

Financial Opportunity

Family Progress



Making Your Dreams a **Reality**

Financial Opportunity

Family Progress



NATIONAL ENDOWMENT FOR
FINANCIAL EDUCATION

Partnering for Financial Well-Being



Family Literacy - Family Progress

Note: The content areas in this material are believed to be current as of this printing, but, over time, legislative and regulatory changes, as well as new developments, may date this material.

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NEFE's Mission

NEFE operates as a foundation dedicated to helping all Americans acquire the information and gain the skills necessary to take control of their personal finances. NEFE accomplishes its mission primarily by partnering with other concerned organizations to provide financial education to members of the public—in particular, to underserved individuals whose financial education issues are not being addressed by others.

NCFL's Mission

NCFL's mission is to create a literate nation by leveraging the power of the family. Family literacy is an intergenerational approach based on the indisputable evidence that low literacy is an unfortunate and debilitating family tradition. Parents who are not literate tend to have children who struggle academically and who often do not achieve literacy proficiency in adulthood. Educators, policy makers and philanthropists rely on NCFL to mobilize family literacy efforts, conduct research and develop new, effective tools to leverage the learning relationship between parents and children. Family literacy, pioneered by NCFL, is a powerful community strategy for raising educational levels, improving workforce skills and breaking the cycle of poverty.

Introduction



If you dream about a more secure future...

If you want to stretch your money further...

If you want to avoid going into debt...

This course is for you!

It will help you look at where you are financially. It will help you build from there.

You have things of value. They include your skills, your courage, and your determination to make a better life. By getting an education, you are on the path to a better future for yourself and your family.

you *are on the path to a better future!*

Life teaches us many things.

One is that we have to take care of ourselves.



Making the Most of Your Money

Life teaches us many things. One is that we have to take care of ourselves. That means exercising, eating right, and getting enough sleep. It also means making good choices. Good choices about friends. Good choices about how we spend time. And good choices about money.

Managing money isn't always easy—and sometimes it's very hard! It's especially hard when you don't have enough money. It's hard when you struggle to make ends meet each day.

This course can help you. It can help you make the most of the money you have. It can also help you make the most of your future.

You
have

potential

You are a valuable person, no matter how much money you have. You have friends, skills, and people who care about you. You know many things. You have potential. And by taking this course, you are on the path to a healthy financial future. You are taking charge of your life. This is your start!

Understanding Money

Hundreds of years ago, there was no money. If you wanted something you couldn't grow or make for yourself, you had to trade for it. People who had cows traded milk and cheese for wool from people who had sheep.

And sometimes the trading was three-sided:

- People who had grain wanted wool, but the people who had wool didn't want their grain in trade.
- People who had milk and cheese wanted grain, but the people with grain didn't want milk or cheese.
- So the people with wool traded wool to the people with milk and cheese. And the people with cows then traded the wool for grain.

It was awkward. It was tricky. How did anyone know if the trade was fair?

Also, milk and cheese spoil. And wool and grain can be heavy to carry. So trading wasn't always easy.

Money was developed to solve all these problems.

Money is a token. It doesn't spoil. It usually isn't heavy to carry around. It can be saved and used when you need it.

Money is different in different countries. It can be called a dollar or a peso or a euro. But everywhere, money is a token that people will accept in exchange for what they have to sell. It's a token that makes trading much easier.

Money is a token. It doesn't spoil.

It usually isn't heavy to carry around.

It can be saved and used when you need it.

Working Sums: Understanding Parts vs. Whole

Money is power. We all know that. And money is all about numbers.

To manage your money, you need to know some basic math. But don't worry! Any math in this course will be easy. When you know how numbers work, you will know how money works. You'll have control over your money. You'll have control over that part of your life.

So let's look at a few math symbols. Math uses symbols, such as $+$ and $-$ and \times and \div to show actions.

These symbols tell you to do something with numbers. Another important symbol is " $=$ ". This is called the equal sign. The equal sign shows a relationship. It means the same thing as the word "is" in a sentence.



For example, different people may have different names for you.

- To yourself, you may be "Jan."
- To your mother, you may be "Jannie."
- On your driver's license, you may be "Janet."

You can put an equal sign between each of those names, because each name is correct for you.

Jan = Jannie = Janet or Jan is Jannie is Janet

You could use arrows with two heads to say the same thing:

Jan \leftrightarrow Jannie \leftrightarrow Janet

You don't stop being Jan when your mother calls you Jannie. They are all different names for the same person: YOU!

The equal sign between the names means “different name, same person.” It means “is.”

And the equal sign still means “is” when it comes to math as well. For example,

$$5 = 3 + 1 + 1$$

$$5 = 2 + 2 + 1$$

$$5 = 2 + 3$$

$$5 = 2 + 1 + 1 + 1$$

All the numbers between the equal sign show the same amount (5) with a different “name.”

To manage your money well, you’ll need to use two kinds of math problems: whole and part problems.

WHOLE PROBLEMS

One kind of problem is to find the WHOLE.


$$3 + 2 = ?$$

The answer, of course, is 5, because 3 plus 2 = (is a different name for) 5.

The receipt you get at the grocery store is a “find the WHOLE” math problem.

The cash register adds up the prices of what you buy (all the PARTS).

The bottom of the receipt tells how much you spent in total (the WHOLE).

PART PROBLEMS

The other kind of math problem is to find the missing PART.


$$4 + ? = 5$$

And the answer is 1, because 4 plus 1 = (is a different name for) 5.

The stub from your paycheck is a “find the PART” math problem.

The total money you earn is the WHOLE. The money taken out for taxes is a PART.

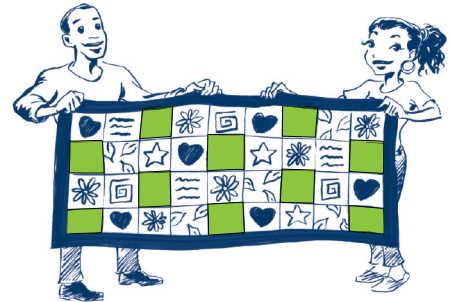
What you get to take home is another PART. It is the PART that is left after taxes.

WHOLE AND PARTS WORKING TOGETHER

The key to understanding PARTS and the WHOLE is that they are always there *at the same time*.



Look at this face. You can see two eyes = two PARTS. But you know that under the mask there is also a nose and a mouth. You know there are more PARTS. The PARTS are there even if you cannot see them. And those PARTS make up the WHOLE face.



Or look at this quilt. All the squares (the PARTS) make up the WHOLE quilt. You always have the squares and the quilt at the same time.

Here’s another example. Suppose Ramon has 10 \$1 bills. He puts six of the bills in his pants pockets and four in his shirt pocket. The PARTS are in different pockets, but the WHOLE is still the same. He still has 10 \$1 bills.

PARTS and WHOLE are important ideas. We will come back to them in later classes.



1

Follow Your

Dreams

In this session, you will focus on your future.

You will:

- ✓ Identify your dreams and goals.
- ✓ Make a spending diary.
- ✓ See where you can stop “leaking” money.

What are **your** greatest dreams for the future?

All of us have dreams for the future. All of us want things that we can't afford now. It can be hard to think of those dreams when you're struggling just to get by day to day.

That may be the pattern of your life now. But it doesn't have to be the pattern for your future. You can begin to leave money troubles behind. You can reach your dreams.

The first step in making your dreams come true is to set goals. Write down the things you want. Those are your goals. Look at them often. The goals will help you spend your money wisely.

Setting Your Goals

Write down three short-term goals. These are for things you can have in three months or less. Getting a new winter coat is an example.

Short-term goal 1: _____

Short-term goal 2: _____

Short-term goal 3: _____

You
can
reach your
dreams

Now write down your one-year goals. These are things you want to have in one year. An example is buying a computer, taking a trip to see your family, or paying for a wedding or anniversary.

One-year goal 1: _____

One-year goal 2: _____

One-year goal 3: _____



Look at your goals often.

Look at them before you

buy something big.

Write down your five-year goals. These might include buying a new car or house or saving enough money for college.

Five-year goal 1: _____

Five-year goal 2: _____

Five-year goal 3: _____

Finally, write three “many-years-from-now” goals. These might include your goals for retirement.

Many-years-from-now goal 1: _____

Many-years-from-now goal 2: _____

Many-years-from-now goal 3: _____

Look at your goals often. Look at them before you buy something big. Draw a picture of your most important goals and keep the picture on your refrigerator or in your wallet. The goals will remind you of what is really important so you don't spend money on things not related to your goals.



Action Plan

Based on what I learned today, before the next class I will:

- Write down my short-term goals.
- Write down my one-year goals.
- Write down my five-year goals.
- Write down my many-years-from-now goals.

Creating a Spending Diary

Do you wonder where your money goes? Does it sometimes feel like it just vanishes? On Monday you have \$50 in your pocket. By the end of the week, it's gone! Where did it go? Sometimes you're not sure. It feels like your money just "leaks out."

There's an easy way to see where money "leaks out." Start a *spending diary* right now. It will show you where your money goes.

Across the top of a piece of paper, write the days of the week. Under each day, write what you spent. Did you spend \$3.50 on a cup of coffee? Write it down. Did the bus to a job interview cost \$3? Write it down. Write everything down, no matter how small.

Add up the totals for each day. At the end of the week, add up all the totals. You may be surprised. Small amounts of money really can add up, but because they're small amounts, you may not notice the "leaks."

SPENDING DIARY WORKSHEET

What Maria bought this week

	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
	Latte \$3.50	Makeup \$12	Magazine \$4	Lunch \$5	Blouse \$20	Movie \$10	
	CD \$18	Lunch \$5	Bus \$3	Soda \$2	Lunch \$5	Haircut \$40	
	Lunch \$5		Lunch \$5				
Daily Total	\$26.50	\$17	\$12	\$7	\$25	\$50	\$0
Weekly Total = \$137.50							

There were a number of PARTS to Maria's spending in one week. But the WHOLE that she spent was \$137.50.



As you can see, small amounts of money really add up. If you spend \$5 for lunch five days a week, in a month, you'll have spent about \$100. And in a year, you'll have spent more than \$1,300!

$$\$5 \text{ lunch} \times 5 \text{ days a week} = \$25 \text{ a week}$$

$$\$25 \text{ a week} \times 52 \text{ weeks in a year} = \$1,300 \text{ spent in a year}$$

Is that really how you want to spend your money? Would you rather have more money to send to family members in another country? Would you rather save more for a wedding or anniversary? Would you rather use it to get more education?

Can you stop “leaking” money by making some simple changes? Perhaps you could make lunch at home and take it to work or school, for example. Write down your ideas here. Write down how much each idea would save you.

Ways I can stop leaking money	Amount I would save in a week



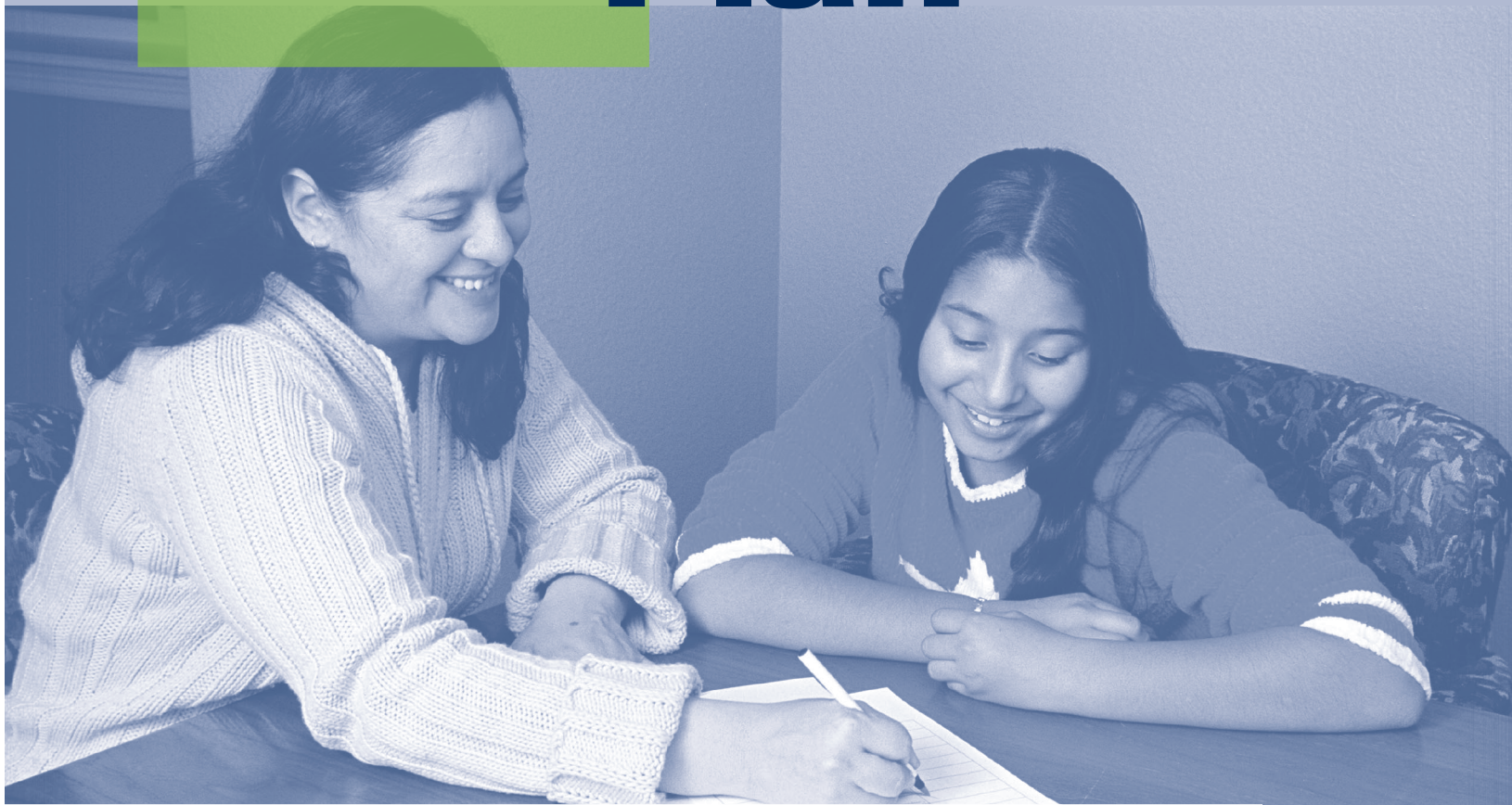
Action Plan

Based on what I learned today, before the next class I will:

- Start a spending diary.
- Write down ways I can stop leaking money.

2

Developing a Spending Plan



In this session, you will find ways to balance your income and spending. You will:

- ✓ **Make a spending plan.**
- ✓ **Think of ways you can make more money.**
- ✓ **Think of ways you can cut back on spending.**

*What are **your** plans?*

**Many people run out of money before
their next payday. That is frustrating.**

It is discouraging.

If this happens to you, a *spending plan* can help. It can help you find out where your money goes. It can help you to spend more wisely. And it can help you get out of debt—and stay out.

Most families don't have a spending plan. They don't know where they spend \$3 out of every \$10 they have. That's like losing 30 cents (30 percent) of every dollar of their income. Their money just "leaks out." Just think. If you earn \$300 a week and lose 30 cents out of each dollar, you could lose \$90 every week!

$\$300 \text{ weekly salary} \times 30\% = \$90 \text{ loss each week}$

Good planning

can

*make a
difference*

Writing Your Spending Plan

There are four steps in making a spending plan (budget):

1. Write down the money coming in each month (your *income*).
2. Write down the money going out each month (your *expenses*).
3. Compare your income and expenses.
4. Make changes if the money going out is more than the money coming in.



STEP 1. LET'S LOOK AT YOUR INCOME.

Write down all the money you get each month on the form on page 10.

Some people—for example, seasonal workers and self-employed people—have income that is higher some months and lower in others.

If income from your job goes up and down, write down how much you expect to make each month. Add up the months. Then divide the total by 12. That will help you see the average income you have from your job each month. Write that amount in the “your job” line on the form.

Then use the form to figure out all your income put together.

Money coming in each month (*Income*)

Your job (after deductions)	\$ _____
Second job (after deductions)	\$ _____
Jobs of others in your home (after deductions)	\$ _____
Bonuses/tips	\$ _____
Allowance	\$ _____
Food stamps	\$ _____
Housing subsidy	\$ _____
Temporary Aid to Needy Families (TANF)	\$ _____
Child support	\$ _____
Unemployment compensation	\$ _____
Gifts	\$ _____
Tax refund	\$ _____
Interest on savings	\$ _____
Interest on investments	\$ _____
Other	\$ _____
Add up all your income:	
Total income each month =	\$ _____

Each different way that money comes in is one PART of your income. The WHOLE of your income is all of those PARTS put together.

STEP 2. NEXT, WRITE DOWN ALL THE MONEY YOU SPEND IN A MONTH.

Look through past bills, receipts, and your spending diary to figure out where your money goes each month. On this worksheet, savings is listed first so you get in the habit of “paying yourself first.” You’ll learn more about this later.

Don’t forget bills that only come in once in a while. If your car insurance is \$750 every six months, divide \$750 by six months ($\$750 \div 6 = \125 each month). That will give you the monthly cost.

Money going out each month (*Expenses*)

Savings \$ _____

Credit card payments \$ _____

Loan payments \$ _____

Groceries \$ _____

Snacks and meals eaten out \$ _____

Rent or house payments \$ _____

Property tax (if you own your home) \$ _____

Self-employment tax (if you own your own business) \$ _____

Heat \$ _____

Electricity \$ _____

Water \$ _____

Sewer \$ _____

Trash collection \$ _____

Telephone and/or cellphone \$ _____

Long-distance phone charges \$ _____

More on the next page

Home improvements and repairs	\$ _____
Transportation (car payments, repairs, gas, insurance; or bus)	\$ _____
Clothes, shoes	\$ _____
Child support or support to other family member	\$ _____
Child care	\$ _____
School fees and supplies	\$ _____
Medical (doctor, dentist, medicines)	\$ _____
Health insurance	\$ _____
Life insurance	\$ _____
Personal property or renter's insurance	\$ _____
Union or professional dues	\$ _____
Cable or satellite TV	\$ _____
Internet connection	\$ _____
Movies, fun	\$ _____
College/training (tuition, books, fees)	\$ _____
Tobacco	\$ _____
Alcohol	\$ _____
Travel/vacation	\$ _____
Pet care	\$ _____
Dry cleaning	\$ _____
Laundry	\$ _____

More on the next page

Personal care (haircut, manicure, pedicure, etc.)	\$ _____
Hobbies	\$ _____
Gifts	\$ _____
Donations	\$ _____
Money given to family members	\$ _____
Other	\$ _____
Add up all your expenses:	
Total expenses each month =	\$ _____

Your individual expenses are the PARTS. The PARTS added together are your WHOLE expenses.

STEP 3. COMPARE THE WHOLE MONEY COMING IN AND THE WHOLE MONEY GOING OUT.

Money coming in (income)	\$ _____
Money going out (expenses)	\$ _____

Which number is bigger? Is the money coming in bigger than the money going out? Good for you! That means your income is more than your expenses.

Or is the money going out bigger than the money coming in? If yes, that's not good. You don't have enough to pay for your expenses. How can you make changes? That's the next step.

STEP 4. MAKE CHANGES.

When your expenses are more than your income, it's time to make changes. You can get more income. You can cut back on your costs. Or, you can do some of both.

Can you think of ways to add to your income? Could you:

- Get your GED or take courses or training to get a better job or a promotion in your job so that you would make more money?
- Look for a better-paying job?
- Get a second job?
- Work overtime?
- Have other family members work and help pay for food, rent, etc.?
- Turn a hobby into extra income?
- Do chores, baby-sit, or take care of pets for other people?
- Sell things you don't need at a garage sale or consignment store?

How else could you get more money? Write your ideas here:

Can you think of ways to cut back on spending?

- Could you move to a less expensive house or apartment?
- Can you share your house or apartment with someone else and have them pay part of the costs?
- Can you save money by not eating out so often?
- Can you take snacks and lunches to school and work, instead of buying them?
- Can you swap child care?
- Do you really need a new car? Would a used car work just as well? Or could you use the bus or a bicycle to get around?
- For a wedding, can you make the dress? Can friends and families help by bringing food?
- Can you put off buying new shoes or clothes?
- Can you have a friend cut your hair or do your nails?
- Can you take advantage of free days at museums, zoos, and other places of entertainment?
- Could you shop at a grocery store (with a friend who has a car) instead of buying at a more expensive convenience store?

How else can you cut back on spending? Write your ideas here:

**One way or another, it's important to
get your income and spending in balance!**

Sheri's Story

Sheri needed to look carefully at her money. Her husband was sick and couldn't work. Her daughter and grandbaby had moved back in. Money was tight!

Sheri added up her total income. She added up her total expenses. Her expenses were a lot higher than her income. Sheri needed to make changes.

She sat down with her daughter and talked about money. She told her daughter she had to get a job. Her daughter got a job. Now she pays for part of the food and rent. Sheri and her family are able to get by without going into debt.



Action Plan

Based on what I learned today, before the next class I will:

- Make a spending plan.
- Write down ways I can get more money.
- Write down ways I can cut back on spending.