Module:
Financial Literacy

LESSONS

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Lesson:
Basic Banking

GOALS
In this lesson you will:

• Learn about a bank account
• Understand about banks and credit unions
• Learn how to open an account
• Learn about ATMs and direct deposit
• Know about bank loans

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LIFE SKILLS CURRICULUM
NEW WORDS

<table>
<thead>
<tr>
<th>Words</th>
<th>Meanings</th>
</tr>
</thead>
<tbody>
<tr>
<td>account</td>
<td>the bank is holding your money for you</td>
</tr>
<tr>
<td>deposit</td>
<td>put money in your account</td>
</tr>
<tr>
<td>interest</td>
<td>extra money from the bank for keeping money</td>
</tr>
<tr>
<td>cash a check</td>
<td>get money from a paycheck</td>
</tr>
<tr>
<td>fee</td>
<td>money you have to pay.</td>
</tr>
<tr>
<td>direct deposit</td>
<td>your paycheck goes into your bank account</td>
</tr>
<tr>
<td>checking account</td>
<td>an account for spending money.</td>
</tr>
<tr>
<td>savings account</td>
<td>an account for keeping money.</td>
</tr>
<tr>
<td>credit union</td>
<td>like a bank,</td>
</tr>
<tr>
<td>branch</td>
<td>the building for a bank or credit union</td>
</tr>
</tbody>
</table>

IN YOUR COUNTRY

- What is a bank **account**?
- Did you have a bank account in your country?
- Do you have a bank account in America?
BANK ACCOUNTS

ACTIVITY: True or False

How much do you know about bank accounts?
Write TRUE or FALSE.

1. ____ You don’t need a bank account if you don’t have much money.
2. ____ Bank accounts are not safe.
3. ____ You need to be a US citizen to get a bank account.
4. ____ You might need a bank account to get paid for your work.

Answers

1. FALSE Bank accounts are good for everyone. You can open an account with $25 to $100.
2. FALSE Bank accounts are very safe.
3. FALSE You can open a bank account even if you’re not a citizen. You will need a state ID or passport.
4. TRUE Many jobs use direct deposit to pay workers, so you need a bank account.

Talk with your class.

> What do you want to learn more about?
ACTIVITY: Checking and Savings Accounts

There are different bank accounts. Most people in the US have checking accounts and savings accounts.

Read about Accounts 1 and 2.

- Which is a checking account?
- Which is a savings account?

<table>
<thead>
<tr>
<th>ACCOUNT 1</th>
<th>ACCOUNT 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Put your money here to keep it safe for a long time.</td>
<td>Keep your money here if you want to spend it.</td>
</tr>
<tr>
<td>You can get interest for using this account.</td>
<td>You don’t get interest for using this account.</td>
</tr>
<tr>
<td>You might have to pay a fee if you take money from this account more than six times in a month.</td>
<td>You can spend money from this account many times in a month. Use it to pay bills, go shopping, etc.</td>
</tr>
<tr>
<td>You might have to go to the bank, use an ATM, or go online to get money from this account.</td>
<td>You can use a debit card or checks to spend money from this account.</td>
</tr>
</tbody>
</table>

Answers…

1: SAVINGS ACCOUNT 2: CHECKING ACCOUNT

BANKS AND CREDIT UNIONS

ACTIVITY: Same or Different?

When you open an account, you can choose a bank or a credit union.

- How are they the same?
- How are they different?
Work with the class. Write the numbers in the chart below:

1. You can have a savings account.
2. You can have a checking account.
3. Usually has more branches.
4. Usually pays you more in interest.
5. Usually has more fees.
6. You can get a loan to help buy a house or car.

**Answers:**
Bank – 3, 5; Both – 1, 2, 6; Credit Union - 4

**ACTIVITY: Opening an Account**

There are many banks and credit unions.

What are some banks and credit unions in your neighborhood?

Make a list with the class:

1. ____________________________ 4. ____________________________
2. ____________________________ 5. ____________________________
3. ______________________  6. ______________________

- Do you want a checking account, a savings account, or both?
- Do you want to use a bank or credit union?

Choose a bank or credit union from the list.
Use your phone or computer to look online.

**Answer these questions:**

1. Bank/Credit Union Name: ______________________
2. How many branches do they have? ______________
3. How much money do you need to open an account? $____
4. Do you have to pay a monthly fee? _______
5. How much interest do they pay? _____% 

Ask other students about their answers. Which do you think would be good for you?

**TIPS:**

*Ask friends, classmates, teachers or case managers for information about banks.*

*For a checking account, try to find:*
  - No monthly fees.
  - Low *overdraft* fees

*For a savings account, try to find:*
- No monthly fees.
- A high interest rate.

Call or go to the bank to open an account. The employees will help you.
What Do You Need to Open an Account?

Circle the things you should bring:

- social security card
- money
- driver’s license
- health insurance card
- passport
- utility bill
Checklist
You might need:

☐ An ID with your picture, like a driver’s license or passport.

☐ A second ID, like a Social Security card, a bill with your name and address, or a birth certificate.

☐ A document that shows your address, like a utility bill or an apartment lease.

☐ Your Social Security Number (or Individual Taxpayer Identification Number, if you don’t have a SSN).

☐ Money for the new account ($25-100).
BANKING SERVICES

ACTIVITY: ATMs

ATMs are machines that can help you with banking.

Look at the picture. What do these buttons do?

1. Balance ___  a. Check how much money you have
2. Deposit ___  b. Take cash out
3. Withdrawal ___  c. Put money in your account

You can use an ATM not from your bank, but you will have to pay.

Answers:

1 – a, 2 – c, 3 – b
Direct Deposit
When you have a job, you can set up direct deposit. Your employer sends your paycheck to your account. You don’t have to go to the bank. You get paid faster. Your employer will help you set up direct deposit.

SAHRA’S BANK
Sahra has a checking account. Her bank has a monthly fee of $10. Her bank also charges a $35 overdraft fee. Sahra doesn’t have direct deposit. She goes to the bank to deposit her paycheck every month. Last month, Sahra was very busy. She didn’t have time to go to the bank. She didn’t deposit her paycheck. Her bank balance was less than $1000. Her bank charged her the $10 monthly fee. On the 28th, she had $50 in her account. She had to buy gas. It cost $55.
Her bank charged her a $35 overdraft fee.
On the 29\textsuperscript{th}, she bought groceries for $25.
Her bank charged her another $35 overdraft fee.
Today, Sahra got her bank statement in the mail.
She was not happy to see all the fees!
She is going to move her account to a credit union.

Answer the Questions

1. How much did Sahra pay in fees last month?
   (a) $115
   (b) $35
   (c) $1000

2. What is Sahra’s bank balance now?
   (a) $0
   (b) $-152
   (c) $55

Answers

1. (a)
2. (b) She has to pay the bank $152 in fees
WRAP-UP

Discuss

- Do you want a bank account?
- What are 3 things you need to open a bank account?
Lesson: Payment Methods

GOALS
In this lesson you will:

• Learn about debit and credit cards
• Learn how to send money to other countries
• Know how to write a check
• Know about other ways to pay for things

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NEW WORDS

<table>
<thead>
<tr>
<th>Words</th>
<th>Meanings</th>
</tr>
</thead>
<tbody>
<tr>
<td>debit card</td>
<td>takes money from your bank account</td>
</tr>
<tr>
<td>credit card</td>
<td>you can buy now and pay later</td>
</tr>
<tr>
<td>balance</td>
<td>total amount of money you owe</td>
</tr>
<tr>
<td>interest</td>
<td>extra money you have to pay the bank</td>
</tr>
<tr>
<td>(percentage %)</td>
<td></td>
</tr>
<tr>
<td>credit score</td>
<td>a number from that bank that tells if you</td>
</tr>
<tr>
<td></td>
<td>pay bills on time</td>
</tr>
<tr>
<td>loan</td>
<td>money borrowed from the bank</td>
</tr>
<tr>
<td>check</td>
<td>lets you take money out of your bank account.</td>
</tr>
<tr>
<td>money order</td>
<td>money you send to your home country</td>
</tr>
<tr>
<td>fees</td>
<td>extra money you have to pay the bank</td>
</tr>
<tr>
<td>gift card</td>
<td>card with money to use at a store</td>
</tr>
<tr>
<td>prepaid card</td>
<td>card with a set dollar amount; you can’t</td>
</tr>
<tr>
<td></td>
<td>add more</td>
</tr>
</tbody>
</table>

IN YOUR COUNTRY

▷ How did you pay for groceries, clothing and gas in your country?
▷ How did you pay for furniture, a house or a car?
▷ What is different about the ways you pay for things in America?
TYPES OF BANK CARDS

When you open an account at a bank you can choose different ways to get your money.

A **debit card** takes money comes from your bank account when you buy something. It is also called an **ATM card**.

You can use a debit card to buy on-line, or in the store. You must use your **PIN** (Personal Identification Number)

**TIP: If you don’t have enough money in your account, the bank may charge you an overdraft fee. It can be $30-$40 each time.**

A **credit card** let you buy something now and pay later. The credit card can come from your bank or from another company.

With a credit card, you **must** make a payment every month. You can either pay the whole balance, or part of the balance.
More about Credit Cards

There are good things and bad things about credit cards. It is easy to use your credit card too much and have a big credit card bill.

When you don’t pay all of your credit card bill, the bank will add interest. **Interest** is a percentage of the total amount of money you owe. It is added every month, depending how much you owe.

A lot of people in the U.S. have big debts because of credit cards.

<table>
<thead>
<tr>
<th>Positive</th>
<th>Negative</th>
</tr>
</thead>
<tbody>
<tr>
<td>• You can buy things you need right away.</td>
<td>• If you don’t pay the <strong>outstanding balance</strong>, you will pay interest.</td>
</tr>
<tr>
<td>• It can be helpful in case of emergency.</td>
<td>• The longer you don’t pay off your credit card, the more interest you will owe.</td>
</tr>
<tr>
<td>• Credit cards are good for increasing your credit score.</td>
<td>• If you are late with a payment, the bank adds a <strong>late fee</strong> ($30-$40).</td>
</tr>
</tbody>
</table>
Credit Card Offers

From a Store

Many stores offer their own credit cards (for example Walmart, Target, and Costco).

When you are shopping, a clerk will often ask if you want to apply for a credit card from their store. They offer a discount on your purchase, if you fill out a credit card application.

TIP: Be careful! The interest rate can be very high with store credit cards.

In the Mail

- Do you get credit card offers in the mail?
- What do you do with them?

- Many credit card offers are not good offers. They might have very high APRs or high fees.
- If you apply for many credit cards quickly, it is bad for your credit score.
- If you want to get a credit card, read the card information carefully to find a good offer.
ACTIVITY: Pick a Credit Card

Sahra wants a credit card. When she goes to Target, they ask if she wants their credit card.

Her friend tells her an airline credit card is good. Her bank offers her a credit card too.

Which card does she want?

<table>
<thead>
<tr>
<th></th>
<th>Bank of America Cash Rewards</th>
<th>United Airlines Mileage Plus</th>
<th>Target Red</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest rates (%)</td>
<td>0% for 1st year; 14%-24% after</td>
<td>15%</td>
<td>22%</td>
</tr>
<tr>
<td>Annual Fee</td>
<td>$0</td>
<td>$95</td>
<td>$0</td>
</tr>
<tr>
<td>Credit Limit</td>
<td>$2000</td>
<td>$2000</td>
<td>$2000</td>
</tr>
<tr>
<td>Benefits</td>
<td>3% cash back on all purchases</td>
<td>Accrue mileage for every dollar</td>
<td>5% on purchases at Target; 1% on other purchases</td>
</tr>
</tbody>
</table>

Answers

- The Bank of America card is the best because:
  - It has $0 annual fee.
  - The APR is 0% the first year.
  - You get 3% cash back on every purchase.
ACTIVITY: True or False

1. You should apply for every credit card offer you get in the mail.

2. If you pay your credit card bill on time every month, you can raise your credit score.

3. If your credit limit is $2000, you should spend $2000.

4. Using a credit card is like taking out a loan.

5. Throw away or recycle credit card offers you don’t want.

6. If you pay all the money on your credit card each month, you don’t have to pay any interest.

Answers

1. **FALSE** Only apply for a credit card if it’s a good offer, you need money, and/or you want a better credit score.

2. **TRUE**

3. **FALSE** Try not to use all of your credit. Experts say you should use about 30% of your credit. For example, if your credit limit is $2000, you can use about $600.

4. **TRUE**

5. **FALSE** You should shred credit card offers you don’t want (cut them into small pieces), so other people can’t steal your personal information.

6. **TRUE**
WRITING CHECKS

Most people in America use debit or credit cards to buy things.

If you have a bank account, you can also get checks. A check is a form that you fill in and sign to pay for things.

Like a debit card, it takes money directly out of your bank account. The money is not taken out of your account immediately. It takes time for the check to reach your bank. If you do not have the money to pay for the check, the bank will add an **overdraft fee** (between $15.00-50.00).

Checks are best to pay rent and utilities. Local shops may accept checks if they know you or if you have proper ID.

This is a check:
Questions

Answer questions about the check above.

1. Who is the check written to? _________________________
2. How much is the check for? _________________________
3. What is the check paying for? _________________________
4. Do you use checks to pay any bills? _________________

**TIP:** When you write a check it’s important to write the payment amount in numbers all the way to the left of the box and to also write the payment amount in words.
OTHER PAYMENT CARDS

There are many other ways to pay for things.

Match each card to how you use it.

<table>
<thead>
<tr>
<th>EBT card</th>
<th>Like cash but used in a specific store.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gift cards</td>
<td>Can be used at any store, but with a set amount.</td>
</tr>
<tr>
<td>Prepaid card</td>
<td>Can be used at stores for food and essentials only.</td>
</tr>
</tbody>
</table>

Answers:

- **EBT card** is part of your benefits from the government and is used for food and essentials only.

- **Gift card** is a gift from someone that lets you buy things at a specific store, like Walmart or Target. The name of the store is on the card.

- **Prepaid card** is like a debit card, but not linked with a bank account. There is a set amount on it, and you throw it away when it’s finished.

HOW TO SEND MONEY OUTSIDE THE COUNTRY

How Do I Send Money Outside of the U.S.?  
This is an important question for many people with families in other countries.
When you come to America, you may still have family in your home country.

Sometimes you need to send money to help your family back home.

There are a few ways that are quick and safe.

1. **Wiring money** sends money from one bank account to another bank account. Both people must have a bank account.

2. **On-line services**, such as MoneyGram, Xoom, Western Union. The payment is sent on-line from your debit card or credit card, to the recipient. If you only have cash, you can buy one at a stores, such as 7-11 or Walgreen’s.

3. **Money order** is a pre-paid check. You can get money orders at banks, post offices, and some stores. It can only be used by the recipient.

Before you choose, be sure you know what the fees are and how long it will take to be delivered. It is important to ask a lot of questions before you send money to another country.

**ACTIVITY: Discussion**

Work in a group to answer these questions:

- What are two ways you can send money to your country?
- What are two things you must remember?
- Have you sent money to your home country before?
SAHRA’S BANK ACCOUNT
On Monday, Sahra runs errands.
When she starts, she has $257.63 in her checking account.

First, she goes to the post office.
Sahra sends a $40 money order to her family in Ethiopia.
She uses her debit card. The fee is $4.99.
Next, she stops at Target.
Sahra buys sheets and a pillow for her bed.
They are on sale for $34.99 plus tax ($3.53).
She pays with her credit card.

After that Sahra goes to Starbuck’s.
She orders a coffee for $3.25.
She uses a gift card.
Last she goes to Saars.
Sahra buys groceries using her debit card.
The total is $53.76.
When Sahra goes home, she writes a check for $64.05 for her electric bill.
Questions

1. How much money is in Sahra’s account at the end of the day?
2. How much was added to her credit card balance?
3. How much was the money order for?
4. How much did she spend from her gift card?

WRAP-UP

Talk together

▷ What is the difference between debit card and credit card?
▷ What are three different ways to pay for something?
▷ Do you want a credit card? Why?
Lesson:
Banking Securely

GOALS
In this lesson you will:

• Learn about different kinds of loans
• Understand credit card applications
• Learn about internet banking and banking apps
• Know when and where to give your bank information
• Learn how to avoid phishing and scams

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LIFE SKILLS CURRICULUM
NEW WORDS

<table>
<thead>
<tr>
<th>Words</th>
<th>Meanings</th>
</tr>
</thead>
<tbody>
<tr>
<td>home loan</td>
<td>A bank loan for a house.</td>
</tr>
<tr>
<td>mortgage</td>
<td>The amount of money you still owe on your home loan.</td>
</tr>
<tr>
<td>auto loan</td>
<td>A bank loan for a car.</td>
</tr>
<tr>
<td>personal loan</td>
<td>A bank loan for you to spend any way you want.</td>
</tr>
<tr>
<td>term</td>
<td>The monthly payment and amount of time you have to pay your loan.</td>
</tr>
<tr>
<td>annual fee</td>
<td>A fee you have to pay once every year</td>
</tr>
<tr>
<td>APR</td>
<td><strong>Annual Percentage Rate.</strong> This is the percentage of interest you must pay.</td>
</tr>
<tr>
<td>cash back</td>
<td>Money you receive from your debit/credit card after making a purchase.</td>
</tr>
<tr>
<td>credit limit</td>
<td>The amount of money your bank will allow you to spend on your credit card.</td>
</tr>
<tr>
<td>alert</td>
<td>A text, call or email from your bank, telling you there is a problem with your account.</td>
</tr>
</tbody>
</table>

IN YOUR COUNTRY

▶ How do people borrow money in your country?
▶ Why do people borrow money? (For example, to buy a car, a house or to start a business)
▶ Do people use the internet for banking?
▶ Do people use smartphones for banking?
# LOANS

**ACTIVITY: Matching**

Match what you buy with each type of loan

<table>
<thead>
<tr>
<th>You want to buy a house</th>
<th>Auto Loan</th>
</tr>
</thead>
<tbody>
<tr>
<td>You want to buy a car</td>
<td>Personal Loan</td>
</tr>
<tr>
<td>You need to buy new furniture.</td>
<td>Home Loan</td>
</tr>
</tbody>
</table>

**Answers**

You can get a **home loan** when you want to buy a house.

You can get an **auto loan** to buy a car.

You can get a **personal loan** to pay for many different things, like buying big things or starting a business.

When you get a loan, you have to pay back the money, plus interest. The amount of interest you pay is the **APR** (Annual Percentage Rate).

If you have a good **credit score**, you can borrow more money. You will pay less interest.
JOSE’S STORY

Jose wants to buy a new car.

He needs to borrow $7,000.

Jose finds an internet lender and applies for a loan.

He also goes to his bank and applies for a loan.

These are the two loan offers:

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
<th>APR</th>
<th>Term</th>
<th>Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internet</td>
<td>$7,000</td>
<td>18%</td>
<td>48 months</td>
<td>$172/mo</td>
</tr>
<tr>
<td>Bank</td>
<td>$7,000</td>
<td>7%</td>
<td>36 months</td>
<td>$208/mo</td>
</tr>
</tbody>
</table>

1. Which loan do you think is better?
   (a) Internet loan
   (b) Bank loan

2. How much will Jose pay in total for each loan?
   Internet loan total: $________
   Bank loan total: $________

Answers
1. (b) The bank loan is better

2. Internet loan: $172 each month for 48 months. $172 \times 48 = $8,256
   Bank loan: $208 each month for 36 months. $208 \times 36 = $7,488
   The bank loan is $768 cheaper.
WHAT IS A CREDIT SCORE?

To get a loan (borrow money) for a car or house in America you need to have a good credit score.

Your credit score is different than a credit card. Your credit score is a number that tells the bank you pay your bills and do not get late fees.

Your credit history is a record of what you have borrowed and how well you paid it back.

A good credit history helps to build a high credit score.

To get a good credit score, show the bank that you pay bills on time.

The bank wants to know that you can pay bills before they loan you money.

TIPS

A lower APR is always better. If you have a good credit score, you get a lower APR.

For a loan with a shorter term, you pay more each month, but less in total.

For a loan with a longer term, you will pay less each month, but more in total.

Your bank or credit union will always give you a better loan than other lenders.

“Payday Lenders” will give you a loan if you need money quickly, but the interest rate is very bad. They also charge a lot of fees.

Talk to your bank or credit union instead!
ACTIVITY: Checklist
What helps you have a good credit score?

☐ Paying your phone bill on time.
☐ Forgetting to pay the electric bill one month.
☐ Paying the minimum amount on your credit card.
☐ Not having any credit cards.
☐ Paying your bill two days late

*TIP: Late payments and missed payments will lower your score. You can set up automatic payments through your bank, so payments are never late.*

ONLINE BANKING AND APPS

▷ Do you do any banking online? Why?

Sahra’s Bank, Online

Talk

▷ Remember the story about Sahra’s bank, in Lesson 1?
▷ What would happen if Sahra used internet banking?
Sahra has a checking account.
Her bank has a monthly fee of $10.
They do not charge the fee if she has $1000 or a direct deposit each month.
Sahra doesn’t have direct deposit.
She goes to the bank to deposit her paycheck every month.
Last month, Sahra was very busy.
She didn’t have time to go to the bank.
Her bank balance went below $100.
She got a low balance alert on her phone.
Sahra opened the banking app on her phone and signed in.
She had only $50 in her account.
Sahra tried to use the mobile deposit service.
She took a picture of her paycheck using the bank app.
She deposited $2,300 into her account.
Sahra didn’t have to go to the bank.
Sahra bought gas, groceries, and lunch.
Her balance didn’t go below $0, so she didn’t have to pay any fees.
Today, Sahra got her bank statement.
She checked it on her phone and in her email.
True or False?

What did Sahra do?

1. T / F She got a message on her phone about a low balance.
2. T / F She used her phone to deposit her paycheck.
3. T / F She went to the bank.
4. T / F She checked her bank balance on the internet.

Most banks and credit unions use online banking. You can go to a website or download an app to see your bank information on your phone or computer.

Online Banking Survey

Is internet banking useful for you?

These are things you can do using internet banking or a phone app. Would these things be useful to you?

Rate them from 1 to 5.

<table>
<thead>
<tr>
<th>You can…</th>
<th>Not Useful ↔ Useful</th>
</tr>
</thead>
<tbody>
<tr>
<td>Check your account balance any time</td>
<td>1.....2.....3.....4.....5</td>
</tr>
<tr>
<td>See how much money you spent in the last month</td>
<td>1.....2.....3.....4.....5</td>
</tr>
<tr>
<td>Use your phone to deposit checks</td>
<td>1.....2.....3.....4.....5</td>
</tr>
</tbody>
</table>
### Scores

Add all the numbers you circled. What is your total? _______

| 5 - 10: You might not be interested in internet banking yet. |
| 11 – 18: Try using internet banking. Maybe you will like it. |
| 19 – 25: Internet banking will be very good for you! |

---

**You can...**

<table>
<thead>
<tr>
<th><strong>Not Useful ↔ Useful</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Get an alert if your balance is low</td>
</tr>
<tr>
<td>Get an alert if someone spends a lot of money from your account</td>
</tr>
<tr>
<td>Pay your bills using the internet</td>
</tr>
</tbody>
</table>
Internet Banking Advice

Internet banking is usually very safe, but you should be careful.

Here is some advice on how to bank safely.

- Choose a good password for your internet account. Don’t use the same password as your email or other sites.
  
  Examples: Bad passwords ➔ 12345, hello, bank
  
  Good password ➔ Hmn1SN!

- Don’t tell anyone your password.
- Don’t save your password on your phone.
- Always use your bank’s official website. Don’t click on a link from an email or text message.
- Don’t answer emails that are not normal. For example, if your bank tells you they will give you $100, it’s probably not true. If the email says there is a problem with your account and they need your SSN, it’s probably not true.
- Sign up for alerts on your phone to tell you if there might be a problem with your account.

WRAP-UP

- What is better – a high APR or a low APR? Why?
- What is a credit score? How can a good credit score help you?
- Do you use internet banking? Does your bank have an app for your phone?
Lesson:
Budgeting Basics

GOALS
In this lesson you will:

• Learn what a budget is
• Understand needs and wants
• Make a budget worksheet
• Know how to set goals

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New Words.................................................................................................................. 39
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NEW WORDS

<table>
<thead>
<tr>
<th>Words</th>
<th>Meanings</th>
</tr>
</thead>
<tbody>
<tr>
<td>budget</td>
<td>how much income you have and how much money you spend</td>
</tr>
<tr>
<td>priorities</td>
<td>things that are most important</td>
</tr>
<tr>
<td>spending</td>
<td>what you buy</td>
</tr>
<tr>
<td>budget worksheet</td>
<td>a list of income and expenses</td>
</tr>
<tr>
<td>income</td>
<td>salary, money from job or benefits</td>
</tr>
<tr>
<td>fixed expenses</td>
<td>regular monthly bills</td>
</tr>
<tr>
<td>variable expenses</td>
<td>expenses that change from month to month</td>
</tr>
<tr>
<td>emergency fund</td>
<td>money you save in case something bad happens</td>
</tr>
</tbody>
</table>

WARM-UP

- What is a budget?
- Does your family have a budget?
- Do you know how much your family spends every month?
- Do you have financial goals for your family?
WHAT IS A BUDGET?
A budget is a plan for managing your money.

Look at how much money you get every month from your job.

Look at how much money you need to pay for rent, utilities, food, transportation, clothing, and other things.

A budget helps you know how much you can spend.

Everyone feels stress because of money.

Many people get into trouble because they use credit cards and spend more money than they have.

Having a budget keeps this from happening.

Having a budget also makes it easier to save money.

NEEDS VS WANTS

- A need is something you must have to live.
  Food is a need.
  If you don’t eat, you will die.
  You need to eat.

- A want is something you wish to have.
  A new shirt is a want.
  If you do not get a new shirt, you will be okay.
  You want a new shirt. You do not need it.
Think about needs and wants when you spend money.
You need to buy medicine if the doctor prescribes it.
You need to buy a phone if your phone is broken.
You want to buy a fancy phone, but you only need one that works.

ACTIVITY: Decide What Is a Need or Want
Look at the list. What is a Need (N)? What is a Want (W)?

- Groceries
- Rent
- Car insurance
- Movie tickets
- Cable TV
- New phone app
- Wifi
- Electric bill
- School supplies
- Clothes
- Gas
- Cup of coffee

Talk with your classmates.
▷ Did you have different needs and wants in your country?
▷ What were some needs?
▷ What were some wants?
Abu’s Story

Abu lives with his family.
He takes classes at the college.
Abu drives to school and has to pay for parking.
Every weekend Abu goes to the mall.
He meets his friends at a restaurant, then they go to a movie.
Abu works part-time at McDonald’s.
He doesn’t have enough money to buy books for school.

Talk
1. What does Abu pay for?
2. What does Abu need?
3. What does Abu want?

Answers
1. parking, food at a restaurant, movie tickets
2. parking, books for school
3. food at a restaurant, movie tickets
How to Prioritize

To prioritize means decide what is most important.

That helps you know how to spend and save your money.

Prioritizing your spending and savings is important.

The most important priorities are your needs.

ACTIVITY: Put in order

Put these in order from 1 to 10.

1 is most important and 10 is least important.

1. new game for phone
2. car insurance
3. bus fare
4. cough medicine
5. school supplies for kids
6. rent
7. soap and shampoo
8. winter coat
9. milk and bread
10. gas bill

Talk

Talk in small groups and compare your priorities with your classmates.

- Did everyone have the same answers?
- What was the most important?
- What was the least important?
MAKING A BUDGET

Here are some steps to make a budget for your family:

1. Write down your monthly or weekly income.
2. Make a list of the money you spend and the bills you pay.
3. Divide the list into fixed expenses (same every month, like rent, insurance, car loan) and variable expenses (different every month, like groceries, gas, utilities).

Now look at the list you made.

- If your income does not cover all your costs, your budget is not balanced.
- If you cannot increase your income, you must to cut back on expenses.
Other Budget Tips

- Set short-term and long-term goals. Look at your list and decide what is a priority. Buy the things you need before the things you want.
- Adjust habits. Are there expenses that can be cut or changed?
- Keep checking your budget. Make changes any time.

Alex and Selina’s Story

Alex and Selina have two children. They both have jobs. Their monthly income together is $4800. Their monthly rent is $1800. Groceries are $500. They pay their phone bill ($140), electric bill ($80), Wifi ($60), and car expenses ($300). They pay $1500 per month for day care.

They spend $200 for fun, like getting coffee or going to a restaurant.
ACTIVITY – Make a budget worksheet

Look at Alex and Selina’s income and expenses. Fill in the budget worksheet for their story.

<table>
<thead>
<tr>
<th>INCOME</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL INCOME</td>
<td></td>
</tr>
<tr>
<td>EXPENSES</td>
<td></td>
</tr>
<tr>
<td>Rent</td>
<td></td>
</tr>
<tr>
<td>Groceries</td>
<td></td>
</tr>
<tr>
<td>Utilities (heat, electric)</td>
<td></td>
</tr>
<tr>
<td>Phone and WiFi</td>
<td></td>
</tr>
<tr>
<td>Car insurance</td>
<td></td>
</tr>
<tr>
<td>Gas</td>
<td></td>
</tr>
<tr>
<td>Childcare</td>
<td></td>
</tr>
<tr>
<td>TOTAL EXPENSES</td>
<td></td>
</tr>
<tr>
<td>TOTAL INCOME – TOTAL EXPENSES</td>
<td></td>
</tr>
</tbody>
</table>

Talk

▷ What do Selina and Alex need to buy?
▷ How much money do they have at the end of the month?

HOW CAN I SET GOALS?

Goals are things you want to do.

It is good to have goals for saving and spending money.

Short term goals take 1 year or less.
Examples:

- I want to buy a new phone.
- I want to pay off my credit card.

Long term goals take many years.

Example:

- I want to buy a house.
- I want to pay for my child to go to college.

**ACTIVITY: Short-term or Long-term**

Look at the goals. Write a check ✓ under short-term or long term.

**SHORT-TERM**

- save for a family trip
- buy a house
- save for a new car
- start a business

**LONG-TERM**
SHORT-TERM

buy furniture
move to a new apartment
save for college

LONG-TERM

Talk

▷ What is important to you?
▷ What are your short-term and long-term goals?

Saving Money

Save money for your goals.

The best way to save money is to use a savings account.

Start small.

For example, save 1% of your income this month.

Next month, save a little more.

You can ask your bank to put money from your paycheck into your savings account every month.

Emergency Fund

Save money for an emergency.

An emergency fund is money which you will keep only for emergencies, like losing your job or car repair.

Try to have enough money for six months.
That’s a lot of money to save, but if you save little by little, it will add up.

After you have an emergency fund, you can save money to reach a short- or long-term goal.

**Alex and Selina Want to Save**

Every month, Alex and Selina spend all their money.

They have to use their credit card for car repairs and other things.

Selina needs a better car for her job.

They want to make a plan to save money.

If they save $1200 in six months, they will buy a new van.

In a year, they want to visit the children’s grandparents in Equador.

They will need to save more money.

Look at Alex and Selina’s budget worksheet.

- What is their short-term goal?
- How much must they save every month?
- How can they cut their monthly expenses?
WRAP-UP

Can you make a budget worksheet for your family?

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<td></td>
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<td></td>
</tr>
<tr>
<td>Car insurance</td>
<td></td>
</tr>
<tr>
<td>Gas</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL EXPENSES</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL INCOME – TOTAL EXPENSES</strong></td>
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- What other things do you buy?
- Are there ways you can save?
- What would you like to save for?