Module:

Financial Literacy

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Lesson:

Basic Banking

OBJECTIVES

In this lesson you will:

• Know what a bank account is and why it is important
• Learn about types of bank accounts
• Compare banks and credit unions
• Learn how to open an account
• Learn about ATMs and direct deposit

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# NEW WORDS

<table>
<thead>
<tr>
<th>Words</th>
<th>Meanings</th>
</tr>
</thead>
<tbody>
<tr>
<td>account</td>
<td>a place to keep your money safely</td>
</tr>
<tr>
<td>deposit</td>
<td>put money in your account</td>
</tr>
<tr>
<td>insured</td>
<td>guaranteed; even if there is a problem with the bank, you won’t lose your money</td>
</tr>
<tr>
<td>interest</td>
<td>money you get paid by the bank for keeping your money in an account</td>
</tr>
<tr>
<td>cash a check</td>
<td>get paper money for a check (like your paycheck)</td>
</tr>
<tr>
<td>fee</td>
<td>a (usually small) amount of money you have to pay for something</td>
</tr>
<tr>
<td>direct deposit</td>
<td>put money from your paycheck into your bank account</td>
</tr>
<tr>
<td>checking account</td>
<td>an account used for spending money</td>
</tr>
<tr>
<td>savings account</td>
<td>an account used for saving money</td>
</tr>
<tr>
<td>credit union</td>
<td>similar to a bank, but it is owned by the people with accounts, not a company</td>
</tr>
<tr>
<td>branch</td>
<td>the building for a bank or credit union</td>
</tr>
<tr>
<td>loan</td>
<td>money you borrow when you need to buy something</td>
</tr>
<tr>
<td>ATM</td>
<td>a machine you can use for banking</td>
</tr>
<tr>
<td>routing number</td>
<td>the number on the bottom of a check; each bank has a different number</td>
</tr>
<tr>
<td>statement</td>
<td>a paper that shows how much money you have in your bank account and how much you spent</td>
</tr>
<tr>
<td>check</td>
<td>a paper you can write on and use to spend money</td>
</tr>
</tbody>
</table>
IN YOUR COUNTRY, IN THE U.S.

▷ 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?

Read these sentences and decide if they are 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. ____ Banks sometimes pay you money to have an account.
5. ____ If you have a bank account, you can get the money from your paycheck for free.
6. ____ You might need a bank account to get paid for your work.

Answers

1. FALSE Bank accounts are useful even if you don’t have much money. You can open an account at most banks with a deposit of between $25 and $100.
2. **FALSE** Bank accounts are very safe. Even if your bank has problems or closes, banks in the US are **insured** by the US government for up to $250,000.

3. **FALSE** You can open a bank account even if you’re not a citizen. If you don’t have a Social Security Number (SSN), you need another kind of ID, like a Taxpayer Identification Number (TIN) or a passport.

4. **TRUE** Some kinds of bank accounts pay you **interest**. The bank gives you a small percentage of the money you have in the account.

5. **TRUE** If you have a bank account, you can **cash a check** and you don’t have to pay a **fee**. If you don’t have a bank account, you usually have to pay to cash a check.

6. **TRUE** Many employers use **direct deposit** to pay workers. Some employers won’t hire you if you don’t have a bank account.

**Discuss**

- Was there any information that surprised you?
- What do you want to learn more about?

**ACTIVITY: Checking and Savings Accounts**

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

Read the information 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 usually 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

- For a **checking** account, try to find an account with:
  - No monthly fees
  - Low overdraft fees (you pay overdraft fees if you spend more money than you have in the account)

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

**Discuss**

- Which account do you want? Why?
BANKS AND CREDIT UNIONS

ACTIVITY: Same or different?

You can open an account at a bank or a credit union. How are they the same? How are they different? Fill in the chart below.

1. You can have a savings account.
2. You can have a checking account.
3. Owned by a company that wants to make money.
4. Not for profit. The members are the owners.
5. Usually has more branches or stores.
6. Usually pays you more in interest.
7. Usually has more fees.
8. You can get a loan to help buy a house or car.

Discuss

▷ How are they the same? How are they different?
▷ Which do you think is better for you, a bank or a credit union?

Answers:

Bank – 3, 5, 7; Credit Union – 4, 6; Both – 1, 2, 8
ACTIVITY: Opening an Account

When you open an account, think about what you need.

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

Search on your phone for a bank or credit union in your neighborhood.

Answer these questions.

1. Bank/Credit Union Name: ________________________
2. How many branches do they have?
3. How many ATMs do they have? Do you have to pay a fee to use other ATMs?
4. How much money do you need to open an account?
5. Do you have to pay a monthly fee for the account?
6. What is the minimum balance (the money you need in the account so you don’t have to pay a fee)?
7. How much interest do they pay?

- Compare the banks or credit unions with the class. Which do you think would be good for you?

**TIPS:** When you are choosing a bank or credit union, you can ask friends, classmates, and case managers for recommendations.

If you can’t find information online, call or go to the bank. The employees can answer questions and help you open an account.
What Do You Need to Open an Account?

Circle the things you should bring when you open an account:

- social security card
- money
- driver’s license
- health insurance card
- passport
- resume
- utility bill
- apartment lease

Answers

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 to deposit in the new account (usually $25-100)
BANKING SERVICES

ACTIVITY: ATMs

ATMs are machines that can help you with banking. Look at the picture. What do you think these buttons will do?

1. Balance ___ a. Check how much money you have in your bank account
2. Deposit ___ b. Take money out of your account and get cash (paper money)
3. Withdrawal ___ c. Put more money into your account

You can use an ATM that is not with your bank, but you might have to pay a fee. Many credit unions let you use ATMs from other credit unions for free.

Answers: 1 – a, 2 – c, 3 – b
Direct Deposit

When you have a job, you can set up direct deposit. Your employer sends the money you make at work to your account. You don’t have to go to the bank, and you get paid faster.

To set up direct deposit, you need information about your bank and your account. You might need to know:

- Your bank’s mailing address.
- Your bank’s **routing number**. You can find it on your bank statement or the bottom left of your checks.
- Your account number. You can find it on your bank statement or after the routing number on your checks.
- The type of account you have (checking or savings).
- Other information, like your Social Security Number or mailing address.

Can you find the routing and account numbers on this check?

- **Circle** the routing number.
- **Underline** the account number.
SAHRA’S BANK

Sahra has a checking account. Her bank has a monthly fee of $10. They also have a $35 **overdraft** protection 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, so she didn’t deposit her paycheck.

On the 28\textsuperscript{th}, she had $50 in her account. She had to buy gas, which 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. On the 30\textsuperscript{th}, she forgot her lunch, so she bought lunch at work for $7. Her bank charged her another $35 fee.

Today, Sahra got her bank statement in the mail. She was not happy to see all the fees! She’s going to deposit her paycheck tomorrow.

**Questions**

1. How much did Sahra pay in fees last month?
2. What is Sahra’s bank balance now?
3. What should Sahra do?
Answers

1. $115
2. $-152 (she has to pay the bank $152)
3. Possible answers:
   o She should set up direct deposit.
   o She can call the bank and ask them to waive her overdraft fees.
   o She might want to change to a bank with lower fees.

What Sahra Does Next

Sahra decides she wants to change to a new bank. She finds information about checking accounts at two banks.

➤ Which checking account is better for her?
➤ Why?

<table>
<thead>
<tr>
<th></th>
<th>ACCOUNT A</th>
<th>ACCOUNT B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposit</td>
<td>at least $50</td>
<td>at least $25</td>
</tr>
<tr>
<td>Monthly Fee</td>
<td>$5, waived with minimum balance of $1000</td>
<td>$5, waived with direct deposit of $100 or minimum balance of $500</td>
</tr>
<tr>
<td>Overdraft Fee</td>
<td>$25</td>
<td>$0</td>
</tr>
<tr>
<td>Interest</td>
<td>none on checking, 0.1% on savings</td>
<td>none</td>
</tr>
<tr>
<td>Location</td>
<td>1 branch in Sahra’s city</td>
<td>10 branches in Sahra’s city</td>
</tr>
</tbody>
</table>
Answer

Account B is better.

- The deposit is lower.
- The monthly fee is the same, but if she sets up direct deposit, she won’t have to pay the fee.
- The minimum balance is lower.
- There are no overdraft fees.
- There are more branches in Sahra’s city.

WRAP-UP

Discuss

▶ What’s the difference between a savings account and a checking account?
▶ How are credit unions and banks different?
▶ What are three things you need to open a bank account?
Lesson:

Payment Methods

OBJECTIVES

In this lesson you will:

- Learn about types of bank cards
- Learn about credit card offers
- Learn about writing a check
- Think about other payment methods
- Have ideas about how to send money internationally

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# NEW WORDS

<table>
<thead>
<tr>
<th>Words</th>
<th>Meanings</th>
</tr>
</thead>
<tbody>
<tr>
<td>debit/ATM card</td>
<td>takes money immediately from your account</td>
</tr>
<tr>
<td>PIN</td>
<td>Personal Identification Number, 4-digit code you choose for security</td>
</tr>
<tr>
<td>ATM</td>
<td>Automated Teller Machine, a bank machine to take money out of your account</td>
</tr>
<tr>
<td>overdraft fee</td>
<td>bank charge if you don’t have enough money in your account</td>
</tr>
<tr>
<td>credit card</td>
<td>lets you buy now and pay back later with interest</td>
</tr>
<tr>
<td>outstanding balance</td>
<td>the total amount of money you owe</td>
</tr>
<tr>
<td>credit score</td>
<td>a number that shows how good you are at paying back money you borrow</td>
</tr>
<tr>
<td>APR</td>
<td>Annual Percentage Rate. What % interest you pay back on a loan or credit card, plus fees</td>
</tr>
<tr>
<td>variable rate</td>
<td>depends on your income</td>
</tr>
<tr>
<td>annual fee</td>
<td>money you pay every year</td>
</tr>
<tr>
<td>credit limit</td>
<td>the most you can spend with your credit card</td>
</tr>
<tr>
<td>benefits</td>
<td>a good thing that you get, an advantage</td>
</tr>
<tr>
<td>interest</td>
<td>extra money you pay when you borrow money (percentage %)</td>
</tr>
<tr>
<td>fee</td>
<td>extra money you have to pay</td>
</tr>
<tr>
<td>recipient</td>
<td>the person receiving money or a payment</td>
</tr>
<tr>
<td>gift card</td>
<td>gift to use at a specific store</td>
</tr>
<tr>
<td>prepaid card</td>
<td>has set dollar amount, can’t have money added</td>
</tr>
</tbody>
</table>
IN YOUR COUNTRY

- How did you pay for things like groceries, gas, and clothing in your country?
- Did you have a credit card in your country?
- How did you pay for big things like a house or a car in your country? Could you borrow from a bank?
- What is different about the ways you pay for things in America?

TYPES OF BANK CARDS

When you open a bank account, the bank may offer a couple of different bank cards.

A debit card (also called an ATM card) takes money immediately from your bank account when you buy something. It’s the same as using cash. You can use a debit card in any store, to buy things on-line, or to get cash from an ATM. You always use a PIN.

**TIP:** If you use your debit card and 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 and bad things about credit cards. It is easy to buy a lot with your credit card, because you can pay later.

It’s best if you can pay the balance every month. But if you don’t pay the balance, you will have to pay interest.

**Interest** is the percentage extra you have to pay the bank, based on your outstanding balance. The bigger your outstanding balance, the more interest you will pay.

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 outstanding balance, 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>• Paying your credit card on time will increase 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 Card

Sahra decides she wants a credit card. Every time she goes to Target, she is offered an application for a credit card.

Her friend tells her it’s good to get a credit card from an airline, so you can take a free trip. Her bank offers a credit card too.

Which card should she choose? Why?

<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>APR (%)</td>
<td>0% for first year; 14%-24% after (variable)</td>
<td>16%-23% (variable)</td>
<td>23%</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 spent,</td>
<td>5% on Target purchases; 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. Late fees are bad for your credit score.
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** This can be the best way to have a good credit score.
3. **FALSE** Try not to use all of your credit. It is better for your credit score to keep your balance low.
4. **TRUE** Late payments cost a lot, and they will lower your credit score.
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** You can avoid any charges by paying the full Balance Due.
WRITING CHECKS

Most people in America use debit or credit cards when buying things. But if you have a bank account, you can also get checks. A check can be good for paying your rent or other bills, and for sending money to someone.

Like a debit card, it takes money from your bank account, but not until the check is cashed by the recipient.

Here is what a check looks like:

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 it’s used.

<table>
<thead>
<tr>
<th>Card Type</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBT card</td>
<td>Like cash but used in a specific store.</td>
</tr>
<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

When you come to the U.S., you may still have family and friends in your home country. Sometimes you need to send money to help your family back home.

There are a few ways that are quick, safe, and dependable.

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.

No matter which way you choose, make sure you know:

- any fees that will be added
- how long the money will take to be delivered

Discuss

▷ What are two ways you can send money to your country?
▷ What are two things you must remember?
SAHRA’S SHOPPING DAY

On Monday, Sahra decides to run some errands. When she begins, she has a balance of $257.63 in her checking account.

First, she goes to the post office and sends a $40 money order to her family in Nigeria. She uses her debit card. The fee is $4.99.

Then Sahra stops at Target where she buys new sheets and pillow for her bed. They are on sale for $34.99 plus tax ($3.53). She decides to pay with her credit card.

After that she goes to Starbuck’s. She uses a gift card and orders a coffee for $3.25.

Last Sahra buys groceries at Saars. She spends $53.76 and uses her debit card. When she gets home, she writes a check for her electric bill for $64.05.

Questions

1. How much did she pay for the money order? ______________
2. How much did she spend on her credit card? ______________
3. How much was in Sahra’s account at the end of the day? ______________

WRAP-UP

▷ 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

OBJECTIVES
In this lesson you will:
• Learn about different kinds of loans
• Learn about credit scores
• Learn about internet banking and banking apps
• Learn when and where to give your bank information
• Learn how to avoid phishing and scams

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NEW WORDS

<table>
<thead>
<tr>
<th>Words</th>
<th>Meanings</th>
</tr>
</thead>
<tbody>
<tr>
<td>loan</td>
<td>money you borrow when you need to buy something, and pay back later</td>
</tr>
<tr>
<td>mortgage</td>
<td>money you borrow to buy a house</td>
</tr>
<tr>
<td>auto loan</td>
<td>money you borrow to buy a car</td>
</tr>
<tr>
<td>personal loan</td>
<td>money you borrow for other reasons</td>
</tr>
<tr>
<td>interest</td>
<td>extra money you pay when you borrow money (percentage)</td>
</tr>
<tr>
<td>credit score</td>
<td>a number that shows how good you are at paying back money you borrow</td>
</tr>
<tr>
<td>credit history</td>
<td>a record of money you’ve borrowed and paid back</td>
</tr>
<tr>
<td>alert</td>
<td>tells you to watch for something</td>
</tr>
</tbody>
</table>

IN YOUR COUNTRY

- How do people borrow money?
- Why do people borrow money? (For example, to buy a car or a house, to start a business, to pay for daily life, etc.)
- Do people use the internet for banking?
- Do people use smartphones for banking?
LOANS

When you need money, you can apply for a loan. Your bank or credit union can help you get a loan.

Match what you can buy to each loan type:

<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 pay for other things</td>
<td>Mortgage</td>
</tr>
</tbody>
</table>

Answers

- You can get a home loan or mortgage 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 medical bills or moving to a new place.

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

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

Jose wants to buy a new car. He needs to borrow $7,000.

He finds an online lender and applies for a loan. He also goes to his bank and applies for a loan. These are the loan offers:

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

Which loan do you think is better? Why?
How much will he pay in total for each loan?

Online loan total: $___________ Bank loan total: $___________

Answers

For the online loan, Jose will pay $172 each month for 48 months.
172x48 = $8,256

For the bank loan, Jose will pay $208 each month for 36 months.
208x36 = $7,488

He will pay $768 less in interest on the bank loan.

TIPS:

- A lower APR is almost always better. If you have a good credit score, you can get a lower APR.
- Your bank or credit union will almost 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 always very bad, and they charge a lot of fees. Try talking to your bank or credit union instead!
WHY IS MY CREDIT SCORE IMPORTANT?

A credit score is a number the bank uses to decide if they can trust you to pay them back.

Your credit score is very important for a bank to decide:

- if they will give you a loan
- how much interest you will pay

A good credit score is a number between 300 and 850 and is based on your credit history. Your credit history is the record of the bills you’ve paid and if you paid on time.

Every time you pay a bill late, or don’t pay at all, it will lower your credit score.

ACTIVITY: Check the box

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

Discuss:

- Do you do any banking online? Why?

Sahra’s Bank, Online

- Do you remember the story about Sahra’s bank (p. 13)? What happened?
- What would happen if Sahra used online banking? Would her story be different?

Sahra has a checking account. Her bank has a monthly fee of $10. They also have a $35 overdraft protection 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. Her bank balance went below $100. She got a low balance alert on her phone.

Sahra opened the banking app and signed in. She saw that she had $50 in her account. She tried using the mobile deposit service. She took a picture of her paycheck using the bank app. She deposited $2,300 into her account. She didn’t have to go to the bank.

She 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, in her email.
What did Sahra do using online banking?

- She got a low balance alert
- 
- 
- 

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 online banking useful for you?

These are things you can do using online banking or an app. Circle your answers, from 1 (not useful) to 5 (useful).

<table>
<thead>
<tr>
<th>You can…</th>
<th>Not Useful</th>
<th>↔</th>
<th>Useful</th>
</tr>
</thead>
<tbody>
<tr>
<td>Check your account balance any time</td>
<td>1 2 3 4 5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>See how much money you spent in the last month</td>
<td>1 2 3 4 5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Use your phone to deposit checks</td>
<td>1 2 3 4 5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Get an alert if your balance is low</td>
<td>1 2 3 4 5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Get an alert if someone spends a lot of money from your account</td>
<td>1 2 3 4 5</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Scores

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

If your total is...

5 - 10: You might not be interested in online banking yet.

11 – 18: Try using online banking. Maybe you will like it.

19 – 25: Online banking will probably be very good for you!

### Online Banking Advice

Online banking is usually very safe. Banks work hard to be secure, but you need to be careful.

- Choose a good password for your online 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

Discuss

➢ What is better – a high APR or a low APR? Why?
➢ When is it good to use a credit card? How can a credit card help you?
➢ When is it not good to use a credit card? How can a credit card be bad for you?
➢ Do you use online banking? Does your bank have an app for your phone?
Lesson:
Budgeting Basics

OBJECTIVES
In this lesson you will:

• Understand what a budget is
• Know the difference between Needs vs Wants
• Understand the purpose of a budget worksheet
• Know ways to track income vs expenses
• Have ideas about how to set goals

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New Words........................................................................................................................................... 36
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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 money you get and how much money you spend</td>
</tr>
<tr>
<td>priorities</td>
<td>what is important</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</td>
</tr>
<tr>
<td>expense</td>
<td>what you buy or owe</td>
</tr>
<tr>
<td>fixed expense</td>
<td>same every month, like rent or car payment</td>
</tr>
<tr>
<td>variable expenses</td>
<td>expenses that change from month to month</td>
</tr>
<tr>
<td>balanced</td>
<td>equal on both sides</td>
</tr>
<tr>
<td>entertainment</td>
<td>money for going to restaurants or movies</td>
</tr>
<tr>
<td>savings</td>
<td>money you keep in a separate account</td>
</tr>
<tr>
<td>emergency fund</td>
<td>money saved 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?

We all need money to survive. Every month we must pay for rent, utilities, food, transportation, clothing, and other things. Money, or financial, stress is a challenge for everyone. Many people get into trouble because they spend more money than they have.

A budget is a guess about how much money you get every month - and how much money you need to live. Your income is the money you get from your job. Your expenses are what you spend. Fixed expenses are expenses that are the same every month, like your rent or car payment. A budget will help you figure out what you can spend without running out of money.

NEEDS VS WANTS

• A need is something you must have. A good example is food. If you don't eat, you won't survive for long. You might not need a lot of food, but you do need to eat.

• A want is something you would like to have. It is not necessary, but it would be a good thing to have. An example is social media. Some people think it’s important. But you don't need Facebook to survive. You do need to eat.

You can also think about things you buy as a need, or a want. Your children need to have healthy food. You need to buy medicine if you are sick. You want to buy a chocolate bar.
ACTIVITY: Decide what’s a Need or Want

Look at the list. Do you think it is a Need (N) or a Want (W)?

- _____groceries  _____laptop  _____school supplies
- _____rent  _____new phone app  _____clothes
- _____car insurance  _____Wifi  _____gas
- _____movie tickets  _____electric bill  _____cup of coffee

Discussion

- Did the other people in your group have the same needs and wants?
- Can you think of other needs you have?
- Did you have different needs and wants in your country?

Abu’s Story

Abu lives with his family. He takes classes at the college five nights a week. He drives to school every day and must pay for parking. Sometimes Abu gets coffee at school because he’s tired.

Every weekend Abu goes shopping at 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.

1. What are Abu’s expenses? __________________________
2. What does Abu need? __________________________
3. What does Abu want? __________________________

How to Prioritize

To prioritize means putting things in order of what is most important to least important. The most important priority is what you need most. The least important priority is what you need least.

Your monthly expenses are a list of priorities. Every month you have decide how to spend your money and save your money.

ACTIVITY: Prioritizing

Put these in order from 1 to 10. What do you think is most important (1) to what is least important (10)?

_____ new app for phone  _____ cough medicine
_____ car insurance ______ new phone
_____ rent  _____ soap & shampoo
_____ school supplies for kids  _____ winter coat
_____ socks  _____ gas for the car

Discussion

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

➤ Did everyone have the same answers?
➤ What was the most important priority?
➤ What was the least important priority?
MAKING A BUDGET WORKSHEET

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

1. Write down your monthly or weekly income.

2. Make a list of the bills you pay and the money you spend.

3. Divide the list into **fixed expenses** (same every month, like rent, insurance, car loan) and **variable expenses** (changes every month, for example groceries, gas, entertainment).

Now look at the list you made.

- If your income is the same as or more than your expenses, your budget is **balanced**.
- If your income is not more than your expenses, your budget is not balanced.
- If you cannot increase your income, you have to cut back on expenses.
How can you balance income and expenses?

- Set short-term and long-term goals. Decide between needs and wants. Remember it is wise to buy the things you need before the things you want!
- Make changes. Are there expenses that can be cut, even for a short time? Maybe you can take the bus to work, instead of driving.
- Keep checking your budget. You can make more changes any time.

Alex and Selina’s Story

Alex and Selina have two young children. They both have jobs.

Alex works in home health care, and Selina works as a driver for Amazon. Alex’s monthly income is $2000. Selina makes $1900 per month.

Their monthly rent is $1400, and groceries are $500. Other expenses include phone ($150), electric bill ($100, on average), Wifi ($50), and car expenses ($350 for car payment; $250 for insurance and gas).

Sometimes they work the same days, so they also pay up to $1000 per month for day care. Alex and Selina spend about $100 a month for entertainment (getting coffee at work or going out to eat).
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>Alex’s Income</td>
<td></td>
</tr>
<tr>
<td>Selina’s Income</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>TOTAL INCOME</th>
<th></th>
</tr>
</thead>
<tbody>
<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</td>
<td></td>
</tr>
<tr>
<td>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>
</tbody>
</table>

| TOTAL EXPENSES  |        |
| TOTAL INCOME – TOTAL EXPENSES |        |

Discussion

- What are their fixed expenses?
- What are their variable expenses?
- How much money do they have left at the end of the month?
- Is their budget balanced?
HOW CAN I SET GOALS?

After you have made your budget and know how much money you are spending, it is good to set long-term and short-term financial goals.

- **Short term goals** are less than a year, like buying a TV or paying off a credit card balance.

- **Long term goals** are longer than one year. They include saving for a house, or for your child’s education.

**Savings**

If you have some money left over after you pay your expenses, start saving! The best way to save money is by putting it into a savings account. Even $10 every month will add up.

- Try putting 1% of your income into savings over the next month. Each month increase that amount a little. (next month, 2%; after 6 months, 5%)

- You can also ask your bank to automatically deposit money from your paycheck to your savings account. Then you know it’s there, and don’t spend it on something else.

**Emergency Fund**

It is good to start an emergency fund in your savings account. An emergency fund is money which you keep only for emergencies, like losing your job or car repair.
Your short-term goal can be saving equal to one month of fixed expenses. For example, if your fixed expenses every month are $2000, try keeping that in your savings account.

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.

**ACTIVITY: Short-term vs Long-term Goal**

Work with a partner. Put a check mark on the left if it is a short-term goal, or on the right for a long-term goal.

<table>
<thead>
<tr>
<th>SHORT-TERM</th>
<th>LONG-TERM</th>
</tr>
</thead>
<tbody>
<tr>
<td>planning a family trip</td>
<td>buying a house</td>
</tr>
<tr>
<td>buying a house</td>
<td>saving for a car down payment</td>
</tr>
<tr>
<td>saving for a car down payment</td>
<td>starting a business</td>
</tr>
<tr>
<td>starting a business</td>
<td>buying furniture</td>
</tr>
<tr>
<td>buying furniture</td>
<td>moving to a new apartment</td>
</tr>
<tr>
<td>moving to a new apartment</td>
<td>saving for college</td>
</tr>
</tbody>
</table>

**Discussion:**

- Which of these goals are important to you?
- What are some of your short-term and long-term goals?
Alex and Selina Want to Save

At the end of every month, Alex and Selina have no money left for savings. Sometimes they have to put expenses, like car repair, on a credit card. Their credit card bill gets bigger every month.

Selina needs a better car for her job. They want to make a plan to save money. If they can save $1200 in six months, they will buy her a van. In a year, they want to save for a trip to see the children’s grandparents in Equador.

Look at Alex and Selina’s budget worksheet.

- What is their short-term goal?
- How much must they save every month to buy it?
- What are some ways that they could cut their monthly expenses?

WRAP-UP

Can you make a budget worksheet for your family?

<table>
<thead>
<tr>
<th>INCOME</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>EXPENSES</td>
<td></td>
</tr>
<tr>
<td>Rent</td>
<td></td>
</tr>
</tbody>
</table>
### What other expenses do you have?
- Groceries
- Utilities (heat, electric)
- Phone
- WiFi
- Car payment
- Car insurance
- Gas
- Clothes/shoes
- Other

### TOTAL EXPENSES

### TOTAL INCOME – TOTAL EXPENSES

- Are there things that you can cut back on?
- What would you like to save for?