

NTC Financial Literacy
K-12 Curriculum



MONEY SMART 2.0
TEACHER
Presentation
Slides
for Grades 9-12



The National Theatre for Children

DREAM JOB

1. What are your interests? What excites you?
2. What are you good at? What skills do you have?
3. What do you want to do after high school or college?
4. What is your dream job, and why?
5. What skills do you think are required for your dream job?
6. How do you think you could get the skills needed for your dream job?

POSSIBLE EMPLOYER BENEFITS

Health Insurance: helps cover employee medical costs related to illness or injury

Flexible Spending Accounts: tax-free money set aside by an employee often to be used for out-of-pocket medical expenses

Retirement Accounts:

- 401(k): an employer-sponsored plan to accumulate retirement savings that gives employees a choice of investment options, typically mutual funds. Employees who participate in a traditional 401(k) plan have a portion of their pre-tax salary invested directly in the option or options they choose.
- 403(b): exclusively for employees of public schools and certain tax-exempt organizations to accumulate retirement savings

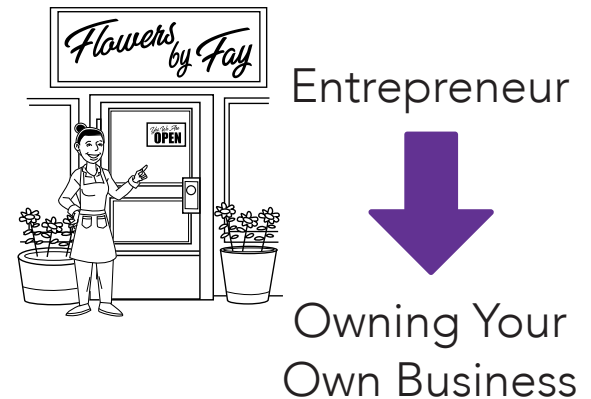
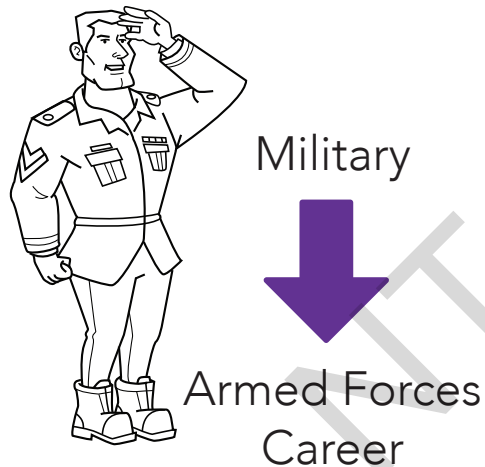
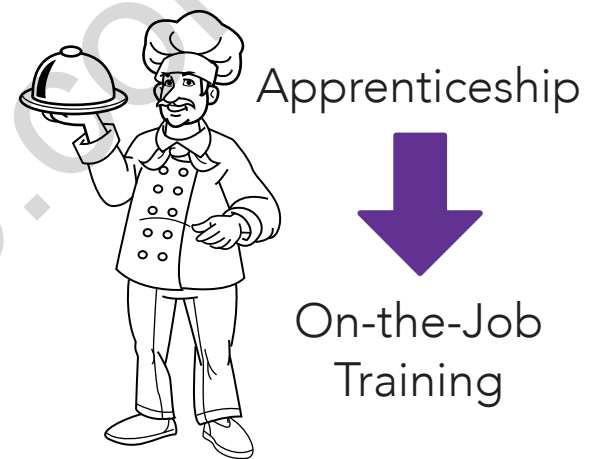
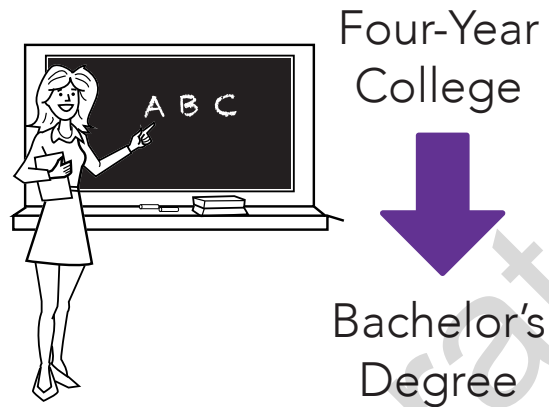
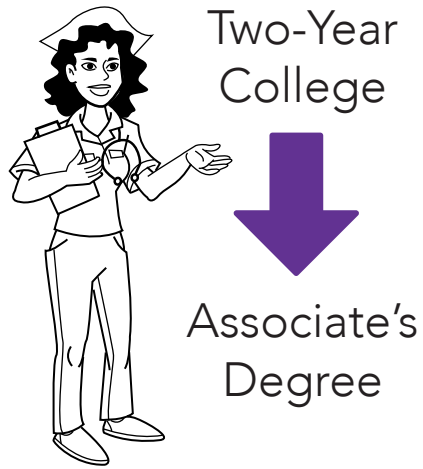
Life Insurance: provides money to a beneficiary after the death of the insured

Extras: child care, relocation expenses, tuition reimbursement, transportation, wellness programs, discounts on products/services

PAYCHECK

Bank Main Street						
Electric Electronics Inc. 855 Electronic Avenue Midveill, MA 02546				Check No. 2756 Date 9/15/19		
PAYROLL CHECK						
Pay... Four Hundred Sixty Six Dollars 34 Cents				\$ 466.34		
To The Order Of Jerome Roberts				 Authorized Signature		
1 876543210 456789123456 2756						
Electric Electronics Inc. 855 Electronic Avenue Midveill, MA 02546				Earnings Statement		
Employee No. 543210		Employee Name Jerome Roberts		Period Beg. 09/01/2019		Period End 09/15/2019
Check Date 09/15/2019						
Earnings	Hours	Rate	Current Amount	Withholdings/Deductions	Current Amount	Year to Date
Regular Pay	40.00	15.00	600.00	FICA MED TAX	8.70	191.40
				FICA SS TAX	37.20	818.40
				FED TAX	59.57	1310.54
				MA ST TAX	28.19	620.15
Gross Pay 600.00	Current Deductions 133.56		Net Pay 466.34	YTD Earnings 13,200.00	YTD Deductions 2940.43	YTD Net Pay 10,259.57
						Check No. 2756

CHOICES



SETTING & REACHING GOALS

Aisha's Goals

Short-term goal:

work part-time in high school to save up money for college



Intermediate goal:

go to college for nursing and balance working part-time

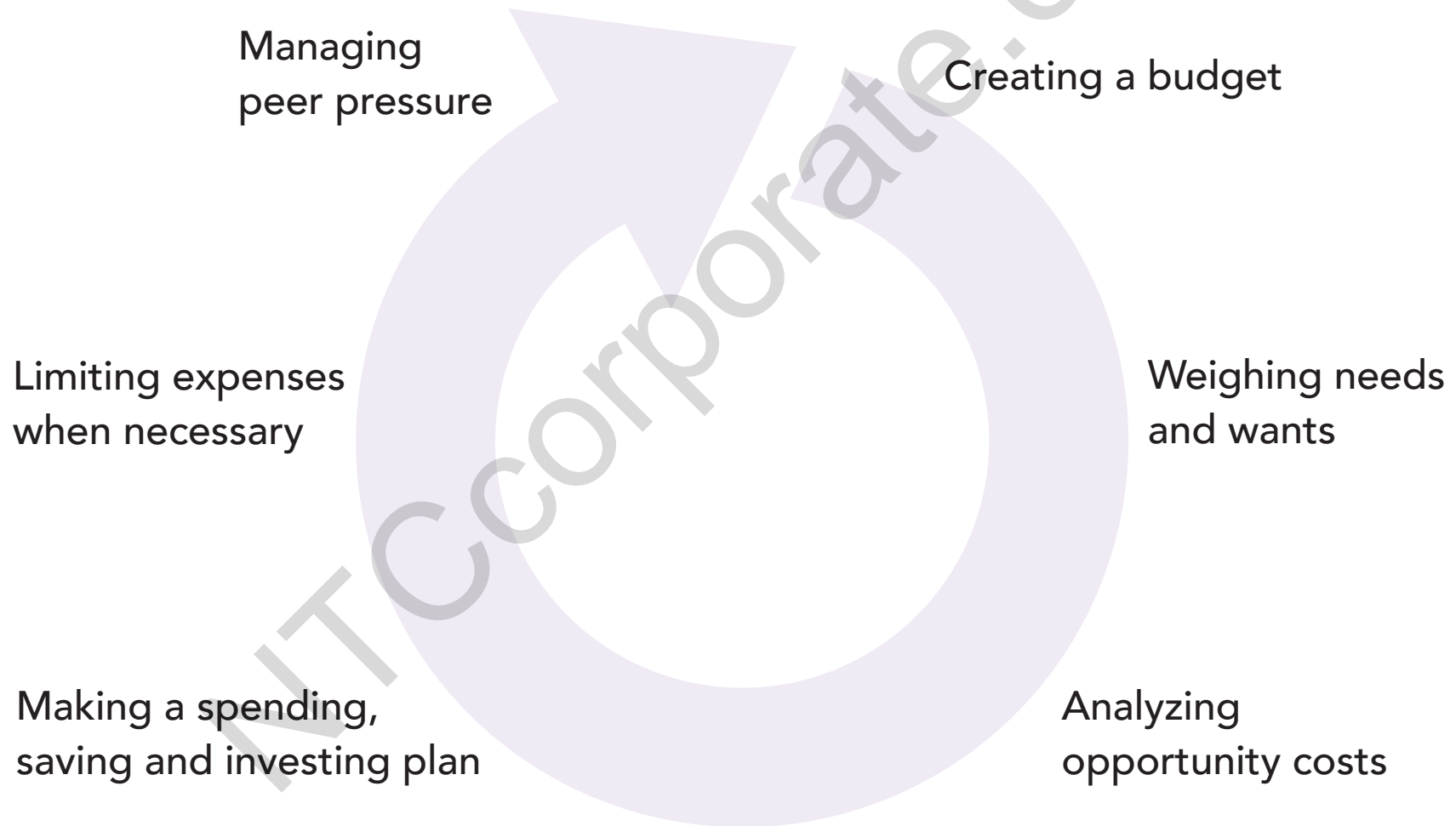


Long-term goal:

obtain a job as a registered nurse

WHAT'S IN A PLAN?

A financial plan is a series of steps to take in order to reach a goal.



POOR PLANNING

"By the time they have been retired for two years, 78% of former NFL players have gone bankrupt or are under financial stress; within five years after retirement, an estimated 60% of former NBA players are broke."

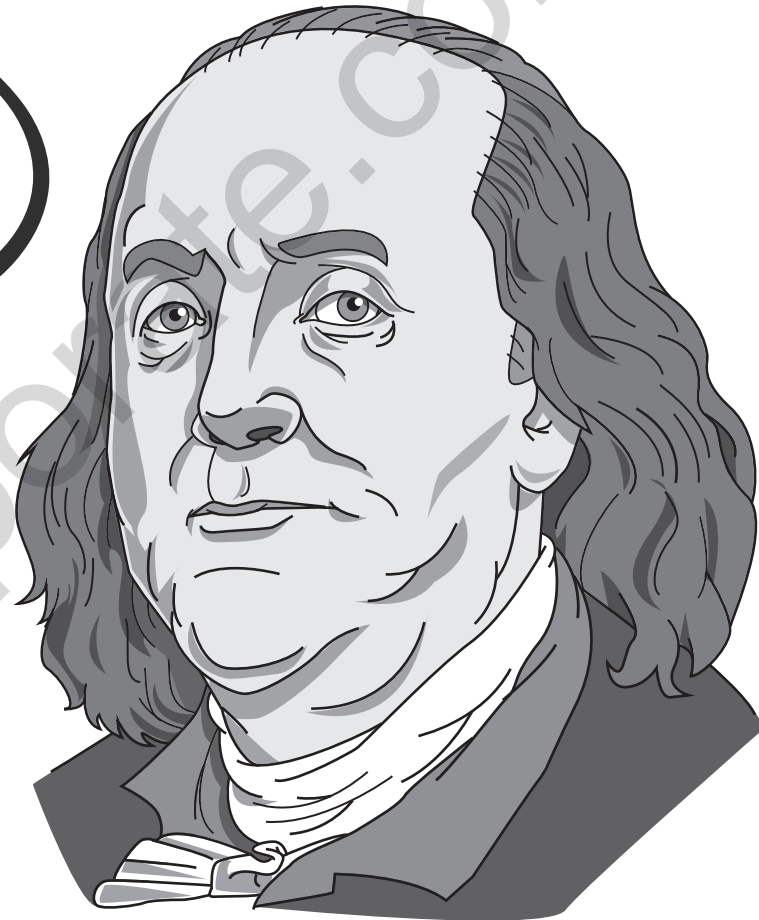
—Sports Illustrated

"How and Why Athletes Go Broke"

by Pablo S. Torre, March 23, 2009

SINKING SHIP

Beware of little expenses. A small leak will sink a great ship.



Benjamin Franklin

1-2-3 BUDGET

Three steps to building a budget

- ➔ 1. Keep track of your spending
- ➔ 2. Identify your income and expenses
- ➔ 3. Analyze cash flow and look for ways to increase your income and decrease expenses

BUDGET BREAKDOWN

Income:

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

Expenses:

- Bills (cellphone or cable bill, rent)
- Transportation expenses (car payment, gas, insurance, bus or transit fares)
- Movies, music purchases, game downloads or other entertainment
- Clothes or accessories
- Eating out
- Personal items (makeup, cologne and so on)
- Saving for college or other future purchases

Cash flow is the relationship between income and expenses

Fixed expenses do not change from month to month (rent and auto loan payments)

Flexible expenses might change from month to month (food and gas)

PAY YOURSELF FIRST



Spend it or bank it?

HOW MONEY GROWS

Interest: The amount of money banks or other financial institutions pay you for keeping your money on deposit with them.

Interest is expressed as a percentage and is calculated based on time and the amount of money in your account.

Compounding: This is how your money can grow when you keep it in a financial institution that pays interest.

APY: Annual Percentage Yield reflects the interest you earn on a yearly basis.

COMPOUNDING INTEREST OVER TIME

Compounding means calculating interest on both principal and previously earned interest.

	5 YEARS	10 YEARS
Mattress compounding – NO interest!	\$1,000.00 (unless stolen or lost)	\$1,000.00 (unless stolen or lost)
Annual compounding at 1%	\$1,051.01	\$1,104.62
Monthly compounding at 1%	\$1,051.25	\$1,105.62
Daily compounding at 1%	\$1,051.27	\$1,105.17

SAVINGS OPTIONS

Certificate of Deposit (CD): typically offers a higher rate of interest than a regular savings account in exchange for keeping the money on deposit for a set term (for example, 6 months or more)

Money Market Account: higher rate of interest; usually requires a higher minimum balance (for example, \$1,000); can make deposits and withdrawals

Statement Savings Account: an account that typically allows unlimited deposits, but limits the number of fee-free withdrawals during a month. Interest is earned on the money on deposit and a statement is issued at least quarterly listing all transactions in the account.

Protection: the Federal Deposit Insurance Corporation and National Credit Union Administration (NCUA) protect money saved in member financial institutions

BANKING INSTITUTIONS

Banks and Thrifts

- Financial institutions that operate under federal and state laws and regulations
- They make loans, pay checks, accept deposits and provide other financial services

Credit Unions

- Not-for-profit financial institutions owned by people who have something in common
- Credit unions offer many of the same services as banks and thrifts, and operate under state and federal laws and regulations
- You have to become a member of the credit union to keep your money there

CHECKING AND SAVINGS ACCOUNTS

Checking Accounts allow you to pay bills and buy goods and services with the money you have deposited.

A **Savings Account** is a safe place for you to save money and earn interest over time.

DEDUCTION INTRODUCTION

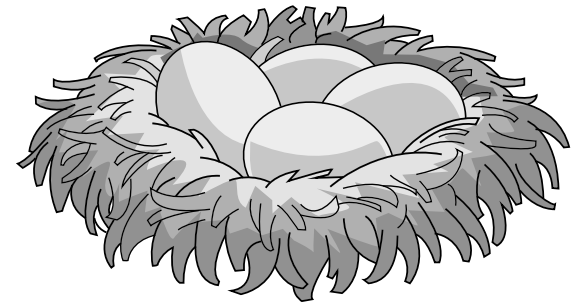
Medicare



Income Tax



Social Security



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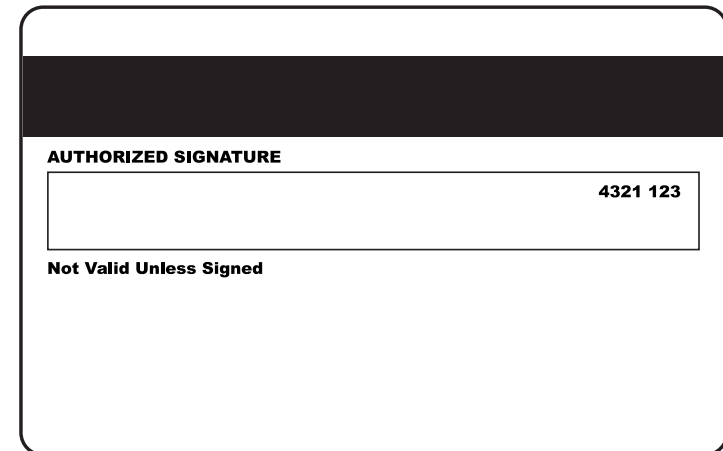
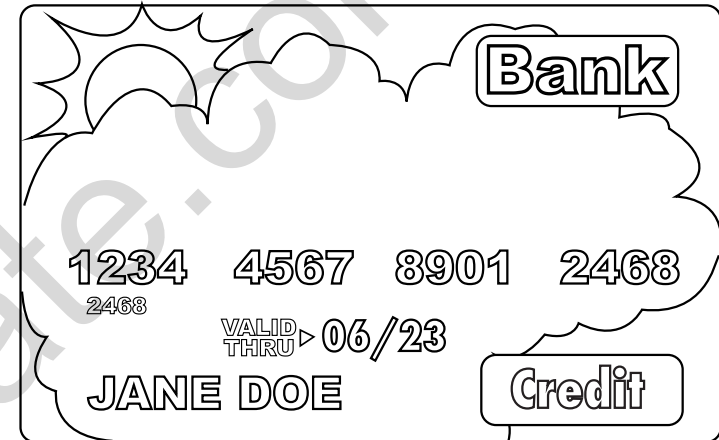
PREDATORY LENDING



TYPES OF LOANS #1

With a **CREDIT CARD**, you can...

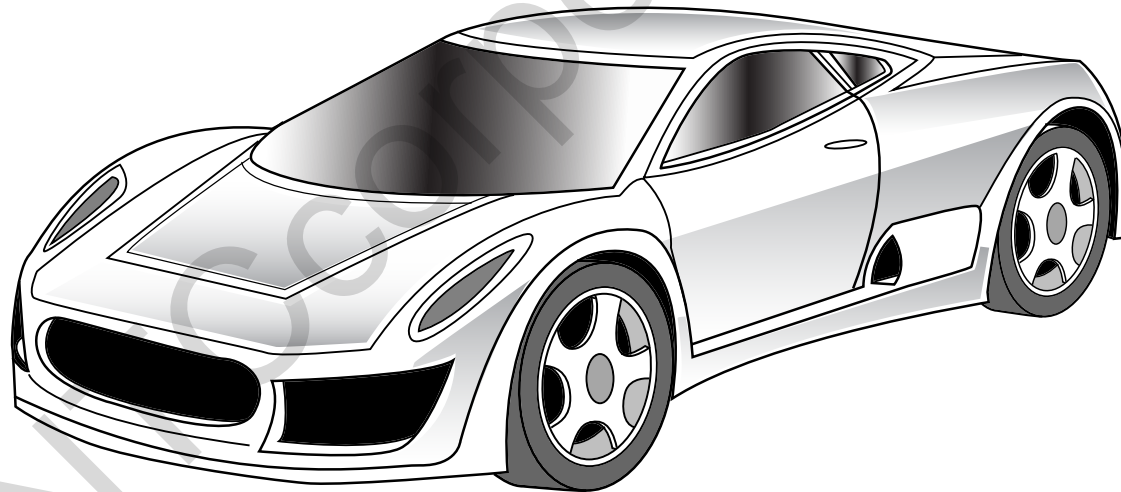
- Buy goods or services and pay for them over time
- Borrow money for household, family and other personal expenses
- Get into big trouble if you're not careful with spending
- Damage credit by not making required payments or by not paying off credit cards



TYPES OF LOANS #2

With a **CONSUMER INSTALLMENT LOAN**, you can...

- Pay your personal expenses and your family's expenses.
- Pay the same amount each month in installments for a set period of time.
- Damage credit by not repaying the loan on time as you agreed.



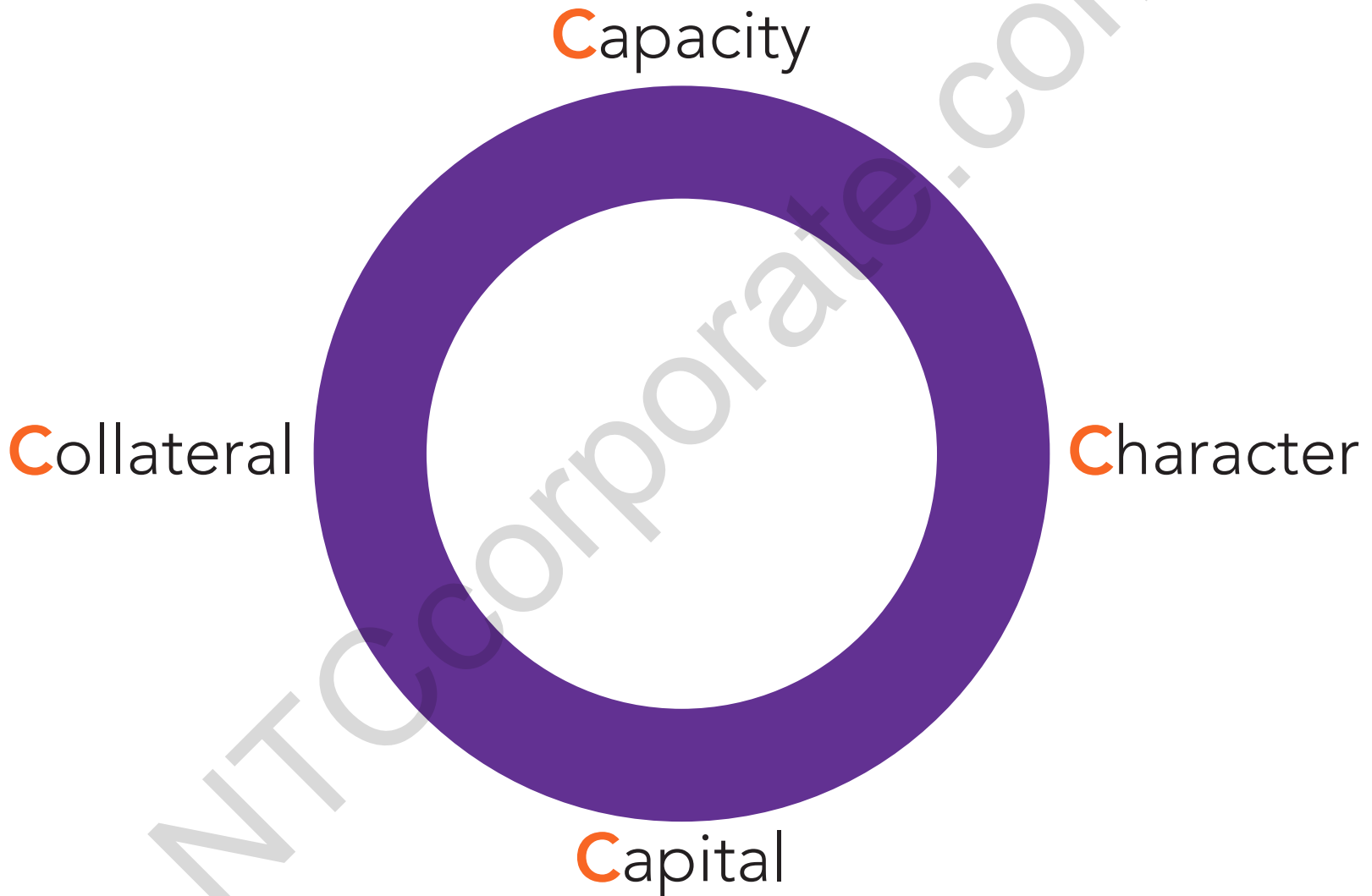
TYPES OF LOANS #3

With a **HOME LOAN (mortgage)**, you can...

- Borrow money for the purpose of buying a house.
- Damage credit by skipping payments or paying late.



THE FOUR C's OF CREDIT



CREDIT REPORT

<p>JOHN Q CONSUMER Report #1234567</p>	<p>Report Date 01/01/2019</p>
<p>Personal Information 123 Main Street, #2 Somewheresville, USA 01234 SS#: 123-45-6789 DOB: 02/01/87</p>	<p>Employers 1. ABCDE Engineering Corp., Somewheresville, USA 2. Port City Engineering Anywhere, USA</p>
<p>Potentially Negative Items Televise Cable Comm. Acct #: 1234 5678 1234 5678 Date filed: 05/01/18 Status: Delinquent in collections 120+ days</p> <p>Amount: \$35.00 Credit Limit: N/A</p>	
<p>Accounts in Good Standing XYZ BANKCARD USA Acct #: 0110220 Date added: 12/12/06 Status: Open/Never Late Monthly payment: \$15.00 High balance: \$129.00 Credit Limit: \$1,000.00</p>	<p>Homeowner Credit Services Acct #: 0110220 Date added: 04/23/09 Status: Closed at consumer's request 08/22/2012 Monthly payment: \$0.00 High balance: \$3,228.00 Credit Limit: \$1,000.00</p>
<p>Requests for Credit History VISA Card Address: PO Box 1414, NY, NY 10001 Date: 04/01/15</p>	

TWO TRUTHS, ONE LIE

Credit cards ...

1. Are used to purchase goods and services.
2. Take money from your checking account when used to pay for purchases.
3. Are subject to interest charges if not paid in full each month.

CREDIT VERSUS DEBIT

1. Which card requires you to have enough money at the time you pay for something?
2. Which card's balance can increase and accrue charges if you do not pay the entire amount each month?
3. Which card(s) may have fees associated with them?
4. Which card generally offers purchase protections against faulty goods?
5. Which card allows you to pay for unexpected emergencies when you do not have enough money?

CREDIT CARD FINE PRINT

Annual Percentage Rate (APR)

Penalty APR

Fees

Grace Period

Credit Limit

Consumer Protection Laws

Credit Card Solicitations

Debt-to-Limit Ratio

EASY AS PI

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FINANCIAL RATIOS

Debt-to-Income:

monthly debt \div monthly gross income

Car Payment



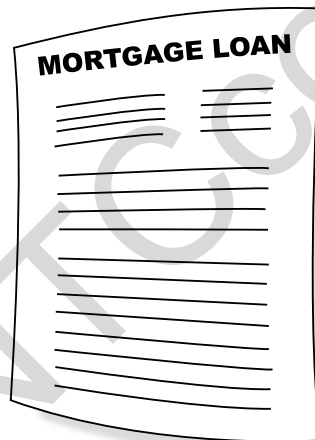
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FINANCIAL RATIOS

Debt-to-Assets:
liabilities ÷ assets

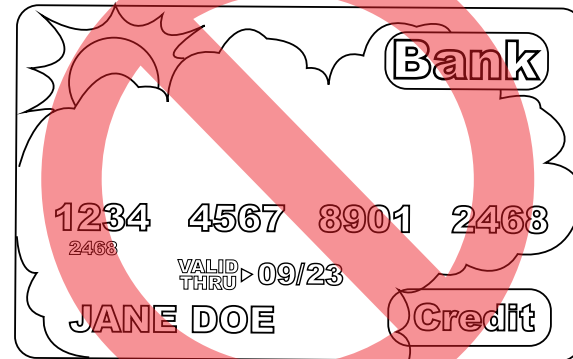
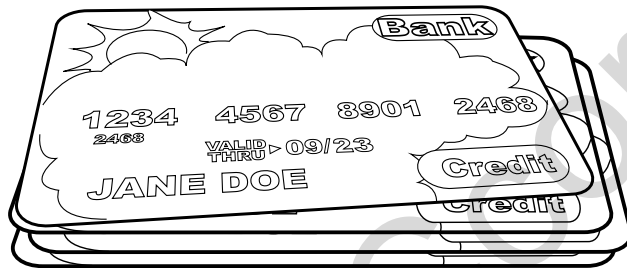
Liabilities are money owed, or debt obligations

Assets are items of value that can
be converted into cash

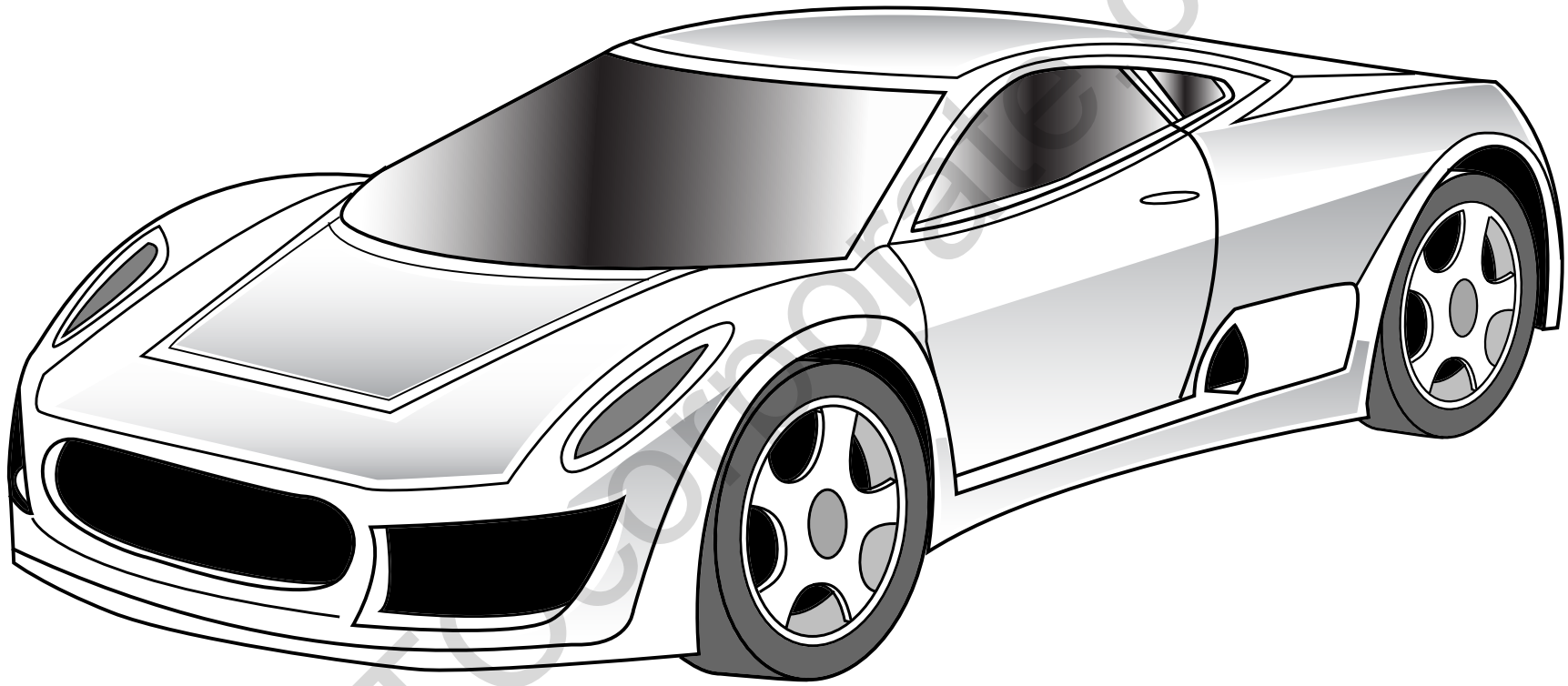


FINANCIAL RATIOS

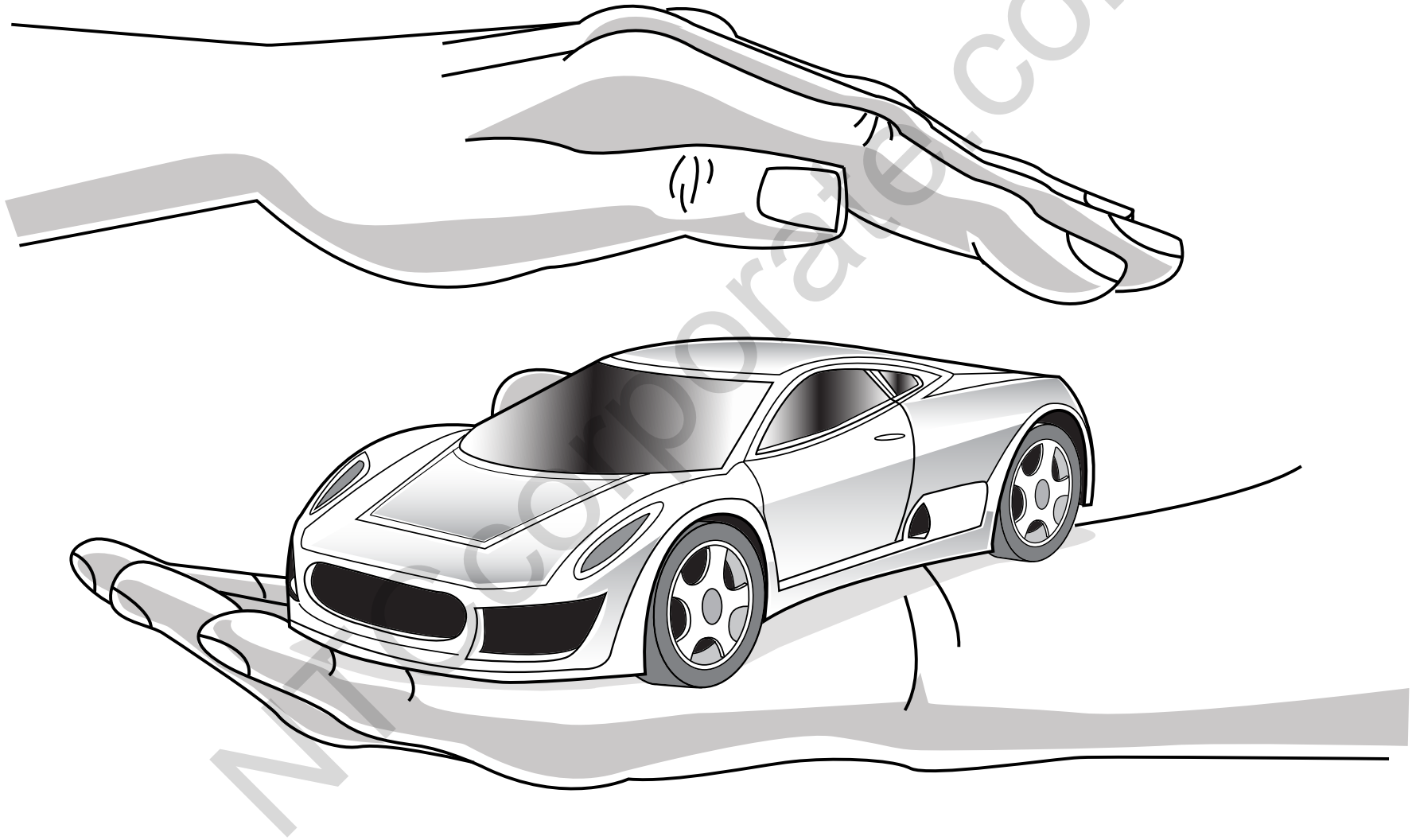
Debt-to-Limits:
credit debt ÷ credit limit



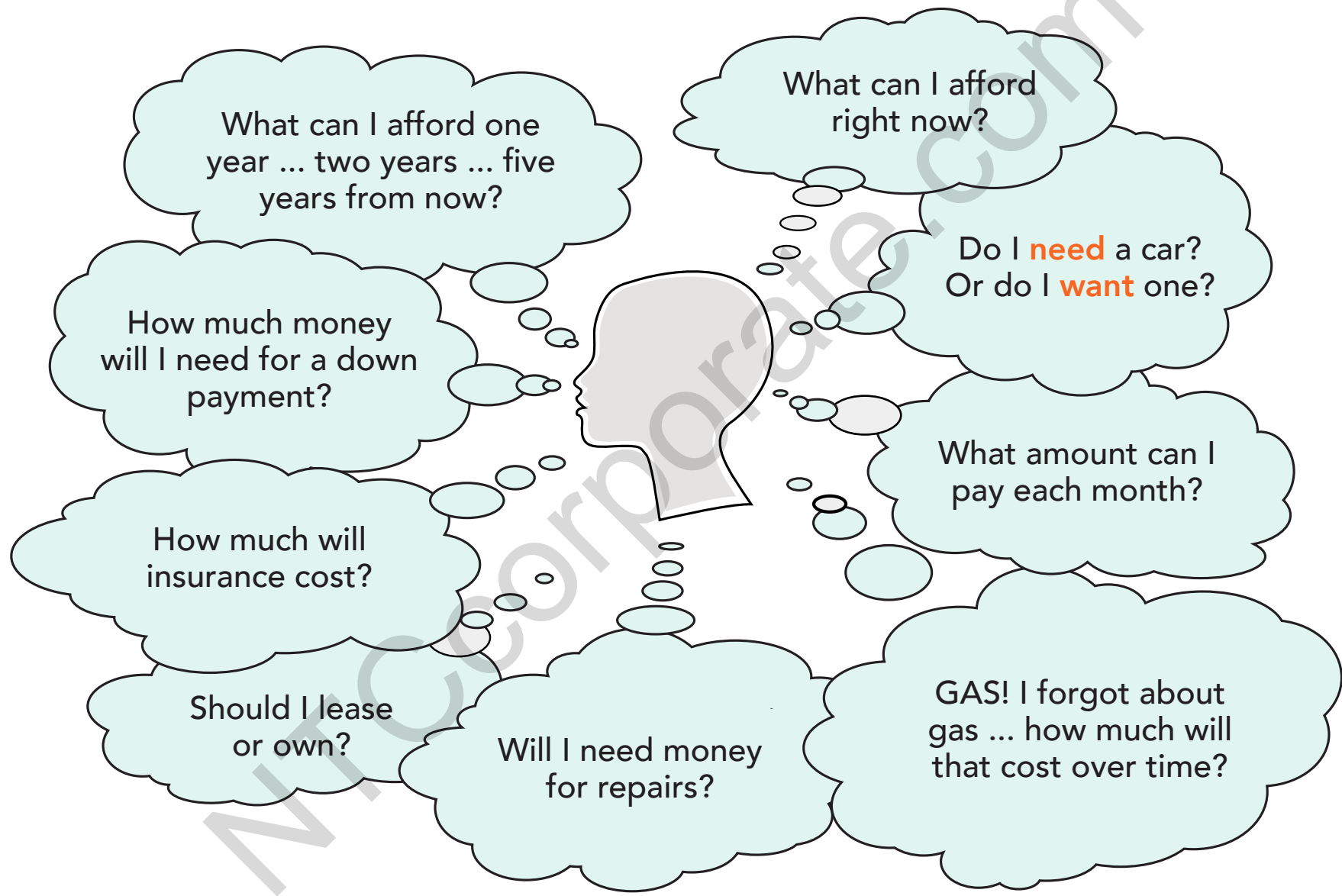
REALITY CHECK #1



REALITY CHECK #2



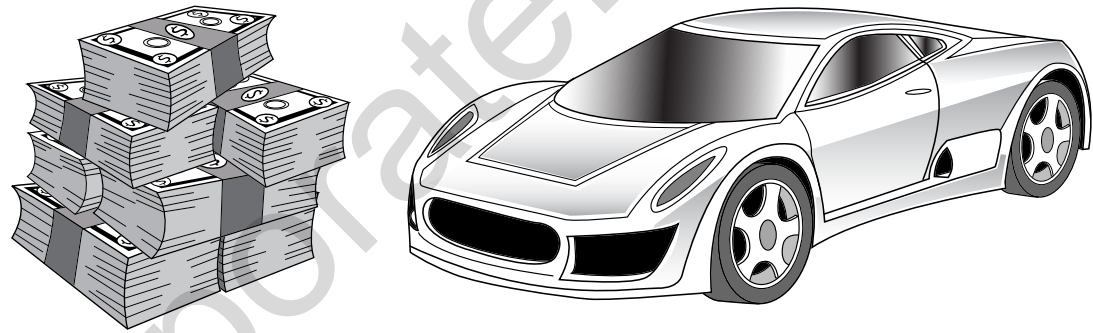
TRUE COST OF CARS



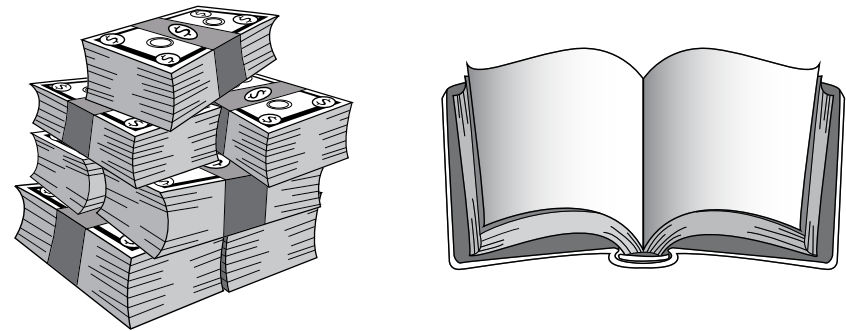
SECURE OR UNSECURED?

Types of Installment Loans

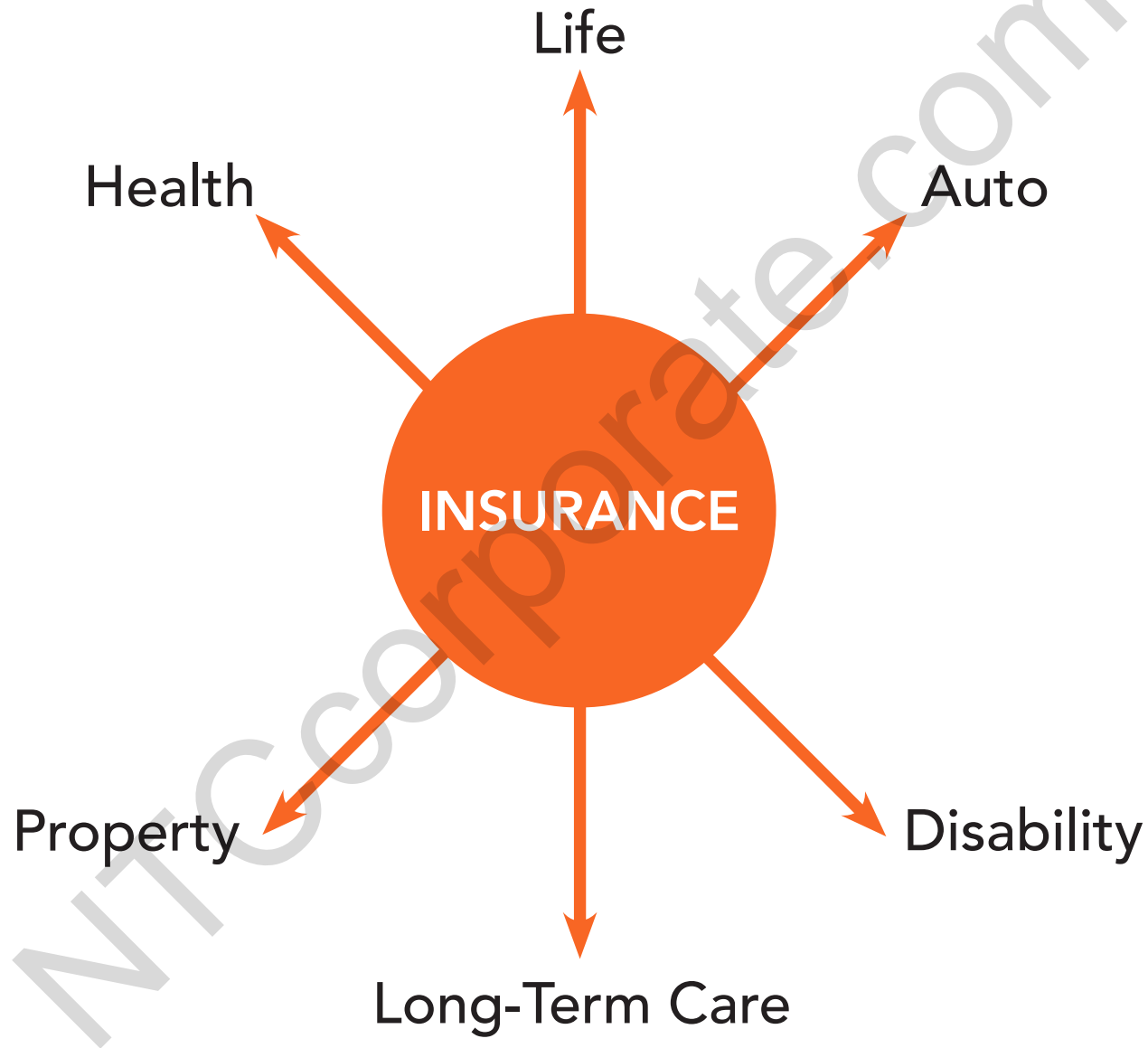
Secure = collateral



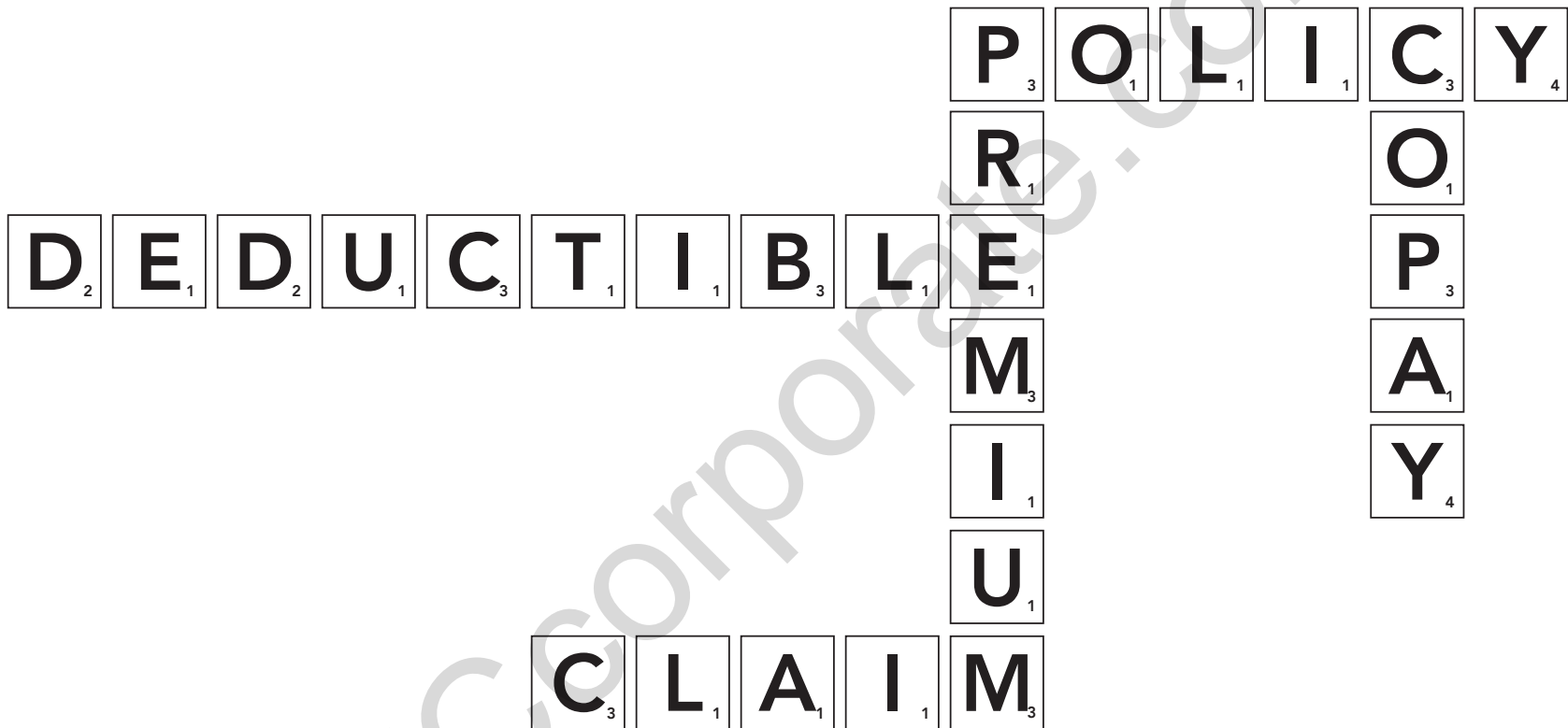
Unsecured = no collateral



TYPES OF INSURANCE



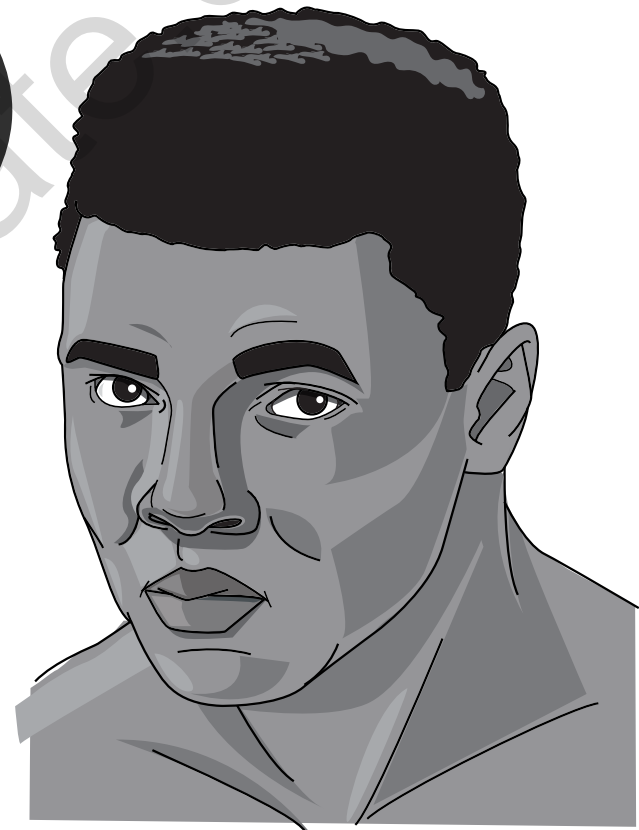
INSURANCE LINGO



Policy Claim Premium Deductible Co-Pay

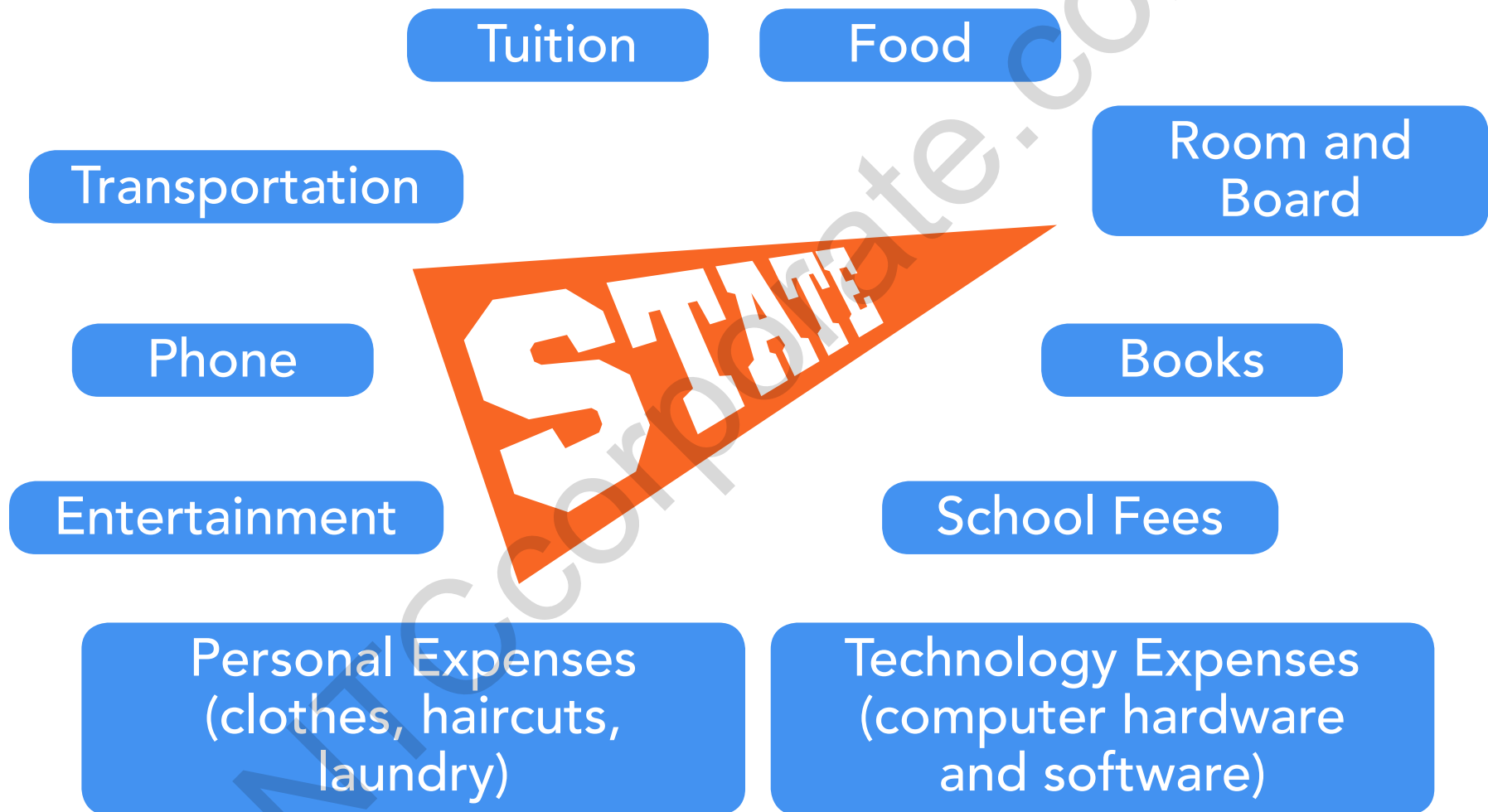
WHAT IS YOUR SKILL AND WILL?

Champions aren't made in gyms. Champions are made from something they have deep inside them – a desire, a dream, a vision. They have to have the skill and the will. But the will must be stronger than the skill.



Muhammad Ali

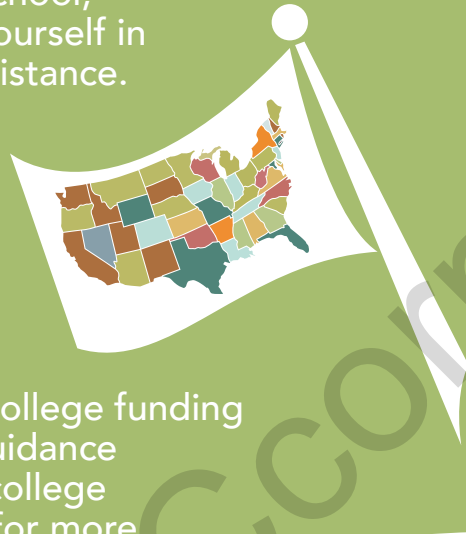
COST OF COLLEGE



THE FINANCIAL AID PROCESS

PREPARATION

Scholarships and state aid can help cover the cost of college or career school, but you may find yourself in need of federal assistance.



Many states have college funding programs. Ask a guidance counselor or your college financial aid office for more information.



START

SAVINGS



SCHOLARSHIPS



STATE AID

Look for scholarships through your state or college as well as national and community organizations.

It's time to apply for financial aid.

Source: www.studentaid.ed.gov/sites/default/files/financial-aid-process.png

THE FINANCIAL AID PROCESS

FAFSA

The FAFSA is the *Free Application for Federal Student Aid* and is the only way to apply for federal student aid. The schools you list on your application will use FAFSA information to evaluate your financial need and determine how much federal aid you are eligible to receive. Many states and colleges also use information from your FAFSA to provide their own financial aid.



Complete the FAFSA online at www.fafsa.gov. Make sure to fill out and submit the FAFSA each year you are in college.

After you submit your FAFSA, you'll receive your *Student Aid Report* (SAR). Your SAR summarizes the information in your FAFSA. Review it and make corrections if needed.

Your FAFSA helps your school determine the types of federal student aid you are eligible to receive.



Each January, the FAFSA is available for the upcoming school year. It is best to fill it out as early as you can because some aid is first come, first served.

When you complete the FAFSA, you'll need to provide personal and tax information. If you've filed your taxes already, you may be able to automatically retrieve the information from the IRS. If you haven't, just estimate your tax information and update it later.



Source: www.studentaid.ed.gov/sites/default/files/financial-aid-process.png

THE FINANCIAL AID PROCESS

TYPES OF FEDERAL STUDENT AID

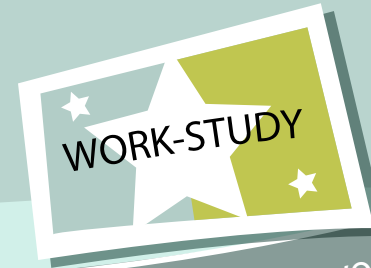
As the largest provider of financial aid, the U.S. Department of Education's office of Federal Student Aid provides grants, loans and work-study funds.



Grants are free money that do not have to be repaid.



Student loans are real loans (like a car or home loan) that need to be repaid with interest.



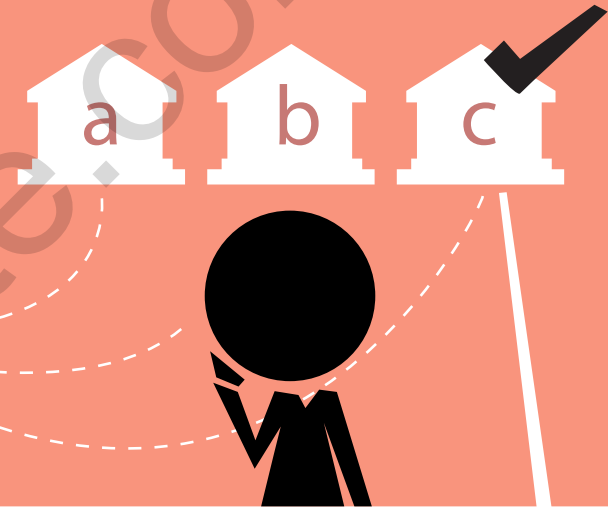
A work-study job gives you the opportunity to earn money to help pay your educational expenses.

Source: www.studentaid.ed.gov/sites/default/files/financial-aid-process.png

THE FINANCIAL AID PROCESS

AWARD

Your award letter explains the combination of federal grants, loans and work-study a college is offering you. The offer might also contain state and institutional aid. If you receive award letters from multiple colleges or career schools, you should compare them and decide which school works best for you.



Source: www.studentaid.ed.gov/sites/default/files/financial-aid-process.png

THE FINANCIAL AID PROCESS

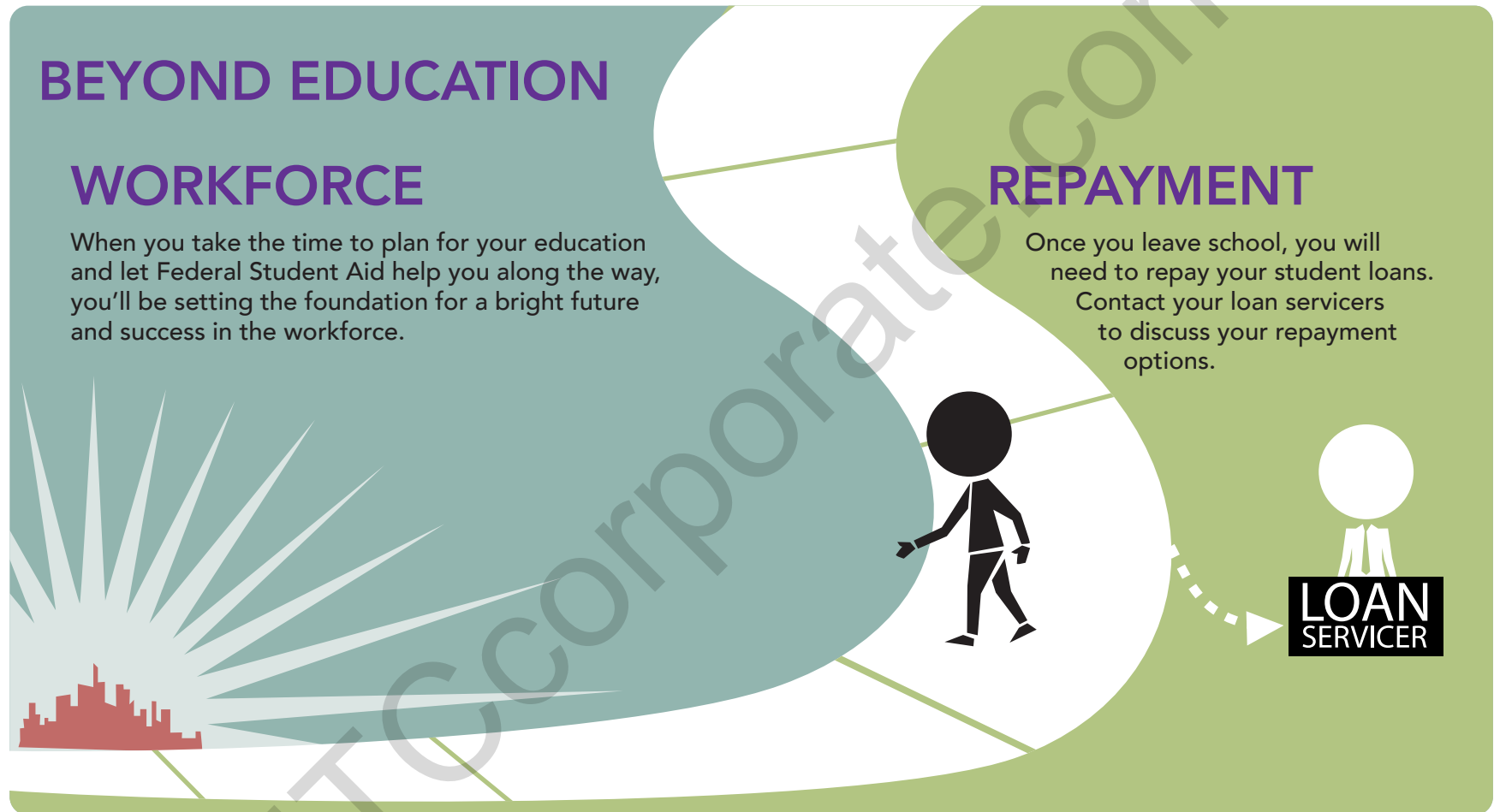
COLLEGE

Your award letter explains the combination of federal grants, loans and work-study a college is offering you. The offer might also contain state and institutional aid. If you receive award letters from multiple colleges or career schools, you should compare them and decide which school works best for you.



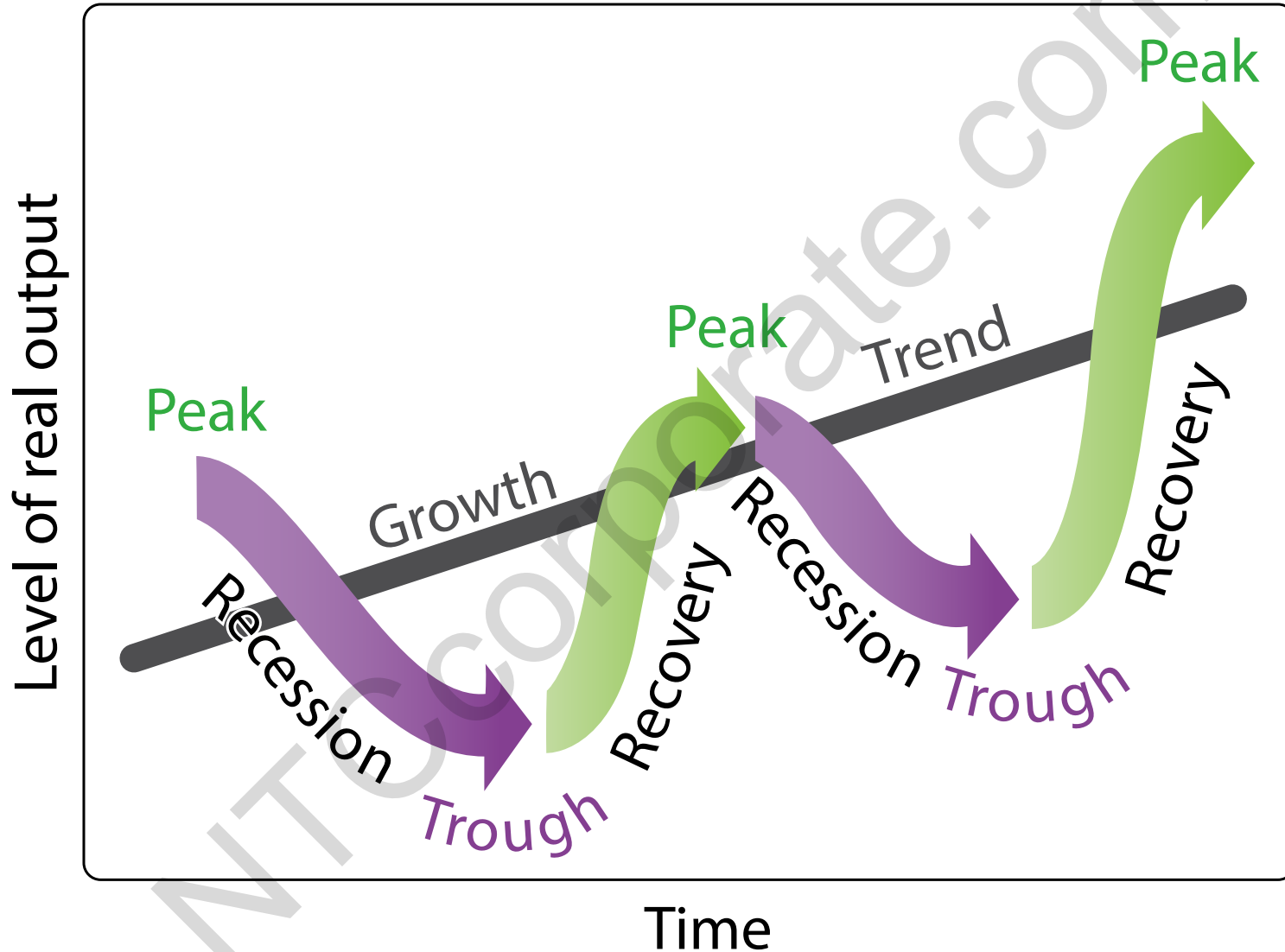
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THE FINANCIAL AID PROCESS

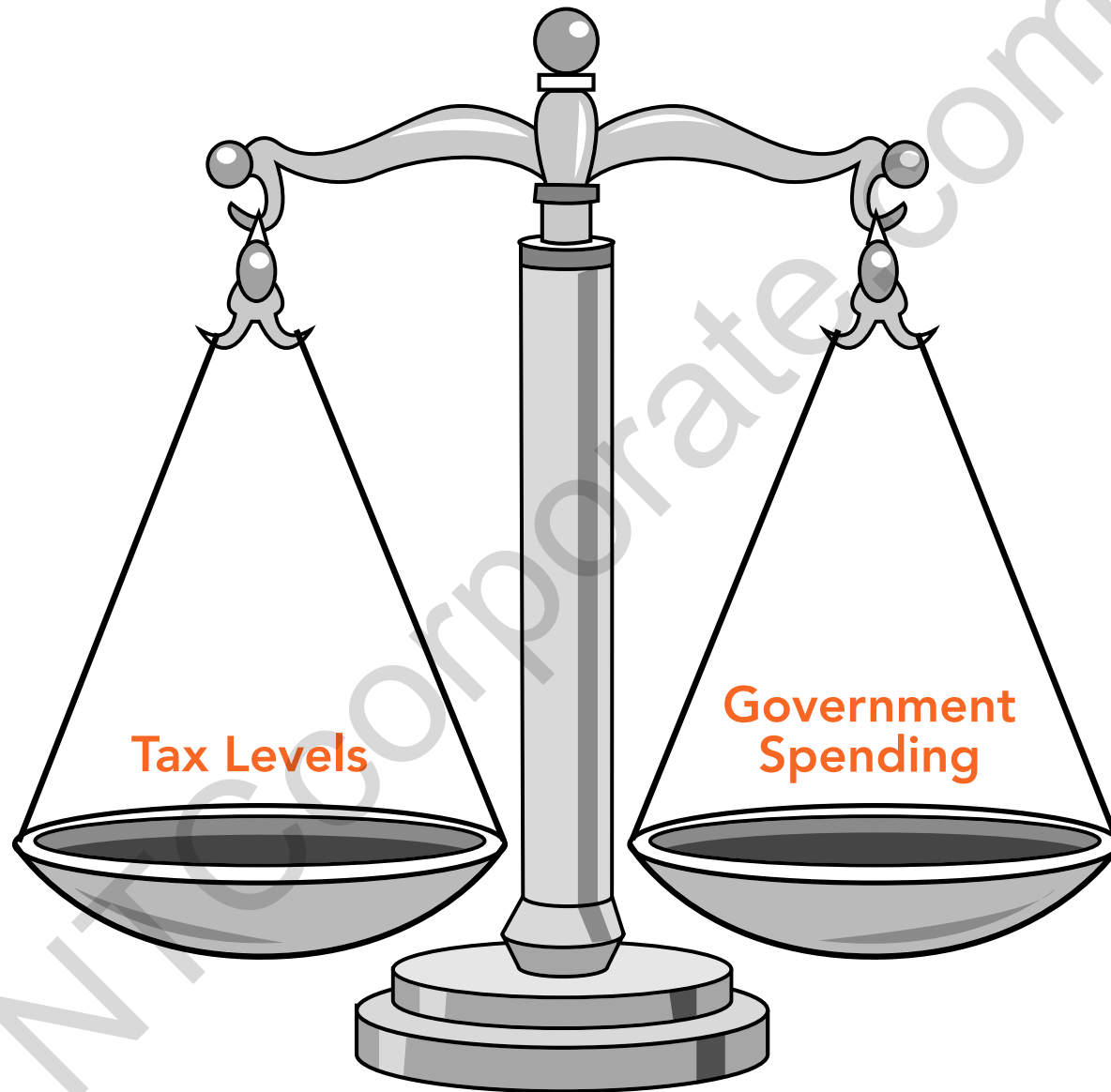


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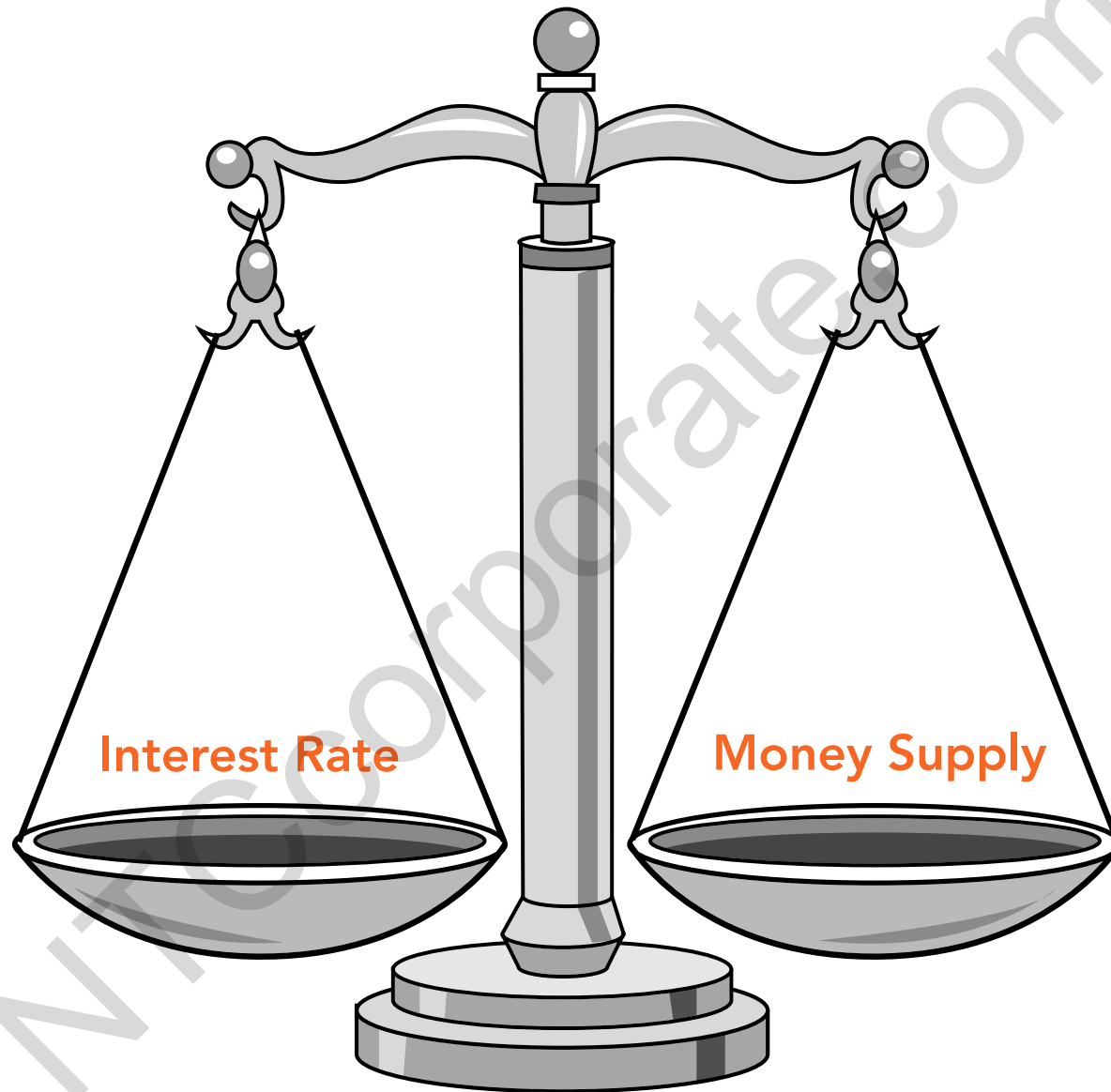
ECONOMIC CYCLES



FISCAL POLICY



MONETARY POLICY



INVESTMENT VEHICLES: STOCKS

When you buy a **stock**, you own part of the company, called a **share**. When the company does well, you may receive **dividends** or a portion of the company's profits.

The value of your investment changes as the company's stock price changes. When you sell the stock, you may receive more or less money than what you paid for it.

INVESTMENT VEHICLES: BONDS

Bonds are loans to corporations or to the government for a set period of time, or a term. You earn interest on your investment, and bonds can be purchased for as little as \$25.

INVESTMENT VEHICLES: MUTUAL FUNDS

Mutual Funds are offered by companies that combine money from many investors to purchase numerous separate investments (for example: some include a mix of stocks and bonds or even a mix of stocks of companies in several different countries). They may pay dividends and they may also gain or lose money over time.

By combining your money with the money of other investors, you can **diversify** even a small investment.

INVESTMENT VEHICLES: DIVERSIFICATION

Diversification is like not putting all of your eggs in one basket. It spreads the risk of loss across many investment options.



INVESTMENT VEHICLES: RETIREMENT ACCOUNTS

Individual Retirement Accounts (IRAs): IRAs are designed to help you save money for your retirement. Your contributions are generally tax-deductible. IRAs can include FDIC-insured deposit accounts offered by banks and non-deposit investment accounts offered by investment firms that may include stocks or bonds.

Employer Retirement Accounts:

A **401(k)** plan is a retirement savings plan established by an employer that lets its employees set aside a percentage of their pay for retirement before taxes are taken out. This can help lower your tax bill.

A **403(b)** plan is a retirement savings plan for employees of public schools and certain tax-exempt organizations.

INVESTOR CONSIDERATIONS

Risk Tolerance: willingness to lose some or all of an investment in exchange for greater potential returns

Diversification: spreading your assets across multiple investments

Asset Allocation: the distribution of assets among investments to balance risk and reward

Rate of Return: the percentage of money earned or lost on investments

MONEY GROWS

If you start with a \$100 principal and add \$200 to your retirement account each month, how much can you save by the time you are 65?

If you start at age 25

Principal	\$100.00
Monthly Contributions	\$200.00
Years to Grow	40
Interest Rate (compounded annually)	7%
TOTAL	\$480,621.71

If you start at age 45

Principal	\$100.00
Monthly Contributions	\$200.00
Years to Grow	20
Interest Rate (compounded annually)	7%
TOTAL	\$98,776.15

Would you rather have less than \$100,000
or almost half a million dollars?

RETIREMENT VEHICLES: WHERE TO SAVE?*

Roth Individual Retirement Account (Roth IRA) <ul style="list-style-type: none">• You open the account• Can contribute up to \$6,000 annually• Not tax-deductible• No employer match• After-tax contributions (you do not pay taxes on the money when it is withdrawn)	Traditional Individual Retirement Account (Traditional IRA) <ul style="list-style-type: none">• You open the account• Can contribute up to \$6,000 annually• Tax-deductible• No employer match• Pre-tax contributions (you are not taxed until the money is withdrawn)
401(k) <ul style="list-style-type: none">• Your company offers the account• Can contribute up to \$19,000 annually• Tax-deductible• Possible employer match• Pre-tax contributions (you are not taxed until the money is withdrawn)	403(b) <ul style="list-style-type: none">• If you work at a public school or a tax-exempt organization, your school or organization offers the account• Tax-deductible• Can contribute up to \$19,000 annually• Possible employer match• Pre-tax contributions (you are not taxed until the money is withdrawn)

*Contribution limits based on 2019

RETIREMENT VEHICLES: WHERE TO SAVE IF SELF-EMPLOYED?*

Simplified Employee Pension Individual Retirement Account (SEP IRA)

- You open the account. It functions as a traditional IRA for self-employed, single-member businesses or freelance income
- Contributions are made by the employer, not employees
- Can contribute up to 25% (limit \$56,000) of net income
- Contributions are tax-deductible for your business
- Pre-tax contributions (you are not taxed until the money is withdrawn)

Simple Individual Retirement Account (Simple IRA)

- Acts like a traditional IRA for small businesses that may have employees
- Contributions may be made by employees, but employers are required to contribute on behalf of employees
- Employee can contribute a percentage of salary up to \$13,000
- Employers must contribute 2% or a 1-to-1 match up to 3%
- Contributions are tax-deductible for the business
- Pre-tax contributions (you are not taxed until the money is withdrawn)

*Contribution limits based on 2019

PROS & CONS OF RENTING



- You are not responsible for property maintenance.
- You have greater flexibility to move.
- You don't have costs associated with homeownership, like property taxes and homeowner's insurance.



- You are not the owner of the home.
- Your rent might increase over time.
- You might not always be able to renew your lease.
- You will not receive a federal tax deduction for rent payments, but when you own a home, mortgage interest is tax-deductible.

PROS & CONS OF BUYING

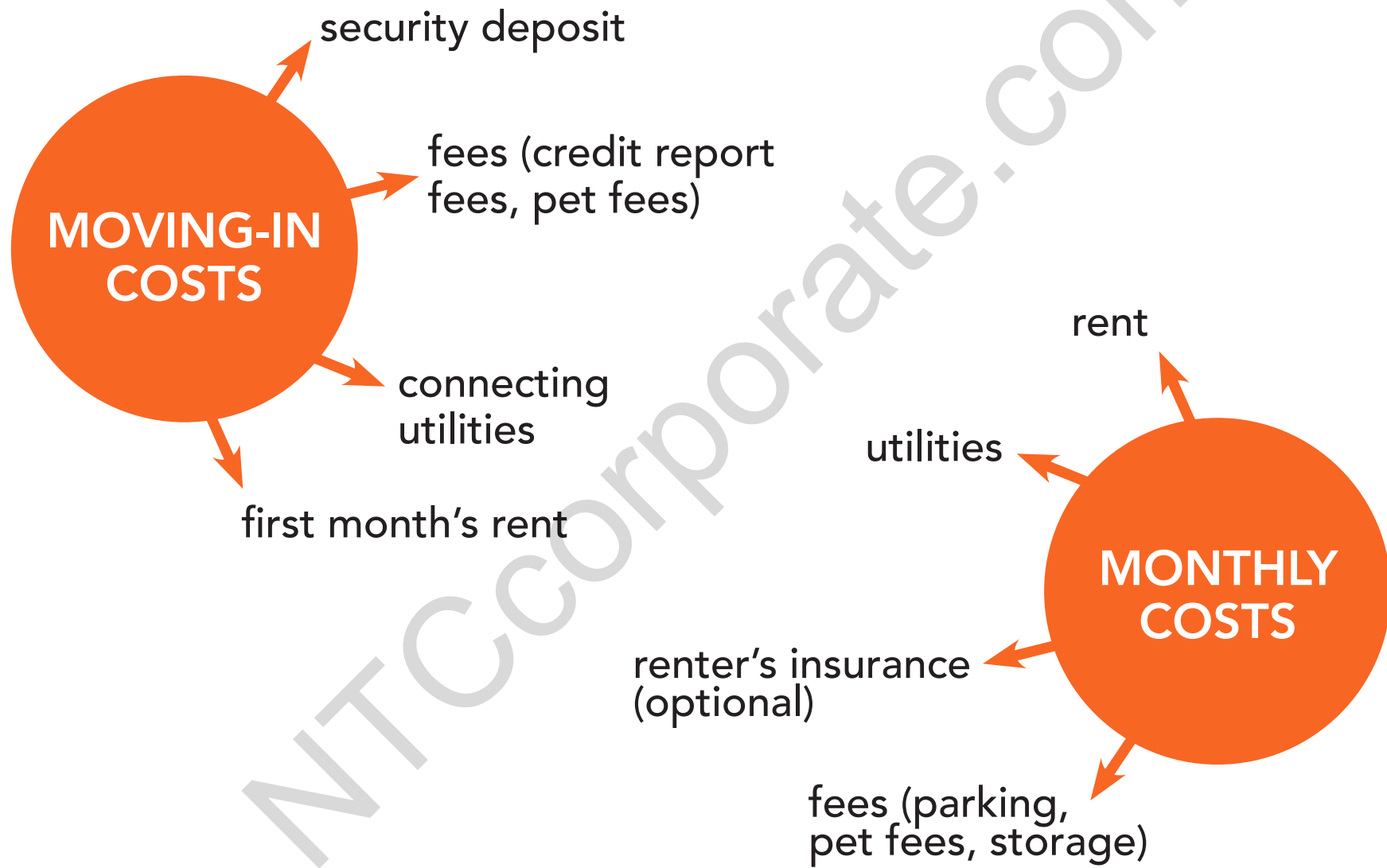


- You may build equity, which is the value of your home minus the debt you owe on it.
- Once you pay the mortgage in full, you own the home.
- Your income tax may be reduced, because mortgage interest and property taxes are generally tax deductible.



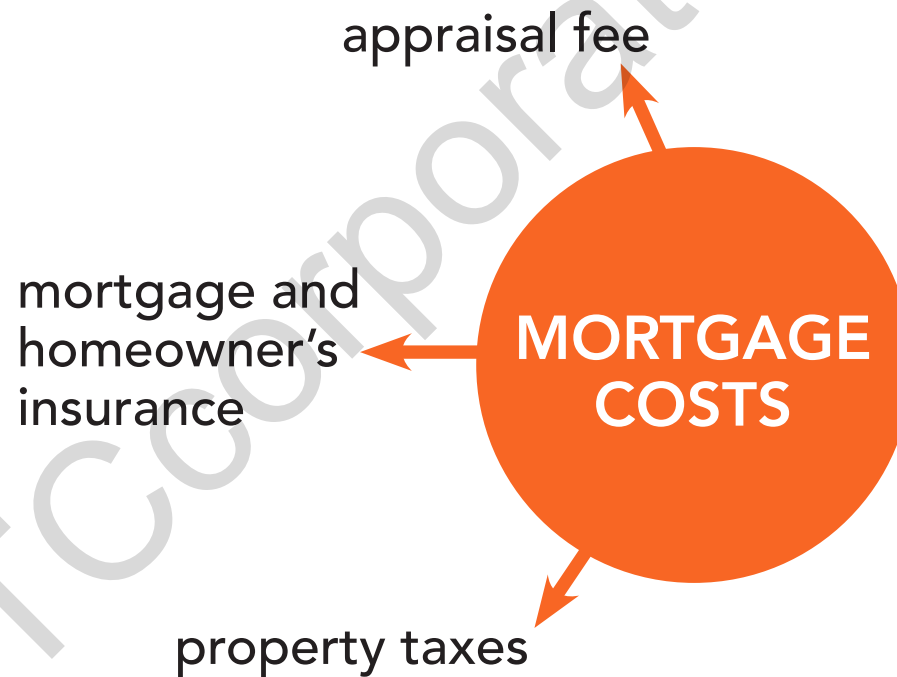
- You will have to purchase homeowner's insurance.
- Buying a home requires more cash up front for a down payment.
- You may need to purchase additional insurance, such as that covering earthquakes or floods.
- It is not as easy to move when you own a home.
- You may have to pay monthly condominium or homeowner association fees.

RENTING COSTS



BUYING COSTS

A **mortgage** is a loan, provided by a financial institution, to buy a house or condominium. Most first-time home buyers obtain a mortgage to help finance the home.



HOUSING CHALLENGE #1

Jay is moving out on his own next month. He found a great apartment for **\$695** a month. His total net income is **\$1,590** and his current expenses, including his car, food, entertainment and cellphone, are about **\$950** each month, give or take **\$100**.

Jay is signing the lease on the dotted line today. Is his choice wise?



WISE



UNWISE

HOUSING CHALLENGE #2

Rionna graduated from college several years ago, and her career as a graphic designer is going well. She works for one of the largest design firms in her area. Since she has started working, she has always rented a studio apartment to save on costs, but now she is ready for more space. She has been shopping for houses, but she decided to wait to buy until next year because by then she will have saved up enough money to put a 10% down payment on the home.

Rionna will buy a house next year with a 10% down payment.
Is her choice wise?



WISE



UNWISE

HOUSING CHALLENGE #3

Mason has a steady job as a law clerk, but is living with his parents at home to save money while he prepares to buy a house. He has been approved for a **\$200,000** mortgage. If he decides to borrow the full amount, his monthly mortgage payments would be **\$1,300**. Mason earns **\$2,800** net pay each month and his expenses include credit card payments of **\$500**, groceries and eating out at **\$300**, entertainment expenses of **\$200**, a car payment at **\$250** and cellphone costs of **\$75**.

Mason finds a home he likes for \$195,000 and decides to put in a full-price offer. Is his choice wise?

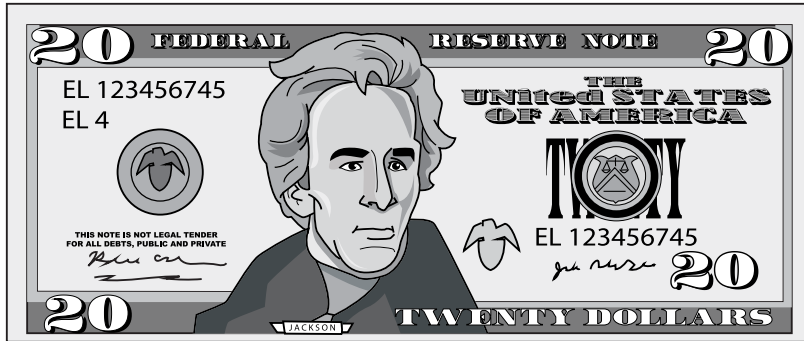


WISE



UNWISE

SPEND, SAVE, GIVE



Spend

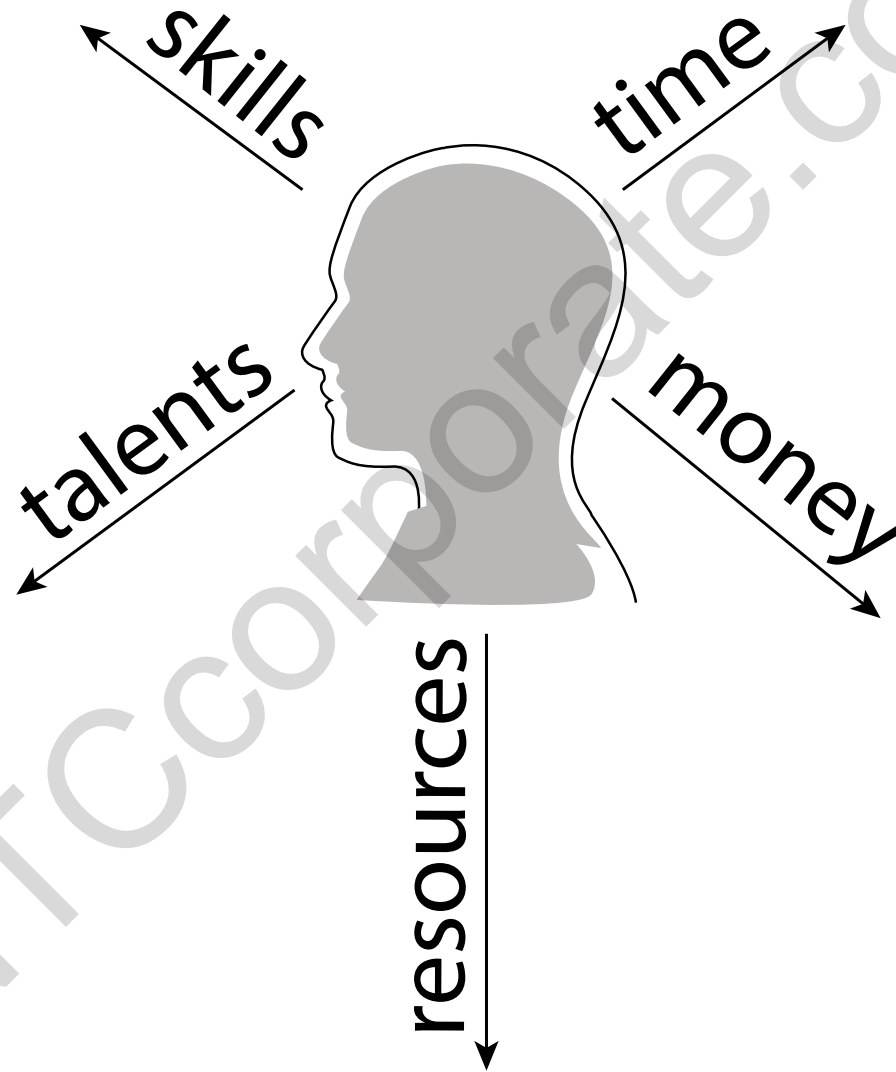


Save

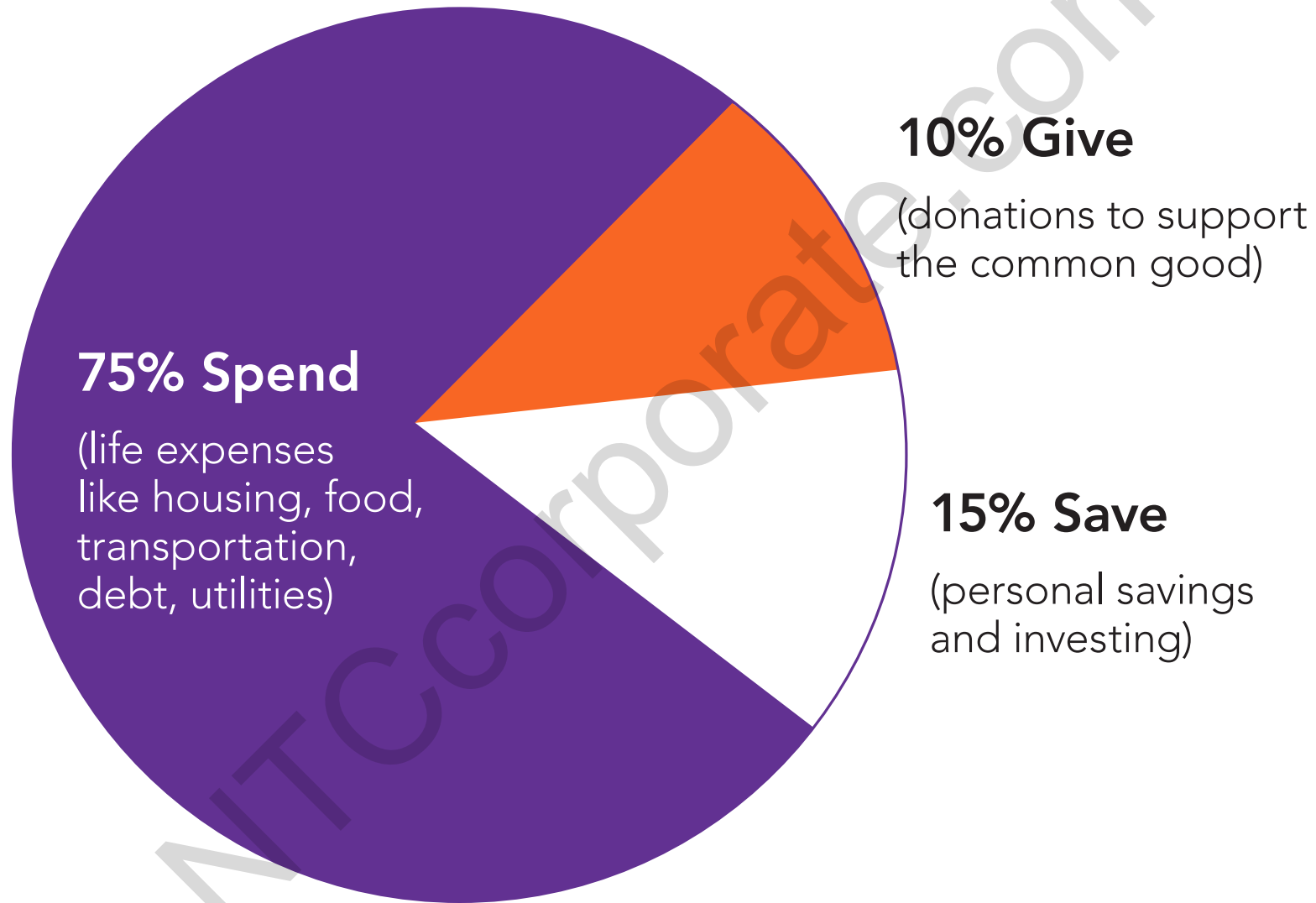


Give

PHILANTHROPY



BUDGET: SPEND, SAVE, GIVE



MONEY MAROONED



Your family is here



You are here

What would you do?

ESTATE PLANNING: TRUSTS & WILLS

Will: legal document that you create outlining your last wishes

Trust: legal document used to transfer your property with the ability to set stipulations and conditions before an heir receives your assets (such as a minor child turning 18 before inheriting property)



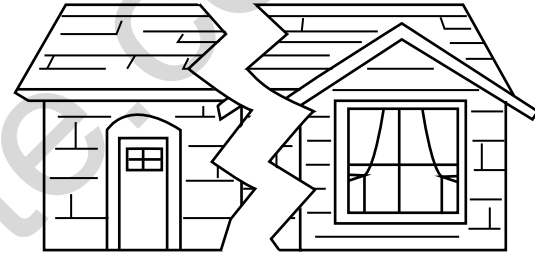
ESTATE PLANNING: POWER OF ATTORNEY

Power of Attorney: when you grant permission to someone to handle your affairs if you are unable to do so yourself

ESTATE PLANNING: EXAMPLE OF TITLES

Tenancy in Common:

- Shared ownership of a property



Joint Tenancy:

- Shared ownership of a property with equal shares
- If one owner dies, the other owner(s) have **Right of Survivorship**, meaning that share of the property is transferred to them

Tenancy in Entirety:

- Shared ownership of a property between a husband and wife
- A surviving spouse has **Right of Survivorship** and becomes the sole owner

ESTATE PLANNING: LIFE INSURANCE

Life Insurance: provides financial security to your family in the event of death by paying money to a beneficiary

CREDIBILITY #1



CREDIBILITY #2



IDENTITY THEFT



There is only one of you ... or is there?

WHAT DO THIEVES DO WITH YOUR INFORMATION?

- Get into your bank accounts and steal your money
- Use your name to open up credit cards and run up the bills
- Set up utility and rental agreements using your name
- Take out a loan in your name
- They may even try to use your health insurance!

TYPES OF IDENTITY THEFT: PHISHING

Phishing is when criminals:

- Send out unsolicited, or spam, emails that appear to be from a legitimate source, perhaps from your bank, school, well-known merchants, your internet service provider or even a trusted government agency (e.g., the FDIC).
- Attempt to trick you into divulging personal information.


TYPES OF IDENTITY THEFT: PHARMING

Pharming is when criminals:

- Seek to obtain personal or private information by making fake websites appear legitimate. Your browser will even show that you are at the correct website. This makes pharming more difficult to detect than phishing.

TYPES OF IDENTITY THEFT: TEXT MESSAGE SPAM

- Similar to email spam, but on your cellphone
- Criminals often text offers of free gifts or low-cost credit offers with a link
- Clicking the link can install malware on your phone, which is how your personal information is captured



**You have been selected
for a FREE Caribbean cruise.
Go to freecruise4u2day.com
to claim your prize!**

JOB SCAMS

- Promise work, but usually ask you to pay for training or services
- Never deliver the promised employment
- Are often advertised on real job websites, so it can be hard to tell them apart from true employment opportunities

**Earn \$50 per week
GUARANTEED! Sign up
today and get started!**

BUSINESS TYPES



BUSINESS BUDGETING: FINANCIAL STATEMENTS

Profit and Loss Statement: includes revenues, expenses and costs incurred by a business during a set period of time.

Balance Sheet: shows a company's liabilities, owner's equity and assets at a set point in time.

Cash Flow Statement: tracks money coming in and going out of the business.

START-UP CAPITAL

Crowdfunding

Credit Cards

Bank Loans

Investors

Equity

Lenders



Personal Savings

FAILURE = FUEL TO SUCCESS

I have taken more than 9,000 shots in my career. I have lost almost 300 games. Twenty-six times I have been trusted to take the game winning shot and missed. I have failed over and over again in my life, and that is why I succeed.



Michael Jordan

TAX REQUIREMENTS

Income Tax (federal, state, city)

Self-Employment Tax

Employment Taxes

BUSINESS INSURANCE

Liability Insurance

Home-Based Business Insurance

Commercial Property Insurance

Worker's Compensation Insurance

Unemployment Insurance Tax

Disability Insurance

BUSINESS MANAGEMENT

