching the entire Money Management 1-2-3 seminar today, then begin with Part 1 now. Otherwise, if you are covering only one part of the seminar today, go to that section (Part 1, Part 2 or Part 3) now.

Part 1: Getting a Strong Start

➡**SLIDE #2**

Introduction: Mastering the *basics* of personal finance is every bit as important to long-term financial success as investing or buying a home. Only after you know how to make the most of your paycheck, choose essential financial products and services that wisely, and use credit responsibly are you ready to work toward major financial goals.

Part 1 of the Money Management 1-2-3 seminar will help you get on solid footing and prepare you to handle greater financial responsibilities in the future.

Understanding Your Pay Stub (20 minutes)

➡SLIDE #3

Introduction: Employees who receive a paycheck—even if it's deposited directly into their checking account—are able to get information about their earnings and their deductions on a paper or electronic pay stub. A pay stub can tell you a lot.

Go over the bulleted items on slide #3 according to slide notes.

After covering the slide items, direct learners to take the *Understanding Your Pay Stub (activity)* from their packets. Stress that this is not a test, it's a learning activity.

Ask learners to take five minutes to study Rick's paycheck and answer the questions at the bottom of the page.

After five minutes or so, ask for volunteers to answer each of the questions. Stop to discuss each answer as a group.

1. *How many times do employees of Best Business, Inc. get paid in one year?*
   A. They get paid 24 times per year—two times per month. If you look at "Pay Period" at the top of the top right-hand box, you see that this pay period is the first half of the month, from 5/1 through 5/15. That means the second half of the month, from the 16th through the last day of the month, is the second pay period.
2. *How long has Rick worked here?*
   A. One month—the year-to-date figures are two times the current pay period figures.
3. *Why are some of the digits in Rick's Social Security number blocked out?*
   A. This is a safety measure to reduce the chance of identity theft. However, the last four digits of a Social Security number often are all that is required to conduct certain transactions, so you still should be careful to keep this information private.
4. *Does Rick have children?*
   A. Probably not, since his pay stub indicates that he is married and is claiming only two allowances—one for himself and one for his wife.
5. *How does having his retirement contribution deducted "pre-tax" help Rick's bottom line?*
   A. Rick is taxed on a lower amount of money—$1,150 instead of $1,200 (gross pay). What that means is that if Rick were in the 25% tax bracket, for example, he would have paid an additional $12.50 (approximately) in federal income tax on that $50 ($50 x 25% = $12.50). So, while $50 goes into his retirement account, he really is only missing about $37.50 from his net pay. Pre-tax deductions make it easy to save more.
6. *What is the largest deduction from Rick's gross pay?*
   A. Social Security tax of $74.40.
7. *What is CA SUI/SDI?*

   A. This is a contribution to California's state unemployment insurance (SUI) and state disability insurance (SDI). Each state is different; other states may or may not collect these or other taxes.

8. *Why do you think there is no deduction for medical insurance?*

   A. Rick's employer may not offer medical insurance, the company may pay the entire premium, or Rick may not be allowed to enroll until he has been on the job a certain amount of time (say, three months).

9. *How could Rick have less taken out of his check for taxes?*

   A. He could increase his allowances from 2. But he should do this only if he has consistently received a tax refund or his situation has changed and he is confident he will not owe tax the next time he files his return.

Creating a Basic Budget (20 minutes)

➡SLIDE #4

Introduction: Many people avoid creating a budget because they equate budgeting with going on a diet—a spending diet. A budget, like a diet, can be hard to stick to if you look at it as something that keeps you from having any fun or enjoyment. But, if you think of a budget as a spending *plan* instead, it may be easier to follow. Why? Because a plan is a conscious effort to reach a desired goal. In the case of a spending plan, your goal is to spend your money on what is most important to you and not to waste it on things that don't give you much satisfaction.

Go over the bulleted items on slide #4 according to slide notes.

➡SLIDE #5

There are some things to know that will improve your chances of being successful in your efforts to create and follow a realistic budget.

Go over the bulleted items on slide #5 according to slide notes.

After the last point, direct learners to the *Fritter Finder* worksheet in their packets. Explain that they can make copies of the blank sheet, then cut the sheets in half down the middle, and carry a Fritter Finder with them to track all their miscellaneous expenses, from the morning coffee to the evening snack.

Direct the class to take the fictional budget sheet (*Help Max Create a Realistic Budget*) from their packets. Read Max's profile (directly beneath the budget) to the class. Allow learners 10 minutes to answer the questions that appear at the bottom of the sheet. (This exercise can be done individually, or you can break the class into small groups to work on the exercise together.)

Ask for volunteers to answer the questions. The answers are provided here:

1. *Why is Max's renters insurance premium so high?*

   A. Max has neglected to divide the annual premium by 12 to get the monthly amount. This entry should read $15, not $180.

2. *Why is Max's entry for water and garbage $0?*

A. Since he is renting an apartment, his landlord probably pays for water and garbage for all tenants.

3. *In which category(ies) does it appear that Max has underestimated his monthly spending?*

   A. Max's grocery bill seems low—less than $40 per week—particularly since he has not entered anything for food away from home. He should track all his food expenditures—at the grocery store, restaurants, vending machines, fast food places, etc.—for at least one month to get an accurate figure.

4. *Do you see any places where Max may be able to reduce his expenses?*

   A. Max is currently spending $50 on landline phone service and $65 on cellular phone service. If he feels like he could get by with just a cell phone, he could drop the landline and save $50 per month. Also, he is spending $65 on basic cable and $60 on high-speed Internet service. He may be able to find a "bundle" where the cost for cable and Internet and landline telephone from a single carrier is less than the combined $175 he is paying now. Or he could get a package with just the cable and Internet service if he drops his landline. Max should shop around.

5. *What categories of spending are obviously missing from Max's list?*

   A. As mentioned above, dining out/food away from home is a missing budget item—it's unlikely Max spends nothing on meals or snacks or drinks away from home. Also, Max has a budget item for dog food, so there must be at least occasional vet bills and associated expenses he should budget for. Likewise, Max indicates he has a car (he has entered $250 for a car payment and $80 per month for gas). Accordingly, he must have auto expenses such as registration/tags, repairs, and oil and maintenance. A few other missing budget items that Max most likely spends something on: haircuts, entertainment and gifts. Last but not least, Max should be budgeting a certain amount each month to go into savings to build an emergency fund or work toward other goals.

6. *Do you think Max's budget is detailed enough to be a good tool?*

   A. Max's budget is missing a number of key items, which makes it a less powerful tool than it could be. He should track his expenses as long as possible and add categories as needed.

Direct learners to remove the blank take-home budget worksheet from their packets. Encourage learners to use this worksheet or an online worksheet to create and update their own budget. (Learners can make copies of the blank worksheet to revise and update their budget over time.)

Here are some questions to guide discussion :

- *Do you think this budget worksheet is detailed enough to be a good tool?*
- *What might be some "other" categories that you would add?* (Examples include: estimated quarterly taxes, personal loan payments to a friend or family member or union dues.)
- *Do you think that having a budget that allocates every dollar you earn would feel restrictive, or would it make you feel like you were gaining more control over your money?*
- *What are some ways to reduce expenses or increase income?* (Refer to the FAQs for this section, Getting a Strong Start, for a list of some ways to cut expenses and increase income.)

Checking and Savings Accounts (20 minutes)

Introduction: It can be challenging to manage your finances without a checking or savings account. A checking account lets you deposit money, withdraw cash, write checks, and pay bills online. Joint accounts allow co-owners, such as a husband and wife, to have equal access to the account. And a savings account gives you someplace safe to stash your emergency fund and money you want to put toward other financial goals.

➡SLIDE #6

Go over the bulleted points per slide notes.

Upon reaching the second to last bullet point, direct learners to take the *Checking & Savings Account Comparison Worksheet* from their packets. Go over the various costs and features that consumers should compare when shopping for a checking account.

After going over the worksheet, cover the last bullet point, *Overdraft coverage*, per slide notes.

Direct learners to take the *Using a Check Register* activity from their packets. Have the class complete the exercise individually. After a few minutes, ask for a volunteer to reveal what the final balance should be? After taking one or more answers, reveal the next slide.

➡SLIDE #7

The completed check register should look like this (appears on slide):

Number or Code	Date	Transaction Description	Payment, Fee, Withdrawal	Deposit, Credit	✔	Balance
	8/12/10	Balance forward				 $500.00
2104	8/14/10	Clearview Cable	49.00			49.00 451.00
ATM	8/15/10	Cash withdrawal	40.00 + 2.00			42.00 409.00
	8/20/10	Direct deposit (paycheck)		765.33		765.33 1,174.33
Auto	8/25/10	Student loan	175.00			175.00 999.33
Debit	8/27/10	Shoe Warehouse	38.50			38.50 960.83
Online	8/30/10	Transfer to savings	100.00			100.00 860.83
	8/31/10	Account fee	5.00			5.00 855.83

Go through each of the entries according to the instructions on the activity sheet. Then ask the following, allowing learners time to volunteer answers:

- *What was the account holder's balance on 8/17/10?*
    A. $409.00—the balance didn't change from what it was on 8/15 until there was a deposit on 8/20.
- *How could the account holder have avoided the $2.00 ATM fee on 8/15/10?*
    A. There typically is not an ATM fee if you use your own bank's or credit union's machines. Try to plan your ATM visits for a time when you are near a network machine.
- *Why does the student loan payment not include a check number?*
    A. It is an automatic electronic payment.
- *What might happen if this account holder forgot to record her automatic student loan payment?*
    A. She might think she still had the $175.00 available in her account to spend, and she might overdraw her account and be assessed overdraft fees.
- *How many checks did the accountholder write between 8/12 and 8/31?*
    A. Just one—check #2104.
- *How many times did she use her debit card?*
    A. Twice—to get cash on 8/15 and to buy something at Shoe Warehouse on 8/27.
- *What do you think the column with the check mark is for?*
    A. It's to check off transactions that have been processed by the bank or credit union and are reflected in the balance the institution shows for the account.
- *Why do you think are there no check marks in that column?*
    A. There are no check marks because the account holder has not reconciled his/her printed or online statement (in other words, has not matched up the transactions recorded in the register with the transactions that have "cleared" the bank).
- *Do you have to wait until you receive your monthly statement to reconcile your account?*
    A. If you have online access to your checking account, you do not have to wait for your monthly statement—you can log on and check your account activity any time.
- *A checking account is an important money management tool, but do you think it is the best place to keep your savings? Why not?*
    A. No. Proceed to the next slide for rest of answer.

➡SLIDE #8

Go over the bulleted points per slide notes.

Direct learners back to the *Checking & Savings Account Comparison Worksheet*. Point out the savings portion of the worksheet.

Establishing and Building Good Credit (20 minutes)

Introduction: What is credit? Credit is the opportunity to buy something today and not have to pay for it until later. Depending on how you use and manage credit, it can be a valuable tool or the source of serious money troubles.

➡SLIDE #9

Go over each of the bulleted points.

➡SLIDE #10

Go over each of the bulleted points.

There are two types of credit: installment and revolving. Ask learners to offer examples of each type of credit. Write answers on your whiteboard or pad. After a moment or two reveal the next slide.

➡SLIDE #11

Go over the bulleted points per slide notes.

Credit isn't free. Ask learners, *What does credit cost?* After a moment or two of input, reveal the next slide.

➡SLIDE #12

Go over the bulleted points per slide notes.

Now that you understand what the costs of credit are, we can discuss how to establish credit if you haven't already done so. You can't establish credit overnight—it's a process that takes time. That's why it's important to work on establishing credit even if you don't need it right away. That way it's there for you when you *do* need it.

Ask, *What are some ways to establish credit?* Write answers on your whiteboard or pad. After a moment or two, reveal the next slide.

➡SLIDE #13

Go over the bulleted points per slide notes.

It's possible that your application for credit could be denied—not everyone who applies for credit gets it. There are a few reasons for this. Ask, *Why might your credit application be denied?* After a moment or two of input, reveal the next slide.

➡SLIDE #14

Go over the bulleted points per slide notes.

Good credit doesn't only get you *more* credit, and things like insurance and certain jobs, it also saves you money. That's because lenders base the interest rate they charge—the cost of credit—

on how likely it is you'll repay the money you owe. The higher your credit score, the lower a risk you are, and the lower your interest rate. Even a small difference in the rate on an auto or home loan can mean a savings of hundreds or thousands of dollars in finance charges over the life of the loan.

➡SLIDE #15

Go over the example per slide notes.

Good credit is clearly valuable. Ask, *So, how do you build good credit?* Write answers on your whiteboard or pad. After a moment or two, reveal the next slide.

➡SLIDE #16

Go over each of the bulleted points per slide notes.

Credit Cards (20 minutes)

Introduction: Most people eventually use credit cards—it can be difficult to get by without one. Ask, *What do you think the biggest advantages of having a credit card are?*

Jot down answers on your whiteboard or pad. After a moment or two, reveal the next slide.

➡SLIDE #17

Go ever each bullet point per slide notes.

After covering all slide items, ask, *Are there any disadvantages to credit cards?*

Jot down answers on your whiteboard or pad. After a moment or two, reveal the next slide.

➡SLIDE #18

Go ever each bullet point per slide notes.

Every credit card comes with rules regarding use and payment. These are called "terms." If you want to choose the best card for your needs and avoid penalties and fees, you must understand the card's terms.

Direct learners to the *Credit Card Comparison Worksheet*. Briefly go over the list of terms. If you need help explaining any of the terms, refer to the Consumer Action publication *Credit Cards: What you Need to Know*, available in print, online, or as a downloadable file at www.Consumer-Action.org.

You can avoid certain unfavorable terms—such as penalty interest rates and fees—by following some guidelines for good credit card management.

➡SLIDE #19

Go ever each bullet point per slide notes.

As a cardholder, you will receive a monthly billing statement. It's important to review your credit card statement carefully every month.

Have learners remove the *Sample Credit Card Statement* and the *Understand Your Credit Card Statement* activity from their packets.

Not all card statements will look exactly like this, but they will all contain these key pieces of information. Let's see how well you can find your way around a credit card statement.

Allow learners five to ten minutes to answer the questions about Sara and Luis' credit card statement.

Ask for volunteers to answer the questions. The answers are provided here:

1. How much did Sara and Luis charge over the past month?

A. $922: $672 in purchases ($332 at Sam's Auto Body and $340 at the Pierre Hotel), and $250 in cash advances.

2. If Sara and Luis started this billing cycle with a $0 balance, why are they being charged $3.53 in interest? Isn't there a grace period?

A. There is no grace period for cash advances. As you can see on the second page, the cardholders are being charged interest for the 21 days since they took the cash advance (9/10-9/30).

3. What is the real, total cost of the cardholders' cash advance?

A. $18.53: $3.53 in interest charges, plus a cash advance fee of $15.00.

4. Did Sara and Luis use their card overseas during the past month?

A. Yes, there is a currency conversion fee of $17 in the transactions list.

5. How much higher is the cash advance APR than the regular purchase or balance transfer APR?

A. 9.5% (24.52 minus 15.02).

6. What is the Periodic Finance Charge, and how is it calculated?

A. It is the amount of interest charged in a particular period of time—in this case, per day. To calculate the interest charge for the cash advance, the card issuer took the annual rate of 24.52% and divided it by 365 days to get .0672%. The issuer then multiplied the $250 cash advance amount by .0672 to get the daily interest charge of 16.8 cents. The issuer then multiplied 16.8 cents by the 21 days since the cash advance was taken (9/10-9/30) to get an interest charge of $3.53.

7. What will happen if Sara and Luis pay their bill late?

A. They will be charged a late fee of $35 and their interest rate may jump to 29.99%.

8. If Sara or Luis lost their credit card, how much would they be liable for?

A. The maximum amount a cardholder is liable for, *if s/he notifies the credit card company immediately* that the card was lost or stolen, is $50.

9. How long would it take and how much would it cost for Sara and Luis to pay off their current balance if they made only the minimum payment of $20 per month? What if they increased their monthly payment to $38?

A. It would take 16 years and cost a total of $3,808.53 ($2,851 of that would be interest). At $38 per month, it would take them three years and would cost $1,362.53 ($405 of that would be interest).

10. If Sara and Luis wanted the convenience of using "plastic," but also wanted to avoid any possibility of getting into debt, what options would they have?

A. A debit card or a prepaid card—and, if used according to terms, a charge card. (Reveal slide #20, which provides details for this question's response.)

➡SLIDE #20

Go ever each bullet point per slide notes.

For discussion:

- *Why is it important to review your credit card, charge card or debit card (checking account) monthly statement?* To make sure payments and credits have been posted; to check for errors in charges and fees; to look for fraudulent charges, charges for merchandise you didn't accept, or charges for an item or service that was not delivered.
- *Would it be worth it to you to cut expenses elsewhere to pay an extra $18 per month if it meant you would get out of debt in three years instead of 16, and that you would save nearly $2,500 in interest?*

Questions & Answers (10 minutes)

Preparation: Review the *Getting a Strong Start* brochure and the Money Management 1-2-3 Backgrounder Guide for this section.

Open the floor to questions.

After questions have been answered, ask learners to remove the *To Do at Home: Money Management 1* checklist from their packets. Encourage learners to use the checklist to act on some of the things they learned today.

Reveal the next slide.

➡SLIDE #21

Congratulate learners on their participation in the seminar and wish them success. Ask them to fill out the training evaluation form and leave it face down on a table or in a large envelope you provide.

Part 2: Achieving Financial Goals

Instructor's Note:
If you are presenting this section of Money Management 1-2-3 on its own, see the Instructor's Notes and Welcome preceding Part 1—they will tell you how to prepare for the workshop, how to make the

best use of the PowerPoint visual teaching aid, and how to welcome and prepare learners for the day's agenda.

If you are presenting this section as part of a full-day, three-part seminar, welcome learners back from the break.

➡**SLIDE #22** (onscreen as learners arrive or return from break; direct learners to read the *Achieving Financial Goals* brochure in their packet before you begin)

Introduction: Once you have a handle on the basics of managing your money—creating a budget, establishing checking and savings accounts, and using credit wisely—you're ready to focus on building wealth and protecting your assets.

Part 2 of the Money Management 1-2-3 seminar will help you make real progress toward achieving financial security, and avoid common pitfalls along the way.

Rebalancing Your Budget (20 minutes)

➡**SLIDE #23**

Introduction: A budget isn't set in stone—it has to change along with changes in your income, expenses and goals. That may require rebalancing your budget as little as once a year, because you get a raise or your rent increases, or as much as a few times a year.

Ask, *What are some other reasons you might need to update your budget?* Take a few volunteer answers; you may write them on the whiteboard or easel pad if you like. (Answers may include such things as a change in payroll tax deductions, increased retirement contributions, a new job, an adjustment to your mortgage payment because your variable interest rate has increased or decreased, a new pet or child joins the family, you take in a roommate or lose a roommate, you sell or buy a car, you get a better deal on insurance or utility/phone service, etc.)

Go over the points on slide #23.

After the last bullet point, point out:

- If you have a negative bottom line, you need to either bring in more money or spend less.
- If you have a positive bottom line, you could use the extra funds to pay down debt more aggressively or put more money in savings.

Questions for discussion:

What are some reasons why somebody might have trouble sticking to their spending plan? (Following are some thoughts that you can offer if learners do not volunteer them.)

- It's unrealistic: The spending plan uses an inaccurate income amount, it underestimates spending, or it doesn't include any money for discretionary spending (wants/fun) or emergencies.
- It's not revised/updated to reflect changes in income or expenses.
- It doesn't allocate enough to savings, forcing a reliance on credit cards to cover any emergency.

- You frequently place yourself in temptation's way. (For example, you go to the mall for fun or you go to your favorite superstore to pick up "just one" item.)
- There's a lack of commitment to making the budget work.

Ask, *What could you do if you were having trouble sticking to your spending plan?* (Following are some ideas that you can offer if learners do not volunteer them.)

- Analyze why you're having trouble so that you are able to address the real issue.
- Update the plan to reflect any changes in income or expenses.
- Make the plan more realistic—track spending to make sure expense estimates are as accurate as possible.
- Increase savings so unexpected expenses don't throw you off track.
- Build in small rewards for success.
- Enlist support from friends and family members.
- Avoid temptation.

Have learners take the *Want or Need?* activity sheet from their packets. This exercise can be done individually, or you can break the class into small groups to work on the activity together. Read the instructions at the top of the sheet aloud. Allow 5 to 10 minutes to complete the exercise.

Go down the list, asking the class whether they said the item was a want or a need. There are no right or wrong answers, though certain items, such as jewelry and video games, are pretty clearly wants and other items, such as prescriptions and groceries, are clearly needs. Some other items are debatable: An airline ticket to Hawaii for vacation would be a want, but what about an airline ticket to attend a friend's wedding, a funeral, or a job interview? When is a pair of shoes a need and when is it a want?

Encourage discussion:

- *How do you define a need? A want? Why do people sometimes see things differently?*
- *Were there items on the list that were difficult to categorize as a want or a need? What made it difficult?*
- *Are there things that you put on your own personal list of "needs" that you know are really "wants"? How does that affect your budget and your goals?*
- *Would you be willing to use a credit card to finance purchases of your "wants" if you knew you would not be able to pay the bill in full the first month (in other words, you would have to pay interest on the purchase)?*
- *Are there ways to satisfy your wants or meet your needs less expensively? What are some alternatives? (For example, could you borrow a video game from the library? Could you get help paying your rent by taking in a roommate?)*

Taxes (5 minutes)

➡SLIDE #24

Introduction: It's impossible to avoid taxes—if you're employed, you'll pay Social Security tax; if you buy something, in most states you'll pay sales tax; if you put gas in your car, you'll pay an excise tax; if you give a sizeable financial gift, you might have to pay a gift tax; and most Americans pay income tax. Since taxes play such a big part in most people's finances, it's a good idea to understand some basics.

Go over the points on slide #24.

➡SLIDE #25

Go over each of the bulleted points per slide notes.

Savings Success (15)

Introduction: Most people know they should be setting aside money for emergencies, retirement and financial goals, but many people still do not do it. It's common to hear someone say they will start saving later—when they have fewer bills, higher income, or nothing else they want to do with the money. But later rarely comes, and those people who procrastinate find themselves without the savings they need to achieve financial success and security. It's true, saving can sometimes be hard, but there are ways to make it much easier.

SLIDE #26

Go over each of the bulleted points per slide notes.

Direct learners to take the *My Savings Goals* worksheet from their packets. Reveal the next slide to illustrate an example that will help get learners started on their goals worksheet.

SLIDE #27

Go over the example onscreen.

Allow learners a few minutes to work on their goals worksheet. Then ask for volunteers to share one of their goals. After a few responses, engage learners in a discussion.

Questions for discussion:

- *What makes a goal achievable or unachievable?* (An achievable goal is reasonable, clearly defined, and within your power to achieve through your own actions.)
- *Can you name a short- or medium-term goal that should be on everyone's list?* (Everyone should save enough money in an emergency fund to cover three to six months of living expenses.)
- *Can you name a long-term goal that should be on every person's list?* (Everyone should save for retirement.)
- *Can you name a short- or medium-term goal that should be on many people's list?* (Anyone with revolving debt should make a goal to pay it off as quickly as possible.)
- *Should you reward yourself for reaching your goals? What might be an appropriate reward?* (Rewards can motivate you. However, the greatest reward should be the satisfaction of achieving your goal. Any other reward should be reasonable and proportional to the goal you

have achieved. For example, a dinner at your favorite restaurant after you have saved three months' expenses in an emergency fund might be appropriate. Whatever reward you decide on should not be so expensive that it sets you back.)

- *Where are some safe places to put your short-term savings?* Reveal the next slide to discuss options.

SLIDE #28

Go over each of the bulleted points per slide notes.

Investing Basics (25)

SLIDE #29

Introduction: Investing is different from saving. When you invest, you willingly take more risk with your money in exchange for the potential for greater returns (earnings). Investing is necessary because it's the only way your money will grow enough to maintain your lifestyle in retirement. Even though there is more risk associated with investing than with simply saving, it is not the same as gambling. Careful investors don't just react to a hot tip—they make educated choices that help reduce their risk.

Go over each of the bulleted points per slide notes (#29).

SLIDE #30

Go over the chart, explaining the rate/return estimates according to slide notes.

After you have finished going over the chart ask, *Urban legend has it that Einstein called compound interest the most powerful force in the universe—who has heard of compounding, or compound interest?* ("Compounded monthly" appears at the bottom of the chart.)

After allowing a moment for learners to respond, reveal the next slide.

SLIDE #31

Go over each of the bulleted points per slide notes.

SLIDE #32

Go over the example of compounding; refer to slide notes for key points.

The most important element of compounding is time—the earlier you start saving, the greater the effect time has on the growth of your money.

SLIDE #33

Go over the example; refer to slide notes for key points.

Discussion questions:

- *Why do you think many people wait until their 30s or 40s or even later to start saving and investing?*
- *Do you think they would wait so long to start saving and investing if they knew the value of time?*
- *Do you think it would be easier to save a much smaller amount each month for more years, or to save much more each month for fewer years?*
- *How do you think what you've learned about compounding will affect your own savings/investing decisions?*

There's one other big boost for your savings, besides time, that it pays to take advantage of—tax-deferral.

SLIDE #34

Go over the example; refer to slide notes for key points.

Discussion question:

- *Does this example change your strategy for saving for retirement or college?*

Now that you understand the basics of investing, you can determine when and where to invest by asking yourself five key questions.

SLIDE #35

Go over each of the five questions per slide notes.

Have learners take the *A Question of Investing* activity sheet from their packets. Instruct learners to circle the best answer of the choices given. Let them know that some of the material has not been covered—this is a learning exercise, not a test—so, where necessary, they should make an educated guess. Allow 10 minutes to complete the exercise.

Go over the questions, inviting volunteers to answer. The answers follow, along with some additional information.

1) **C**.
2) **A**. That is why bonds pay interest—because a bond is a loan.
3) **D**. Corporate bonds are issued by companies, municipal bonds are issued by state or local governments to raise money for civic projects, and U.S. Savings Bonds are issued by the federal government.
4) **C**. The stock market fluctuates constantly, but over the long term (many years), the stock market has risen. That's why it's less risky to "buy and hold" than to try to "time the market" (buy and sell frequently, attempting to hit the high and low points).
5) **A**. The shorter your investment timeframe, the more volatile (risky) the stock market is.
6) **D**. The share price of a stock can go up or down, meaning that you gain or lose money if you sell. Also, some companies pay out dividends, which are a share of the company's profits.

7) **D**. When you invest in any company, you could gain or lose. Investing in a new company rather than an established one is even riskier. Always learn as much as possible about a company before you invest, and never invest more than you can afford to lose.

8) **D**.

9) **C**. Mutual funds and public companies (those that sell shares of stock) are required by law to issue a truthful prospectus, which provides essential information for prospective investors. Do not invest in any company or mutual fund before reading the prospectus. You can request a prospectus by contacting the company by phone or visiting its website.

10) **B**. Few investments can match an 18 percent interest rate. It doesn't make much sense to invest your money at, say, 8% while you're paying the credit card company 18%. If you have more than one credit card with a revolving balance, pay at least the minimum on all the cards and apply any extra to the card with the highest interest rate. When that's paid off, apply any extra to the card with the next highest interest rate, and so on until all your credit card debt is gone.

11) **D**. Since Sam has approximately 40 years before he plans to access his 401(k) retirement funds, a stock mutual fund is a good option for him. The short-term volatility of the market won't affect him, and a stock mutual fund reduces his risk through diversification.

12) **B**. An insured money market account pays slightly more interest than a regular savings account, but it is also FDIC-insured, so there is no risk at all; bonds pay higher interest than savings or money market accounts but offer lower returns, and are less risky, than stocks; shares in a large-company stock mutual fund gives you the potential for a higher return than you could get from bonds while reducing your risk through diversification—and investing in large companies is considered safer than investing in small companies or specific industries such as technology; stock in a single company means all your eggs are in one basket—a very risky prospect.

13) **C**. The other choices are types of tax-advantaged accounts. Within each of these accounts, you must choose specific investments, such as shares of a mutual fund or company stock. Otherwise, the money you contribute will sit in a very low-paying default savings vehicle such a money market mutual fund, and that will not help you to achieve your long-term financial goals.

14) **C**. To figure out roughly when your money will double, divide 72 by the interest rate you earn. For example, if you earn 6% interest, your money will double in approximately 12 years (72/6=12).

15) **D**. Don't ever invest under pressure. And remember, if something seems to good to be true, it probably is.

Homeownership (20)

SLIDE #36

Introduction: As with most major financial decisions, there are advantages and disadvantages to both renting and buying a home. Which option is right for you will depend on many factors, including your employment situation, your savings and income, and your lifestyle. If you do choose to buy, you can improve your odds of success by choosing the mortgage that best fits your needs and by taking steps to protect your investment for the long term.

Go over the rent/buy comparison per slide notes (#36).

Very few people can afford to buy a home with cash from savings—most people need a home loan, or mortgage.

SLIDE #37

Go over each of the bulleted points per slide notes.

Understanding your mortgage options and the specific terms of any loan you're considering will enable you to get the best deal and avoid loan products that could put you in a difficult position down the road.

SLIDE #38

Go over each of the bulleted points per slide notes.

Have learners take the *Rent or Buy?* activity sheet from their packets. Break the class into groups to work on the scenario together. Before groups start working, ask for a volunteer to read the scenario aloud (or do so yourself), along with the questions at the end. Point out that there are no right or wrong answers to this scenario. It is reflective of what virtually all prospective homebuyers go through—narrowing their options, weighing the advantages and disadvantages of each, and making compromises.

Allow about ten minutes for groups to complete the exercise. At the end of that time, ask for a spokesperson from each group to tell the class how that group would advise Lee and Gerry.

Here is a guide to assist you during the discussion:

Lee and Gerry have four options:

- buy the suburban home that has all the features they want
- buy a smaller, less expensive suburban home
- buy the nearby condo
- stay in their apartment

If Lee and Gerry buy the suburban home that has all the features they want, their finances will be stretched. That would be fine for some couples, and difficult or at least unpleasant for others. Lee and Gerry have to decide if giving up some things (like dinners out) is worth it to have the home they want. They might find that their finances are not as tight as they expected if they have not factored in the absence of parking tickets and frequent restaurant bills.

Lee and Gerry could get a little more breathing room in their budget if they bought the smaller suburban home. They would still get the benefits of homeownership—tax deductions and the opportunity to build equity—without have to borrow quite as much from their 401(k) plans or take out quite as big a mortgage. But they will still have the longer commute. Would you stretch your budget further to get exactly what you wanted, or would you buy something more affordable with plans to upgrade some years down the road?

If Lee and Gerry buy the nearby condo, they get many of the benefits of homeownership (tax deductions and equity), but they do not improve their living situation (no extra room, no yard and no garage). In addition to a smaller downpayment and lower monthly mortgage payments than they would have if they bought either of the suburban homes, they will avoid commute expenses—though they may still get parking tickets and be tempted by nearby restaurants! They will also have to pay homeowners association (HOA) dues, a monthly fee that pays for maintenance of common areas and features such as landscaping, exterior painting and roofing.

Regardless of which property the couple buys, they will reduce their tax bill. As homeowners, they'll now be able to itemize their deductions and reduce their taxable income by their mortgage interest payments and property taxes. And, in the first year, they can deduct the points they pay for originating the loan. To make it easier to make ends meet each month, Lee and Gerry could fill out new W-4 forms at work to increase their exemptions and get more money in their paychecks rather than waiting to get a tax refund.

Choosing a loan is not so difficult in this case. Because 5.5% is near historical lows for a fixed rate mortgage, Lee and Gerry should do what they can with their budget to lock in that rate if they plan on staying more than two years in the home that they buy. The 3% teaser rate on the ARM is very enticing, but it could jump the full 2% allowable when it adjusts in two years. At 5%, it is still slightly better than the 5.5% fixed rate. But it could jump another 2% just a year later. The reasons for Lee and Gerry to choose the ARM would be if the lower payment were the only way they could get their dream house; if they planned to sell or refinance within the first three years (before it could adjust a second time and go as high as 7%); or, if they were sure their income would increase significantly in the first three years, so that the payments at a rate higher than 5.5% would still be affordable if they couldn't sell or refinance. Should Lee count on getting a raise in a year? Should Gerry count on finding a better-paying job?

Of course, doing nothing is always an option—Lee and Gerry could just stay in their rent-controlled apartment for now. They know their rent won't increase significantly, and they could use the extra time with lower housing costs to save more for a down payment and increase their income. Then, they could conceivably be in position to buy a home without borrowing from their retirement plans or stretching their budget so tightly to make the monthly payments.

Whatever the couple does—buy or stay put—they should make it a goal to increase their emergency fund.

Ask, *If you thought that Lee and Gerry should buy rather than rent, what advice would you give them about being successful homeowners? What do they need to do to protect their home and their investment?*

After a moment or two of taking answers from volunteers, reveal the next slide.

SLIDE #39

Go over each of the bulleted points per slide notes.

Insurance Essentials (15)

Introduction: Insurance is meant to protect you from losses that would be difficult or impossible to recover from. Not everyone needs every type of insurance, but most people need more than one kind. Understanding what kind of coverage you need enables you to protect your assets, while knowing how to lower your premiums will make buying all the coverage you need more affordable.

Refer learners to the course brochure (*Achieving Financial Goals*) for descriptions of each of the main types of insurance coverage, which you'll be covering now. Give them a moment or two to look over the text again.

First, we'll look at the most common types of insurance, and what these policies do and don't cover.

➡SLIDE #40

Go over each of the bulleted points per slide notes.

➡SLIDE #41

Go over each of the bulleted points per slide notes.

➡SLIDE #42

Go over each of the bulleted points per slide notes.

➡SLIDE #43

Go over each of the bulleted points per slide notes.

➡SLIDE #44

Go over each of the bulleted points per slide notes.

➡SLIDE #45

Go over each of the bulleted points per slide notes.

Now that you know what types of insurance you might need, how do you go about buying coverage?

➡SLIDE #46

Go over each of the bulleted points per slide notes.

Ask, *What are some ways to save money on insurance? How can your reduce your premiums?* Write down learners' answers. They should include the following (offer any that learners don't mention):

- Opt for a higher deductible, co-pay (health insurance) or elimination (or waiting) period (disability insurance)
- Claim-free for several years
- No moving violations for several years (auto)
- Multi-policy discount—more than one type of coverage (auto and renters or homeowners, for example) from a single insurer and/or more than one car
- Drop comprehensive coverage on an older car (you would not be able to place a claim if your car were stolen or damaged)

- Alarm systems (home burglar/fire alarm; auto antitheft alarm)
- Safety features (airbags, antilock brakes, home smoke detectors, deadbolt locks, etc.)
- AAA membership
- Defensive driving course; student driver with good grades
- Low annual mileage
- Nonsmoker
- Senior citizen

Questions & Answers (10)

Preparation: Review the brochure and the Money Management 1-2-3 Backgrounder Guide for this section.

Open the floor to questions.

After questions have been answered, ask learners to remove the *To Do at Home: Money Management 2* checklist from their packets. Encourage learners to use the checklist to act on some of the things they learned today.

Reveal the next slide.

➡SLIDE #47

Congratulate learners on their participation in the seminar and wish them success. Ask them to fill out the seminar evaluation form and leave it on a table or in a large envelope you provide.

Part 3: Planning a Secure Future

Instructor's Note:
If you are presenting this section of Money Management 1-2-3 on its own, see the Instructor's Notes and Welcome preceding Part 1—they will tell you how to prepare for the workshop, how to make the best use of the PowerPoint visual teaching aid, and how to welcome and prepare learners for the day's agenda.

If you are presenting this section as part of a full-day, three-part seminar, welcome learners back from the break.

➡SLIDE #48 (onscreen as learners arrive or return from break; direct learners to read the *Planning a Secure* Future brochure in their packet before you begin)

Introduction: After you've achieved many of your most immediate financial goals, you'll want to shift even greater focus onto planning and preparing for a financially comfortable and secure retirement—one that allows you to maintain your lifestyle and enjoy peace of mind even if your retirement is decades long.

Part 3 of the Money Management 1-2-3 seminar will help you understand how you'll replace your income after you stop working, what additional insurance coverage you might need as you age and build greater wealth, and what documents and information are essential in an estate plan.

Funding Your Retirement (30)

Introduction: There are two savings goals everyone should have in common: Accumulating an emergency fund and saving an adequate nest egg for retirement. These two goals are something everyone should have in common, regardless of age, culture or profession. But exactly how much you'll need to save for retirement may differ slightly from person to person.

Ask, *Do you know how much money YOU will need to retire?*

After a moment of two of thought, reveal the next slide.

➡SLIDE #49

Go over each of the bulleted points per slide notes.

Discussion questions:

- *Do you think you'll need the same income in retirement as you have now? More? Less? Why?*
- *What specifically to you think you might spend more on? Less on?*
- *How do you plan to make sure you have enough money in retirement?*

One way to improve the odds of having enough money to last your whole retirement is to invest for a longer life. It used to be that people assumed they only needed to save enough for a retirement of 10 to 15 years, say from age 65 to age 75 to 80. So, they would invest accordingly, putting their money in very safe investments that did not offer a high rate of return because they weren't that worried about outliving their money.

These days, it's not uncommon for one spouse or partner in a couple to live beyond age 90. That's an additional 10 to 20 years of retirement to fund! That means you have to save more AND make your money work harder for you. Experts now encourage savers to invest as though they will live decades in retirement.

Reveal the next slide.

➡SLIDE #50

Go over each of the bulleted points per slide notes.

➡SLIDE #51

Go over the chart according to slide notes.

Direct learners to take the *Pre-planning Retirement Worksheet* from their packets. Explain that they may not have answers to all the questions right now, but these questions will get them started thinking about the kind of retirement they envision and what will be needed to fund that retirement.

This worksheet will assist learners and/or their advisors as they design a comprehensive retirement plan.

Give learners a few minutes to start their worksheets. After a few minutes, encourage discussion with the following questions:

- *Are there questions here that you had never considered before when thinking about retirement? What are they?*
- *What next steps does this exercise encourage you to take?* (Possible answers include: Ask HR questions about retirement plan, open a traditional or Roth IRA, increase retirement plan contributions, hire an adviser, learn more about retirement planning on my own, talk to my spouse or partner about our plans, develop a skill or side business for income in retirement.)
- *How do you feel now about retirement—anxious, excited, well-prepared, unprepared, motivated, etc?*

If learners indicate they feel anxious or overwhelmed, reassure them that it's better to learn about their retirement needs now, while they still have time to prepare, than to be surprised and unprepared when they enter retirement and it's too late to do anything about a shortfall.

Just a few more points about retirement planning—a couple of them are alluded to in the *Pre-planning Retirement Worksheet*.

➡SLIDE #52

Go over each of the bulleted points per slide notes.

Direct learners to the *Personal Net Worth Statement* in their packets. Go over the worksheet briefly. Encourage learners to use this worksheet at home to calculate their net worth around the same time every year—say, the first week of January or the week of April 15 (tax day)—to gauge their progress. Online net worth worksheets are available as well—search for key words "personal net worth statement" or "personal net worth worksheet"—and they make it easy to update your numbers.

Discussion questions:

- *Why don't we include furniture and personal possessions in the net worth statement?* (Because, while these items have value for insurance purposes, they are not items that you would typically sell unless you were in dire straits. In other words, you're not going to plan on selling your dining room table as a means to retire. Also, it's difficult to assign a value to personal possessions such as furniture or a used computer since they are worth exactly what someone else would pay you for them at a particular time—something that is difficult or impossible to know if you don't actually try to sell the item.)
- *When might it be acceptable—or even satisfying—to see your net worth go down?* (When you buy a home and take on a mortgage…that's good debt. Over time, as you pay off your mortgage and as your home appreciates in value, the net worth calculation will tip in your favor.)

Tapping Your Home Equity (25)

Introduction: One of the major benefits of homeownership is the opportunity to build equity, or ownership in the property. Equity can be a result of paying down your mortgage or the property going up in value, or both. At some point, you may decide to convert the wealth you have built up in your home to cash that you can use to achieve new goals. Under certain circumstances that can be a wise choice, but it's important that you understand all your options as well as the risks associated with borrowing against your home.

➡SLIDE #53

Go over each of the two types of home equity loan per slide notes.

Ask, *Can anyone think of any drawbacks to borrowing against the equity in your home?*

After a moment, reveal the next slide.

➡SLIDE #54

Go over each of the bulleted points per slide notes.

Ask, *How does a credit card compare to a home equity loan or line of credit?*

Reveal the next slide.

➡SLIDE #55

Go over the chart entries per slide notes.

There's another way for retirement-age homeowners to tap their equity.

Reveal the next slide.

➡SLIDE #56

Go over the pros and cons of a reverse mortgage per slide notes.

Ask learners to take the *Credit or Equity: Which Would You Advise?* activity from their packets. Read the instructions and give learners five to ten minutes to complete the exercise. (This exercise can be done individually, or you can break the class into four small groups, assigning each group to work on one of the four exercises.)

Bring the class together again. Have a spokesperson from each group read that group's assigned scenario and explain their recommendations. Or, if the exercise was done individually, you or a volunteer should read the scenario and then invite volunteers to share their recommendations. Following are the suggested recommendations and the reasoning behind them.

1) Yvette still lives happily in the same modest home where she raised her three children. Fortunately, she and her late husband were able to pay off their mortgage before they retired, so she no longer has to worry about making a house payment out of her monthly Social Security check. Despite being careful about her spending, money is pretty tight for Yvette—there's not much left over each month for extras. Still, Yvette has always managed to make ends meet without having to use credit. Now, however, her home needs a new roof. The estimates she's gotten are between

$6,000 and $8,000—more than she has in savings. How can Yvette pay for the needed repairs? What are her best options?

Since Yvette owns her home outright, she certainly has enough equity to borrow against. However, because Yvette doesn't have any significant amount of monthly income leftover to make a new mortgage payment, she would not qualify for a home equity loan or line of credit. And paying for the roof with a credit card would likely create a high-interest revolving debt that would use up Yvette's last spare dime each month. In fact, it may take her many years to pay off the debt. A reverse mortgage may be a reasonable choice. But, because a reverse mortgage is relatively expensive on the front end, it doesn't make sense to take one just to cover one $6,000-$8,000 expense. If however, Yvette expects to live many more years in retirement and will need to do additional repairs, replace an old car, or take some trips and have some leeway in the monthly budget, then a reverse mortgage may be worth the costs. Another option for dealing with this particular one-time roofing expense may be a loan from the city. Some local governments offer loans for senior citizens who need to make home repairs. Lastly, if Yvette's children are in a position to help, might they be willing to pitch in for the repair?

2) Laney and Jerrold bought their one-bedroom home with a 30-year adjustable rate mortgage (ARM). After living there for six years, they have built up about $45,000 in equity—a combination of quickly rising property values in their neighborhood and a slowly but steadily shrinking loan principal balance. During the same period, they both received pay raises, which, along with a consistently low interest rate, has created some welcome breathing room in their budget. The home has been perfect for the couple—near family and work, with a big yard for their two dogs. But now they are planning to adopt a child. Should Laney and Jerrold sell and move to a bigger house outside the area (they couldn't afford a bigger home in their current neighborhood)? Or should they borrow against their equity to add another room? What would you advise, and what do Laney and Jerrold need to consider when making their decision?

Laney and Jerrold could move, but moving expenses and real estate commissions and/or attorney fees will likely eat up much of their $45,000 in equity, leaving them little money to upgrade to a bigger home. Also, the couple is very happy in the current property—moving may leave them dissatisfied. It also could cause their transportation expenses to increase if they move farther from work. And they may forego the support and childcare they would get from nearby family if they moved farther away. Taking out a home equity loan or line of credit appears to be a reasonable option for the couple. Two things they should keep in mind to avoid any future payment problems: The rate, and payment, on their current adjustable rate mortgage could adjust upwards at some point, making their monthly finances tighter. And, if they choose a HELOC, which normally charges a variable interest rate, they would be taking on a second monthly payment that could jump. In this case, it would be crucial that they put aside an adequate savings cushion that they could tap to cover increasing payments, if necessary. Of course, they could choose a fixed-rate equity loan, rather than a line, and that payment would be fixed. Another option might be for Laney and Jerrold to refinance their first mortgage into a fixed-rate loan, borrowing a higher amount that reflects their equity, rather than taking out a separate equity loan. That would give them one fixed loan payment rather than two adjustable loan payments.

3) Jaydon and his partner recently split up after 12 years together. Though both have good incomes, they have consistently lived beyond their means, frequently eating at their favorite restaurants, buying new clothes to keep up with the latest fashion, and trading in slightly older vehicles for late-model luxury cars. Somehow, despite their overspending, the couple managed to stay current with the mortgage, though they often incurred late fees. As part of the break-up, Jaydon *is keeping the house, which he purchased when he was still single, and which is now worth about $60,000 more than the outstanding mortgage. The couple is splitting the large outstanding credit card debt they accumulated together—Jaydon's share is about $35,000, currently at a rate of 21.99%. Jaydon also will keep one of the cars, which has an outstanding loan balance of $21,000 at 7.75%. Current rates on home equity loans are about 8.5% (fixed) and variable rates on home equity lines of credit start at about 5.5%. Should Jaydon borrow against his equity to pay off his high-rate, non-deductible debt? If so, why, and should he apply for a fixed-rate loan or a variable rate line of credit (HELOC)? If you think he shouldn't borrow against his equity, why not? What are his other options?*

While using home equity to pay off high-interest, non-deductible debt can be a good idea for some homeowners and under certain circumstances, this is unlikely to be the best solution for Jaydon. In fact, it may not even be an option. If Jaydon has a record of paying his mortgage late, and he has a high credit card balance and an outstanding car loan, his application for a home equity loan may very well be declined. If he does get approved for the loan, taking it may be a risky move. That's because using it to pay off his credit card balance means he will have converted unsecured debt (debt that requires no collateral to be forfeited should the debt go unpaid) to debt secured by his home. This means Jaydon could lose his home (foreclosure) if he misses payments on the home equity loan. And given Jaydon's past issues with managing his money and living within his means, a home equity loan or line of credit would make it possible for him to continue his unsustainable lifestyle at the cost of his home. A safer plan for Jaydon would be to try to transfer his credit card balance to a lower-rate card—one that offers 0% for six months or longer would be ideal. If Jaydon can sell his car for at least the $21,000 he owes, he should consider getting into a less expensive vehicle that requires a much smaller loan and monthly payment. (If he needs a car to get to and from work, Jaydon should make sure first that he will qualify for another auto loan if he pays off the current one.) Once Jaydon has his current debt at the lowest level and the lowest interest rates he can get, he should set up a budget that enables him to put as much as possible each month toward paying off his debt—he'll definitely need to make more than the minimum required payments if he wants to get back on track in a reasonable number of years. If he needs help getting his budget together or making his payments, he should contact a nonprofit credit counseling agency. (See the FAQs for information about credit counseling.)

4) Georgio and Chris were pleased, but not surprised, when they recently learned that their FICO credit scores from all three credit reporting agencies ranged from 770 to 810 (on a scale of 350 to 850). The high scores reflect the couple's commitment to paying their bills on time and not borrowing more than they can afford. Currently, the couple owes about $14,000 on two cars, at an average rate of 7%. That is their only debt other than the remaining balance of $63,000 on their 30-year fixed rate mortgage. The home was recently appraised at $150,000. While money has not been a major problem for Georgio and Chris, they are concerned about how they will pay for college for their son, who will graduate from high school next June. The good news: He has been accepted to his top choice school. The bad news: The school is out of state, and the cost of tuition and board is more than Georgio and Chris had planned and saved for. The couple is also concerned because there have been rumors that Chris' company may be laying off some of their workforce in the coming year. While Chris believes his job is safe, he can't be 100% sure. Should Georgio and Chris borrow against their home equity to pay off their car loan and pay for their son's college? If so, why, and which type of loan should they choose (lump-sum loan or line of credit)? If not, why not?

Georgio and Chris appear to be good candidates to borrow against their home equity. Their home is worth considerably more than the current mortgage balance. Their credit scores reflect long-term success in managing their money and bills responsibly. And since they don't appear to have issues with overspending, an available line of credit is unlikely to be an irresistible temptation that will get them into financial trouble. In this case, a HELOC is more appropriate than a lump-sum loan because the couple will only need to tap the loan in small quantities over time—no point paying interest on a large initial balance that may go unused for long periods. With the line of credit, Georgio and Chris could pay off their $14,000 in car debt, making future interest payments tax deductible. The payments may also be reduced, if the interest rate on their HELOC is lower than the 7% they're currently paying. The HELOC will also enable the couple to pay college expenses. However, experts recommend looking into other sources of funding as well, such as scholarships, financial aid, student loans, and work-study programs. Another benefit of taking out a HELOC now is that the couple is more likely to qualify for the loan while Chris is still employed. If Chris becomes unemployed in the future, the line of credit will provide an emergency cushion—in addition to the couple's emergency fund—to make sure ends meet until Chris finds a new job.

Staying Adequately Insured (25)

Introduction: Insurance needs change as your family and your assets grow, as your employment situation changes, and as you age. It's important to re-evaluate your insurance coverage regularly to make sure you stay adequately protected—you don't want to find out *after* an accident or illness that your coverage comes up short.

Ask, *What are some reasons you might need to buy different insurance or more insurance?*

Allow a moment for learners to volunteer answers. (Some possible answers include: You buy a home, you have a(nother) child, you get a new car, you inherit some valuable jewelry or artwork, you add a second floor to your home.)

Then reveal the next slide.

➡SLIDE #57

Go over each of the bulleted points per slide notes.

If you have had health insurance provided by your employer or your spouse's or partner's employer, it can be easy to take free or inexpensive medical coverage for granted. When you lose it—through a job loss, retirement or some other change in circumstances—you can find yourself scrambling.

➡SLIDE #58

Go over each of the bulleted points per slide notes.

Ask, *Can anyone tell me what type of insurance most people don't even start thinking about until they are in their 50s or 60s?*

After a moment, reveal the next slide.

➡SLIDE #59

Go over each of the bulleted points per slide notes.

Ask learners to take the *Insurance Match-up* activity from their packets. Read the instructions and give learners five to ten minutes to complete the exercise. Then go through the worksheet, inviting learners to volunteer the answers. Following is the answer key.

1) __G__ This type of insurance *(personal liability umbrella policy/PLUP)* will help you when your losses exceed the maximum amount of your homeowners or auto insurance coverage.

2) __H__ This type of insurance *(long-term care)* pays for help with things like eating, bathing and dressing if you are unable to take care of daily personal tasks yourself.

3) __K__ Your insurance company may not pay the entire amount of your loss if you are this *(underinsured)*.

4) __L__ This *(annual insurance audit)* will help ensure you are adequately covered for future losses.

5) __F__ Generally speaking, the higher this is *(deductible)*, the lower your insurance premium will be.

6) __A__ This *(health savings account/HSA)* enables you to pay your health care co-payments, deductibles and other expenses with pre-tax dollars if you are covered under a high deductible health plan.

7) __H__ Most people only consider buying this type of insurance *(long-term care)* when they reach their 50s or 60s.

8) __E__ These independent agencies *(A.M. Best, Moody's, and Standard and Poor's)* rate the financial strength of insurers and other companies.

9) __H__ Experts advise against paying premiums of more than 7% of your projected retirement income for this type of insurance *(long-term care)*.

10) __I__ This *(COBRA)* allows you to continue coverage under your employer's health insurance plan for up to 18 months after you leave the company.

11) __B__ Don't use this *(home equity)* to pay for your medical expenses.

12) __J__ This *(Medigap)* pays some or all of the deductibles, co-payments and other unpaid charges under regular Medicare.

13) __D__ Generally speaking, this *(group insurance)* will be less expensive than an individual health insurance policy—you might have access to one through membership in a professional association.

14) __C__ Whenever you have this *(increased risk or increased assets)*, you most likely need more or different insurance coverage.

Estate Planning (20)

Introduction: Many people think that estate planning is only for very wealthy people or very old people. The truth is, just about everyone needs an estate plan, and they should create one long before they become senior citizens. Although estate planning may not seem as rewarding as, say, planning for your retirement, it’s just as important—and you get an immediate payoff in the form of greater peace of mind.

➡SLIDE #60

Go over each of the bulleted points per slide notes.

➡SLIDE #61

Go over each of the bulleted points per slide notes.

Ask learners to take the *Estate Planning Worksheet* from their packets. Go over the worksheet and encourage learners to use it at home. Then encourage discussion.

Discussion questions:

- *What part or parts of estate planning do you think are most crucial at this stage in your life? Why?* (Learners might mention things like assigning a guardian if they have small children or creating a succession plan if they have a business.)
- *Do you think that putting your estate plan and important papers in order will give you peace of mind?* (Encourage learners not to think of estate planning as something unpleasant but as something that will lift a weight off their shoulders.)

Questions & Answers (10 minutes)

Preparation: Review the brochure and the Money Management 1-2-3 Backgrounder Guide for this section.

Open the floor to questions.

After questions have been answered, ask learners to remove the *To Do at Home: Money Management 3* checklist from their packets. Encourage learners to use the checklist to act on some of the things they learned today.

Reveal the next slide.

➡SLIDE #62

Congratulate learners on their participation in the seminar and wish them success. Ask them to fill out the seminar evaluation form and leave it on a table or in a large envelope you provide.

Understanding Your Pay Stub (activity)

Examine this sample pay stub and answer the questions at the bottom of the page.

<table>
<tr><td>Best Business, Inc.
123 Prosper Blvd.
Mt. Washington, CA
93476</td><td colspan="3">Pay Period: 5/1/2010 – 5/15/2010
Pay Date: 5/20/2010
Check No: 6755
Gross Pay: $1,200.00
Check Amount: $1,012.20</td></tr>
<tr><td rowspan="5">Rick Reynoso
7890 Long Road
Mt. Washington, CA
93476

SS#: XXX-XX-4321
Marital Status: Married
Exemptions/Allowances:
Federal: 2
CA: 2

Hourly Rate: $15.00
Hours Worked: 80</td><td>Pre-tax Deductions</td><td>Period</td><td>Year-to-Date</td></tr>
<tr><td>401(k) retirement</td><td>$50</td><td>$100</td></tr>
<tr><td>Taxable wages</td><td>$1,150</td><td>$2,300</td></tr>
<tr><td>After-tax Deductions</td><td>Period</td><td>Year-to-Date</td></tr>
<tr><td>Federal income tax
Social Security tax
Medicare tax
CA state income tax
CA SUI/SDI tax</td><td>$27.28
$74.40
$17.40
$5.52
$13.20</td><td>$54.56
$158.80
$34.80
$11.04
$26.40</td></tr>
</table>

1. *How many times do employees of Best Business, Inc. get paid in one year?*
2. *How long has Rick worked here?*
3. *Why are some of the digits in Rick’s Social Security number blocked out?*
4. *Does Rick have children?*
5. *How does having his retirement contribution deducted “pre-tax” help Rick’s bottom line?*
6. *What is the largest deduction from Rick’s gross pay?*
7. *What is CA SUI/SDI?*
8. *Why do you think there is no deduction for medical insurance?*
9. *How could Rick have less taken out of his check?*

Make copies of this blank sheet and cut down center to track spending for two weeks.

Fritter Finder
Carry the Fritter Finder with you and track every penny you spend. Total your spending at the end of the week. Make adjustments in future spending to stay within your budget.

WEEK OF: _____________

PURCHASE	AMOUNT
Example: Coffee	$3.25
______________________	__________
______________________	__________
______________________	__________
______________________	__________
______________________	__________
______________________	__________
______________________	__________
______________________	__________
______________________	__________
______________________	__________
______________________	__________
______________________	__________
______________________	__________
______________________	__________
______________________	__________
______________________	__________
______________________	__________
______________________	__________

TOTAL: _______

Fritter Finder
Carry the Fritter Finder with you and track every penny you spend. Total your spending at the end of the week. Make adjustments in future spending to stay within your budget.

WEEK OF: _____________

PURCHASE	AMOUNT
Example: Coffee	$3.25
______________________	__________
______________________	__________
______________________	__________
______________________	__________
______________________	__________
______________________	__________
______________________	__________
______________________	__________
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______________________	__________
______________________	__________
______________________	__________
______________________	__________
______________________	__________
______________________	__________
______________________	__________
______________________	__________
______________________	__________

TOTAL: ________________

Help Max Create a Realistic Budget (activity)

Expense Item	Monthly cost	Revised/Recommended
Rent	$650	
Renters insurance	$145	
Gas & electricity	$45	
Water/garbage	$0	
Telephone	$50	
Groceries	$140	
Medical/dental/vision	$30	
Car payment	$250	
Gas	$80	
Auto insurance	$100	
Laundry	$30	
Clothing	$50	
Basic cable	$75	
Internet service	$60	
Dog food	$40	
Cell phone	$65	
Student loans	$180	
Other:		
Other:		
Other:		
Other:		

Max, a recent college graduate, has just started his first full-time job and moved into his own apartment. To help him manage his money, he has created a budget—but there are some problems with it. Help Max stay on track by examining his budget and noting anything that looks inaccurate or appears to be missing from his list of expenses. Where necessary, change Max's numbers (in the Revised/Recommended column), and include missing expenses in rows labeled "Other."

Here are some questions to guide you:

1. *Why is Max's renters insurance premium so high?*
2. *Why is Max's entry for water and garbage $0?*
3. *In which category(ies) does it appear that Max has underestimated his monthly spending?*
4. *Do you see any places where Max may be able to reduce his expenses?*
5. *What categories of spending are obviously missing from Max's list?*
6. *Do you think Max's budget is detailed enough to be a good tool?*

Budget Worksheet

Category	Expense Item	Current	Goal
Housing	Mortgage/rent		
	2nd mortgage/equity line		
	Condo/HOA dues		
	Maintenance		
	Property taxes		
Utilities/Services	Gas & electric		
	Water		
	Garbage		
	Phone (landline)		
	Cable		
	Internet		
	Cell phone		
Food	Groceries		
	Food at work/school		
	Dining out		
Transportation	Car payment(s)		
	Gas		
	Maintenance/oil/repairs		
	Registration		
	Parking/tolls		
	Public transportation		
Childcare	Daycare/babysitting		
Insurance	Homeowners/renters		
	Health/dental/vision		
	Auto		
	Life		
	Other		
Debt	Student loans		
	Credit cards		
	Previous years' taxes		
Savings	Emergency fund		
	Goals		
Personal	Hair/beauty		
	Clothing		
Other	Alimony/child support		
	Out-of-pocket medical		
	Pet care/food		
	Cigarettes/alcohol		
	Charity		
	Postage/bank fees		
	Vacation/travel		
	Movies/books/entertainment		
	Gifts		
	Laundry		

Total Monthly Income	Total Monthly Expenses	Monthly Shortfall/Overage
$	– (minus) $	= (equals) $ (– /+)

Checking & Savings Account Comparison Worksheet

Checking Account	#1	#2	#3
Name of financial institution			
Monthly maintenance fee			
Balance required to waive fee			
Cost of checks			
Per check fee			
Stop payment fee			
Overdraft fees			
ATM card available?			
ATM fees			
Direct deposit available?			
Link to savings account?			
Online bill pay/transactions?			
Other fees/costs			
Other features/services			

Savings Account	#1	#2	#3
Name of financial institution			
Monthly maintenance fee			
Balance required to waive fee			
ATM access?			
Automatic transfers available?			
Link to checking account?			
Online access available?			
Other fees/costs			
Other features/services			

Using a Check Register (activity)

For each checking account transaction, record the:

- Check number or transaction type
- Date
- Description (for example, the source of a deposit, such as a paycheck or a tax refund, or the recipient of a payment, such as your landlord or cellular phone service provider)
- Amount
- New balance (add to or subtract from the previous balance)
- Be sure to include automated payments, direct deposits, account transfers, and account fees

Number or Code	Date	Transaction Description	Payment, Fee, Withdrawal	Deposit, Credit	✔	Balance

1. Start with a balance of $500.
2. Write a check in the amount of $49.00 to ClearView Cable on 8/14/10. The check number is 2104.
3. Make an ATM withdrawal of $40 on 8/15/10. There is a $2 transaction fee for using a non-network automated teller machine.
4. On 8/20/10, your employer deposits your paycheck in the amount of $765.33.
5. Record an automatic student loan payment of $175 on 8/25/10.
6. Record a debit card purchase of $38.50 at Shoe Warehouse on 8/27/10.
7. Transfer $100 to your savings account on 8/30/10.
8. Record a monthly account maintenance fee of $5.00 on 8/31/10.

What is your final balance? ___________________________

Credit Card Comparison Worksheet

Terms & Conditions	Card A	Card B	Card C
Card name/issuer			
Credit limit			
Fixed or variable interest rate			
APR calculation (index + %)			
Interest Rates:			
Purchase APR			
Intro rate/length			
Balance transfer APR			
Intro rate/length			
Cash advance APR			
Penalty/default APR			
Penalty APR terms			
Fees:			
Account opening/Application			
Annual			
Balance transfer			
Cash advance			
Currency conversion			
Late payment			
Over-limit (if opting in)			
Bounced check			
Other fee:			
Other fee:			
Minimum finance charge			
Grace period			
Rewards/benefits			
Rewards/benefits			
Rewards/benefits			

Sample Credit Card Statement

SPEND-EASY CARD
From **YOUR BANK**

How to reach us:
Visit: www.cards.com
Customer Service: **1-800-PLASTIC**

Sara & Luis Consumer

Account 5566 7786 9934 5242

Billing Period: Sept 1 – Sept 30

Summary of Account Activity

Previous Balance	$400.00
Payments	$400.00
Other Credits	0.00
Purchases	$672.00
Balance Transfers	0.00
Cash Advances	$250.00
Past Due Amount	0.00
Fees Charged	$32.00
Interest Charged	$3.53
New Balance	$957.53
Credit limit	$1,500.00
Available credit	$542.47
Statement closing date	Sept. 30
Days in billing cycle	30

Payment Information

New Balance	$957.53
Minimum Payment Due	$20.00
Payment Due Date	Oct. 25

Late Payment Warning: If we do not receive your minimum payment by the date listed above, you may have to pay a $35 late fee and your APR may be increased up to the Penalty Rate of 29.99%.

Minimum Payment Warning: If you make only the minimum payment each period, you will pay more in interest and it will take you longer to pay off your balance: For example:

If you make no additional charges using this card and each month you pay…	You will pay off the balance shown on this statement in about…	And you will end up paying an estimated total of…
Only the minimum payment	16 years	$3,808.53 *(interest of $2,851)*
$38	3 years	$1,362.53 *(interest of $405)*

If you would like information about credit counseling services, call 1-866-300-5238.

Activity Detail:

09/01	Online payment	-$400.00
09/01	Sam's Auto Body	$332.00
09/10	Cash advance	$250.00
9/10	Cash advance fee	$15.00
9/15	Pierre Hotel	$340.00
9/15	Foreign currency conversion	$17.00
	Sub Total:	**$954.00**
09/30	Interest charged	$3.53

Account 5566 7786 9934 5242 - Page 1 of 2

Continued on the next page

Finance Charge Information:

	Annual Percentage Rate	Periodic Finance Charge	Days in Billing Cycle	Balance Subject to Finance Charge	Finance Charge
Purchases:	15.02%	0.0412%	30	$0.00	$0.00
Cash Advances:	24.52%	0.0672%	30	$250.00	$3.53
				Total Finance Charge:	**$3.53**

PAYMENT COUPON: Please detach and return with payment in the envelope provided.

Account Number: 5566 7786 9934 5242

New balance:	$957.53
Minimum amount due:	$20.00
Payment due date:	Oct 25
Amount enclosed:	

TO: YOUR BANK
PO Box 676767
Financeville, NY 11967

Notes:

Source for minimum payment calculations: http://www.federalreserve.gov/creditcardcalculator/

Source for finance charge calculation: http://www.debtsolution-strategies.com/intcalc.php

Understand Your Credit Card Statement (activity)

Using the sample credit card statement for Sara and Luis Consumer, answer the following questions.

1. How much did Sara and Luis charge over the past month?

2. If Sara and Luis started this billing cycle with a $0 balance, why are they being charged $3.53 in interest? Isn't there a grace period?

3. What is the real, total cost of the cardholders' cash advance?

4. Did Sara and Luis use their card overseas during the past month?

5. How much higher is the cash advance APR than the regular purchase or balance transfer APR?

6. What is the Periodic Finance Charge, and how is it calculated?

7. What will happen if Sara and Luis pay their bill late?

8. If Sara or Luis lost their credit card, how much would they be liable for?

9. How long would it take and how much would it cost for Sara and Luis to pay off their current balance if they only made the minimum payment of $20 per month? What if they increased their monthly payment to $38?

10. If Sara and Luis wanted the convenience of using "plastic," but also wanted to avoid any possibility of getting into debt, what options would they have?

To Do at Home: Money Management 1

Task	Completed (✓)	Notes
Review your pay stub. Ask HR to explain anything you don't understand.		
Adjust your allowances (Form W-4), if appropriate. Visit www.irs.gov for info.		
Use the Fritter Finder or another tool to track your spending for at least one month.		
Create your own detailed spending plan.		
Use the comparison worksheet to shop for a checking and/or savings account if you don't already have one.		
Set up an automatic transfer from your checking account to your emergency fund.		
Request your free credit reports from www.AnnualCreditReport.com.		
Dispute any credit report errors.		
Take steps to establish/improve credit.		
Check, and understand, the terms of any credit cards you currently have.		
Shop around to see if you could get a better deal with another card.		
Implement a system, or use free card issuer tools/services, to avoid credit card late, over-limit and other fees.		
Use a debit card for cash rather than taking credit card cash advances.		
If you routinely revolve a card balance, cut expenses to free up money to pay it off.		
Re-evaluate credit card fee-based services you are enrolled in to determine if they are worth the cost. Contact the credit card issuer if you decide to cancel the service.		

Training Evaluation: Money Management 1-2-3—Part 1

Before you leave, please help us improve future presentations by giving us your opinion of today's seminar. Circle the response that best reflects your feelings about each statement:

1. I have a better understanding of how to manage my income and expenses.

Strongly agree Agree Disagree Strongly disagree

2. I understand how checking and savings accounts can help me manage my money and achieve savings goals.

Strongly agree Agree Disagree Strongly disagree

3. I have a better understanding of why credit is important and how a high or low credit score can affect me.

Strongly agree Agree Disagree Strongly disagree

4. I have a better understanding of how to establish credit and use it wisely.

Strongly agree Agree Disagree Strongly disagree

5. I feel better prepared to avoid the disadvantages of credit cards.

Strongly agree Agree Disagree Strongly disagree

6. I can use the information provided today to make improvements in my financial life.

Strongly agree Agree Disagree Strongly disagree

7. The instructor was well informed.

Strongly agree Agree Disagree Strongly disagree

8. The materials I received are easy to read and understand.

Strongly agree Agree Disagree Strongly disagree

9. I would like to attend another class like this.

Strongly agree Agree Disagree Strongly disagree

Please let us know how we could improve future trainings (use back, if necessary):

____

____

____

____

____

Thank you for attending!

Want or Need? (activity)

Being able to distinguish between wants and needs can make the difference between achieving your financial goals and finding yourself drowning in debt. Determine which items in the list below are wants and which are needs—not all choices are clear-cut. Be prepared to discuss your choices.

Expense	Want (✓)	Need (✓)	Why?
Example: Latte	✓		*Could make coffee at home*
Spa treatment			
Groceries			
Gym membership			
Airline ticket			
Jewelry			
Fast food lunch			
Prescription (antibiotics)			
Auto repair			
Auto detailing (wash/wax)			
Friend's birthday gift			
Video game			
Computer			
Cosmetic surgery			
Shoes			
Daycare			
Cable television			
Telephone			

My Savings Goals (activity)

Short-term goals (*within 1 year*)

Goal	Total needed	Current savings	Need to save	Target date	Savings/ month	Savings/ pay period

Steps to achieve goals:

1. ____
2. ____

Medium-term goals (*more than 1 year but fewer than 5*)

Goal	Total needed	Current savings	Need to save	Target date	Savings/ month	Savings/ pay period

Steps to achieve goals:

1. ____
2. ____

Long-term goals (*more than 5 years*)

Goal	Total needed	Current savings	Need to save	Target date	Savings/ month	Savings/ pay period

Steps to achieve goals:

1. ____
2. ____

A Question of Investing (activity)

1) If you buy a company's stock:
   a) You are lending money to the company
   b) You are guaranteed to make money
   c) You own a part of the company
   d) You will not owe taxes on the money you make
2) If you buy a corporate bond:
   a) You are lending money to the company
   b) You are guaranteed to make money
   c) You own a part of the company
   d) You are liable for the company's debts
3) Which of the following is a type of bond?
   a) Corporate
   b) Municipal
   c) U.S. Savings
   d) All of the above
4) Over the 70 years from 1930 to 2000, the investment that provided the highest return is:
   a) Savings bonds
   b) CDs
   c) Stocks
   d) Bonds
5) Over the three years from 2007 to 2010, the investment that had the biggest loss is:
   a) Stocks
   b) Corporate bonds
   c) Gold
   d) U.S. Savings bonds
6) How do you make money from owning stock?
   a) The price of the stock rises if the company does well—called *capital gains* or *appreciation*
   b) The company pays interest to shareholders
   c) The company pays out dividends to shareholders
   d) A and C
7) If you buy stock in a new technology company, you:
   a) Could lose all of the money you invested
   b) Could double your money
   c) Could lose just a portion of your investment
   d) All of the above
8) A mutual fund:
   a) Pools the money of many investors
   b) Invests it in a *portfolio* of stocks, bonds or other assets
   c) Can make money or lose money, depending on how the portfolio performs
   d) All of the above

9) Read this to learn about a mutual fund's fees, portfolio holdings, and past performance:
   a) Annual report
   b) Marketing materials
   c) Prospectus
   d) Most recent tax return

10) Which of the following offers a guaranteed return on your money?
   a) Mutual fund shares
   b) Paying off your revolving debt on a credit card that charges 18% interest
   c) Real estate
   d) B and C

11) Where should 25-year-old Sam invest most of his 401(k) contributions?
   a) A money market mutual fund
   b) A bond mutual fund
   c) His company's stock
   d) A stock mutual fund

12) Rank the investments in order of risk, from lowest to highest:
   a) Shares in a large-company stock mutual fund; an insured money market account; stock in a single company; a municipal bond
   b) An insured money market account; a municipal bond; shares in a large-company stock mutual fund; stock in a single company
   c) Stock in a single company; shares in a large-company stock mutual fund; a municipal bond; an insured money market account
   d) A municipal bond; stock in a single company, an insured money market account; shares in a large-company stock mutual fund

13) Which of the following is a type of investment?
   a) 401(k)
   b) IRA
   c) Corporate bond
   d) All of the above

14) What is the "rule of 72"?
   a) The age at which you must start withdrawing money from your retirement accounts
   b) The amount you must save each month in order to have $1 million in 50 years
   c) A formula for estimating how quickly your investment will double at a given interest rate
   d) None of the above

15) An investment may be a scam if:
   a) The seller pressures you to act quickly
   b) Guarantees a high rate of return
   c) Discourages you from asking questions or investigating the investment
   d) All of the above

Rent or Buy? (activity)

Lee and Gerry have been renting a one-bedroom apartment close to downtown, where they both work, for the past four years. Thanks to the city's rent control laws, their rent has increased very little since they moved in—only 4% per year. They now spend approximately 20% of their monthly income on rent and renters insurance. They also pay for gas and electricity, but not for water or garbage.

The couple is considering buying their first home. Currently, they don't itemize their deductions because they don't have any deductions that exceed the standard allowance, and although they get a sizable tax refund every year, they feel like they are allowing too high a percentage of their income to go to income taxes. They also would like some more space—an additional bedroom, to use as a guest room/office; a yard that they and their dog can enjoy; and a garage, since they now have to park on the street and manage to get at least one fifty-dollar parking ticket every month. (On the positive side, they can walk or bike to work when the weather is nice, and can take a quick and inexpensive bus ride when it isn't. And they can—and do—take advantage of the many great restaurants within walking distance of their apartment.)

Lee and Gerry have saved $20,000 towards a downpayment. They could borrow an additional $20,000 from their employer-sponsored retirement plans to come up with the 20% downpayment they would need for the type of suburban house they want. That would leave them a cushion of $5,000 in their emergency fund. (There are smaller homes in the area that cost about $30,000 less—in the $170,000-to-$175,000 range.

Though the couple has been pre-qualified for a loan up to $160,000, they know their finances will be tight as homeowners: Their monthly housing expense (mortgage, property taxes and insurance) will jump from 20% to about 28% of their gross income, not including maintenance and higher commuting costs. Plus, they will have to repay the 401(k) loans they took to make the downpayment. Lee expects to get a raise in about a year. Gerry is trying to find a better job but has not had any serious leads in the first six months of looking. One option the couple has for cutting the cost of homeownership is to take out an adjustable rate, rather than a fixed rate, mortgage. The initial rate on an ARM is 3%--much lower than the 5.5% charged on a fixed rate loan. That translates to a monthly savings of $233. (The monthly payment on the fixed rate loan of $160,000 is $908; the payment on the ARM is $675.) The rate on the ARM can adjust for the first time 24 months after the purchase, and then every 12 months after that. The maximum increase is 2%, with a cap of 6% over the life of the loan.

Making the decision even more complicated: There is a one-bedroom condominium (no yard or garage) for sale just a few blocks away from Lee and Gerry's current home. The price is $155,000.

- What would you advise Lee and Gerry to do?
- Which property should they buy—the suburban home with all the features they want, a less expensive suburban home, or the nearby condominium? Or should they stay put in their rent-controlled apartment?
- If they buy, which loan should they take—the low-rate ARM or the fixed rate mortgage?
- What should they consider when making their decisions?

To Do at Home:
Money Management 1-2-3—Part 2 Checklist

Task	Completed (✓)	Notes
Revise your budget, if necessary. Decide how you will make up any shortfall.		
Take steps to avoid your biggest spending temptations.		
Start an envelope or box for collecting receipts and forms for next year's taxes.		
If you have low income, find out if you qualify for the Earned Income Credit.		
Complete your savings goals worksheet.		
Implement steps for reaching your goals.		
Set up an automatic transfer from your checking to your savings account(s).		
If you are not already contributing to a retirement plan, sign up for your employer's plan or open an IRA.		
Learn more about investing. A good place to start is at www.sec.gov.		
Review your retirement plan selections to make sure they meet your goals for growth and your risk tolerance.		
Try to increase your contributions to your retirement plan, or start investing for another goal.		
If you want to buy a home, attend a local first-time homebuyer workshop, and explore local first-time homebuyer assistance programs. Work on saving a downpayment and improving your credit.		
If you already own a home, maintain an adequate emergency fund to cover mortgage payments and other expenses.		
Do an insurance check-up to make sure you have the coverage you need.		
Shop around for better insurance rates. Ask about discounts you might qualify for.		

Training Evaluation: Money Management 1-2-3—Part 2

Before you leave, please help us improve future presentations by giving us your opinion of today's seminar. Circle the response that best reflects your feelings about each statement:

1. I have a better understanding of how to achieve my savings goals.

Strongly agree Agree Disagree Strongly disagree

2. I understand the difference between saving and investing and why investing for the long-term is a necessary part of achieving my financial goals.

Strongly agree Agree Disagree Strongly disagree

3. I have a better understanding of basic investing principles and what to consider when making investment decisions.

Strongly agree Agree Disagree Strongly disagree

4. I have a better understanding of how to determine if homeownership is right for me, and how to protect my property and my equity.

Strongly agree Agree Disagree Strongly disagree

5. I feel more knowledgeable about the different types of insurance coverage available.

Strongly agree Agree Disagree Strongly disagree

6. I can use the information provided today to make improvements in my financial life.

Strongly agree Agree Disagree Strongly disagree

7. The instructor was well informed.

Strongly agree Agree Disagree Strongly disagree

8. The materials I received are easy to read and understand.

Strongly agree Agree Disagree Strongly disagree

9. I would like to attend another class like this.

Strongly agree Agree Disagree Strongly disagree

Please let us know how we could improve future trainings (use back, if necessary):

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Thank you for attending!

Pre-planning Retirement Worksheet (page 1 of 2)

Your answers to the questions below will help guide you—and an adviser, if you choose to work with one—as you determine what kind of income and assets you'll need to fund the retirement you envision.

When I envision my retirement, this is what I see (lifestyle, activities, health, location, etc.):

____

____

____

____

I plan to retire at age __________

I'm generally healthy? True False Longevity runs in my family? True False

I plan to begin taking monthly Social Security benefits at age __________

I expect my monthly SS benefit to be $______________. (Check your SS statement for estimates.)

I will receive a monthly pension or annuity payment in the amount of $______________.

I will receive other monthly income (from rental property or a business, for example) in the amount of $______________.

I plan to work part-time in retirement. I expect to earn approximately $______________.

I currently spend $______________ per month (and/or $______________ per year).

I expect to spend $______________ *more* per month (and/or $______________ per year).

I expect to spend $______________ *less* per month (and/or $______________ per year).

(Expenses in retirement could change significantly. For example, will housing expenses go down because you'll move in with an adult child or pay off your mortgage, or will they go up because your rent will increase? Will transportation costs go down because you're not traveling to work, or will they go up because you'll buy a car? Will health care costs go down because you currently pay for insurance and you'll receive Medicare, or go up because you expect to have health issues or will retire before age 65? Will entertainment expenses go up because you'll take up hobbies or you'll travel much more? Other possible changes include giving up a car, downsizing your home, moving to a less expensive part of the country, and spending less on clothing, just to name a few.)

Pre-planning Retirement Worksheet (page 2 of 2)

I plan to pay off all non-mortgage debt before I retire? True False

The *minimum* income I will need in retirement is $______________ per month (and/or $______________ per year).

The *ideal* income I would like to have in retirement is $______________ per month (and/or $______________ per year).

I currently have saved in retirement accounts:

Account: ____ Balance: $_________________

Account: ____ Balance: $_________________

Account: ____ Balance: $_________________

I currently have saved in non-retirement accounts:

Account: ____ Balance: $_________________

Account: ____ Balance: $_________________

Account: ____ Balance: $_________________

Other assets I have are (your home equity or the cash value of a life insurance policy, for example):

Asset: ____ Value: $___________________

Asset: ____ Value: $___________________

Asset: ____ Value: $___________________

Asset: ____ Value: $___________________

I am making the maximum allowable contributions to my retirement accounts? True False

I feel like I am on track to fund my planned retirement? True False

I would consider doing the following to achieve my retirement goals (✓):

- ❑ save more
- ❑ invest more aggressively
- ❑ retire later
- ❑ reduce expenses in retirement
- ❑ sell/downsize my home
- ❑ take out a reverse mortgage in retirement

Personal Net Worth Statement

Your net worth is the difference between what you *own* and what you *owe*. Calculate your net worth regularly to see if you are making progress toward your goals. Ideally, your assets will grow and your liabilities will shrink over the long term. Make copies of this blank sheet to use in the future.

Assets (what you own)	**Value**
Home/real estate	$
Vehicle(s)	$
Retirement account(s) (401(k)/IRAs)	$
Stocks, bonds, mutual funds	$
Savings account(s)	$
Checking account(s)	$
Cash	$
Other asset	$
Other asset	$
Total owned	$ (A)

Liabilities (what you owe)	**Amount**
Mortgage	$
Home equity loans/lines of credit	$
Auto loan(s)	$
401(k) loan	$
Student loan(s)	$
Other loan(s)	$
Taxes due	$
Credit card balances	$
Other debt	$
Other debt	$
Total owed	$ (B)

Total Assets (A)	Total Liabilities (B)	Net Worth
$	– (minus) $	= (equals) $ (– /+)

Credit or Equity: Which Would You Advise? (activity)

For each scenario below, make a recommendation –should the homeowner(s) use a home equity loan, a home equity line of credit, a reverse mortgage or a credit card—or something else? Briefly explain your advice.

1) Yvette still lives happily in the same modest home where she raised her three children. Fortunately, she and her late husband were able to pay off their mortgage before they retired, so she no longer has to worry about making a house payment out of her monthly Social Security check. Despite being careful about her spending, money is pretty tight for Yvette—there's not much left over each month for extras. Still, Yvette has always managed to make ends meet without having to use credit. Now, however, her home needs a new roof. The estimates she's gotten are between $6,000 and $8,000—more than she has in savings. How can Yvette pay for the needed repairs? What are her best options?

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2) Laney and Jerrold bought their one-bedroom home with a 30-year adjustable rate mortgage (ARM). After living there for six years, they have built up about $45,000 in equity—a combination of quickly rising property values in their neighborhood and a slowly but steadily shrinking loan principal balance. During the same period, they both received pay raises, which, along with a consistently low interest rate, has created some welcome breathing room in their budget. The home has been perfect for the couple—near family and work, with a big yard for their two dogs. But now they are planning to adopt a child. Should Laney and Jerrold sell and move to a bigger house outside the area (they couldn't afford a bigger home in their current neighborhood)? Or should they borrow against their equity to add another room? What would you advise, and what do Laney and Jerrold need to consider when making their decision?

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3) Jaydon and his partner recently split up after 12 years together. Though both have good incomes, they have consistently lived beyond their means, frequently eating at their favorite restaurants, buying new clothes to keep up with the latest fashion, and trading in slightly older vehicles for late-model luxury cars. Somehow, despite their overspending, the couple managed to stay current with the mortgage, though they often incurred late fees. As part of the break-up, Jaydon is keeping the house, which he purchased when he was still single, and which is now worth about $60,000 more than the outstanding mortgage. The couple is splitting the large outstanding credit card debt they accumulated together—Jaydon's share is about $35,000, currently at a rate of 21.99%. Jaydon also will keep one of the cars, which has an outstanding loan balance of $21,000 at 7.75%. Current rates on home equity loans are about 8.5% (fixed) and variable rates on home equity lines of credit start at about 5.5%. Should Jaydon borrow against his equity to pay off his high-rate, non-deductible debt? If so, why, and should he apply for a fixed-rate loan or a variable rate line of credit (HELOC)? If you think he shouldn't borrow against his equity, why not? What are his other options?

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4) Georgio and Chris were pleased, but not surprised, when they recently learned that their FICO credit scores from all three credit reporting agencies ranged from 770 to 810 (on a scale of 350 to 850). The high scores reflect the couple's commitment to paying their bills on time and not borrowing more than they can afford. Currently, the couple owes about $14,000 on two cars, at an average rate of 7%. That is their only debt other than the remaining balance of $63,000 on their 30-year fixed rate mortgage. The home was recently appraised at $150,000. While money has not been a major problem for Georgio and Chris, they are concerned about how they will pay for college for their son, who will graduate from high school next June. The good news: He has been accepted to his top choice school. The bad news: The school is out of state, and the cost of tuition and board is more than Georgio and Chris had planned and saved for. The couple is also concerned because there have been rumors that Chris' company may be laying off some of their workforce in the coming year. While Chris believes his job is safe, he can't be 100% sure. Should Georgio and Chris borrow against their home equity to pay off their car loan and pay for their son's college? If so, why, and which type of loan should they choose (lump-sum loan or line of credit)? If not, why not?

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Insurance Match-up (activity)

In the space before each statement, write the letter of the correct answer from the list at the bottom of the page. Answers may be used more than once, or not at all.

1) _____ This type of insurance will help you when your losses exceed the maximum amount of your homeowners or auto insurance coverage.

2) _____ This type of insurance pays for help with things like eating, bathing and dressing if you are unable to take care of daily personal tasks yourself.

3) _____ Your insurance company may not pay the entire amount of your loss if you are this.

4) _____ This will help ensure you are adequately covered for future losses.

5) _____ Generally speaking, the higher this is, the lower your insurance premium will be.

6) _____ This enables you to pay your health care co-payments, deductibles and other expenses with pre-tax dollars if you are covered under a high deductible health plan.

7) _____ Most people only consider buying this type of insurance when they reach their 50s or 60s.

8) _____ These independent agencies rate the financial strength of insurers and other companies.

9) _____ Experts advise against paying premiums of more than 7% of your projected retirement income for this type of insurance.

10) _____ This allows you to continue coverage under your employer's health insurance plan for up to 18 months after you leave the company.

11) _____ Don't use this to pay for your medical expenses.

12) _____ This pays some or all of the deductibles, co-payments and other unpaid charges under regular Medicare.

13) _____ Generally speaking, this will be less expensive than an individual health insurance policy—you might have access to one through membership in a professional association.

14) _____ Whenever you have this, you most likely need more or different insurance coverage.

A. health savings account/HSA

B. home equity

C. greater risk or greater assets

D. group insurance

E. A.M. Best, Moody's, and Standard and Poor's

F. deductible

G. personal liability umbrella policy/PLUP

H. long-term care

I. COBRA

J. Medigap

K. underinsured

L. annual insurance audit

M. CHIP

N. skilled nursing care

Estate Planning Worksheet

Your answers to the questions below will help guide you—and an attorney, if you choose to work with one—as you create your estate plan.

I would like to appoint the following person as representative for financial decisions (name and relationship, in order of preference):

1) ____

2) ____

I would like to appoint the following person as representative for health care decisions (name and relationship, in order of preference):

1) ____

2) ____

I would like to appoint the following person as executor of my estate (name and relationship, in order of preference):

1) ____

2) ____

I would like to appoint the following as guardian(s) of my children under 18 (name and relationship, in order of preference):

1) ____

2) ____

I would like to appoint the following as trustee (manager) of my minor children’s assets (name and relationship, in order of preference):

1) ____

2) ____

Age at which I want my children to have access to their inheritance: ______________

I have these special concerns and/or considerations (e.g., beneficiaries with special needs): ______

____

____

I would like the following to happen to the business I own: ___________________________________

____

These are my wishes for my final arrangements (e.g., cremation/funeral, final resting place, other details): ____

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____

Use the form below to list specific assets, how the asset is held (community property, for example), the estimated value, and who you bequeath (leave) the asset to—that could be an individual, a group (all your children or all your siblings, for example), a church or charity, or your "estate," which means it would be included in your residual assets and divided among all heirs.

Asset Name/Description	Current Title/Ownership	Estimated Value	Bequeath To
Real Estate			
Retirement Accounts			
Checking & Savings Accounts			
Investment Accounts			
Other Investments/Financial Assets			
Life Insurance			
Personal Property			

I want to leave the remainder of my estate to (name, relationship, and percentage of remainder):

____

____

To Do at Home:
Money Management 1-2-3—Part 3 Checklist

Task	Completed (✓)	Notes
Do some long-range retirement planning. Complete your retirement questionnaire if you didn't finish it during the workshop.		
Check your Social Security statement. Visit www.ssa.gov/mystatement/ if you have questions or need to request a copy.		
Increase your retirement plan contributions, if possible.		
Review your investment choices. If necessary, make changes in keeping with your goals and long-term income needs.		
Calculate your net worth.		
If you can qualify and don't already have a home equity line of credit, consider applying for one so that it is available if you need it during a job loss or other emergency.		
Contact your insurance agent (or a recommended agent if you don't already have one) to perform an insurance check-up.		
If your assets exceed the coverage on your homeowners, renters or auto insurance policies, consider purchasing an umbrella policy.		
Complete the estate planning questionnaire if you didn't finish it during the workshop.		
Create a will, a living will, and powers of attorney for medical and financial decisions. If you will use an attorney, pursue referrals, check qualifications and conduct interviews with attorneys you are considering.		
If necessary, name or change beneficiaries on various accounts, policies and property.		

Training Evaluation: Money Management 1-2-3—Part 3

Before you leave, please help us improve future presentations by giving us your opinion of today's seminar. Circle the response that best reflects your feelings about each statement:

1. I have a better understanding of what I will need to fund my retirement.

Strongly agree Agree Disagree Strongly disagree

2. I understand how home equity loans and reverse mortgages work, and the costs and risks associated with borrowing against my home equity.

Strongly agree Agree Disagree Strongly disagree

3. I have a better understanding of how my insurance needs may change over my lifetime and how to protect my assets.

Strongly agree Agree Disagree Strongly disagree

4. I understand why an estate plan is important and what it should include.

Strongly agree Agree Disagree Strongly disagree

5. I can use the information provided today to make improvements in my financial life.

Strongly agree Agree Disagree Strongly disagree

6. The instructor was well informed.

Strongly agree Agree Disagree Strongly disagree

7. The materials I received are easy to read and understand.

Strongly agree Agree Disagree Strongly disagree

8. I would like to attend another class like this.

Strongly agree Agree Disagree Strongly disagree

Please let us know how we could improve future trainings (use back, if necessary):

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Thank you for attending!