



CONTENT VOCABULARY ACTIVITY 20

Personal Finance and Economics

Directions: Select one of the following Content Vocabulary terms and write it in the blank to complete each sentence below.

stock	interest	consumerism	discretionary income
return	income	mutual fund	comparison shopping
bond	save	bankruptcy	disposable income
principal	consumer	impulse buying	annual percentage rate
budget	expense	collateral	dividend
credit	warranty		

Section 1

- The money income that remains after all taxes on it have been paid is called _____.
- _____ is a movement to educate buyers about the purchases they make and to demand better and safer products from manufacturers.
- When you purchase an item, it may come with a(n) _____, or promise of a manufacturer to fix or replace the product if it is faulty.
- The money remaining after paying for necessities is called _____.
- A(n) _____ is someone who buys a product or a service.
- When you compare prices, warranties, customer service, and other elements at various stores, you are engaging in _____.

Section 2

- An _____ is the money you spend on everything.
- The cost of credit expressed as a percentage of the amount borrowed is called the _____.
- If you are unable to pay what you have bought on credit, you may need to file for _____, which is the inability to pay debts.
- A(n) _____ is a careful record of all the money that you earn and spend.



CONTENT VOCABULARY ACTIVITY 20 (continued)

Personal Finance and Economics

11. The money you earn from all sources is called _____.
12. _____ is property that a borrower pledges as security for a loan.
13. Buying on _____ means paying for something later that you can have today.

Section 3

14. A pool of money from many people who have invested in a selection of individual stocks is called a(n) _____.
15. The payment that people receive when they lend money is called _____.
16. To _____ involves setting aside income for a time so that you may use it later.
17. A(n) _____ is the profit earned by an investor.
18. A(n) _____ is an interest-bearing certificate that allows you to lend money to a company or government and then be paid back a set number of years later.
19. Shares of _____ represent purchase of partial ownership in a company.
20. A company may sometimes pay shareholders a(n) _____, or percentage of company earnings disbursed at regular intervals.
21. The _____ is the amount of money that is initially deposited into an account.

Section 4

22. Consumers who make purchases while acting on feelings or emotions and without thinking of the consequences are engaging in _____.



BIOGRAPHY ACTIVITY 20

Beth Koblner (1965-)

After graduating from Brown University in 1986, Beth Koblner observed that at first, her friends “would roll their eyes” when she talked about savings plans soon after graduation. Within a few years, however, they were asking her questions about reducing their student-loan debt and starting retirement accounts.

At age 23, Koblner began working for *Money* magazine, a job that allowed her to interview financial experts around the nation. That experience gave her a new goal: to help high school and college graduates get a grip on their personal finances.

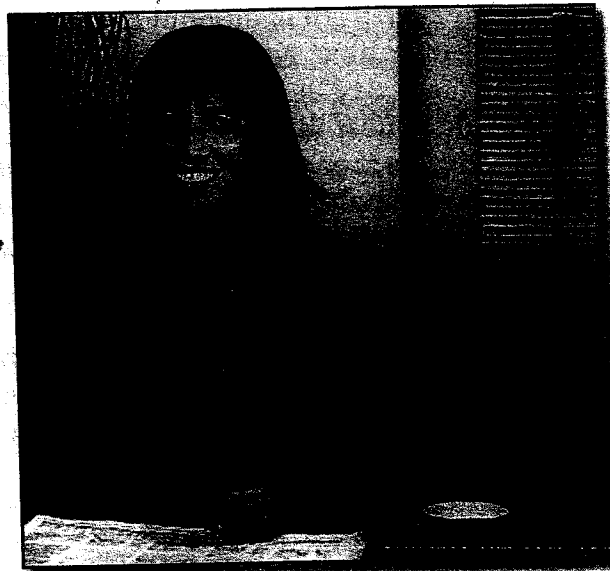
Koblner observed that although many books about personal finance were available, none were aimed at her friends—people in their mid-twenties. To fill this gap, she wrote *Get a Financial Life: Personal Finance in Your Twenties and Thirties*.

A Financial Plan

Many of today’s college graduates are leaving school burdened with debt, mostly from student loans and credit cards. Koblner advises twenty- and thirty-somethings to take control of their financial situation by following three basic rules.

First, Koblner advises getting out of debt. She advises young people to pay off their credit cards as soon as possible. Paying more than the minimum balance—even just \$20 a month—can help them save plenty of money in interest charges.

Second, Koblner advises putting money into a retirement account. She encourages young people to contribute



Beth Koblner

part of their salary into their companies’ 401(k) plans. How much? At least enough to earn any matching funds from their employer, and more if they can swing it. “I try to make the point that the advantages of 401(k)s are so incredible that you don’t want to pass them up in your 20s and 30s,” Koblner said.

Third, Koblner urges young people to begin an investment plan. Mutual funds are a good way to start. Because these funds invest in many different stocks, they spread the risk of individual company’s stock rising or falling unpredictably.

Save and Invest

Koblner admits that she did not start saving for her own retirement until she was 26 years old. Since that time, she has become a financial expert, writing for the *New York Times*, appearing on *Oprah* and *Today*, and testifying before Congress on economic issues.



BIOGRAPHY ACTIVITY 20 (continued)

Beth Koblner

Saving even a small amount of money can make a big difference over time. Koblner points out that if a person starts saving \$5 each day at the age of 25 years old, he or she could accumulate almost than \$400,000 by retirement age (assuming a 7% return rate). As the younger generation becomes more educated and comfortable about handling their finances, Koblner says that she hopes that they're "going to start getting out of debt, learning to save, and beginning to invest."

Directions: Answer the questions below in the space provided.

1. **Recounting** Why did Beth Koblner decide to write *Get a Financial Life*?

2. **Practicing** What are Koblner's three rules for gaining control of personal finances?

3. **Showing** Why does Koblner encourage people to pay more than their minimum credit card balance?

4. **Relating** What strategy does Koblner suggest for young people's retirement plans?

5. **Critical Thinking: Advising** Why do you think Koblner urges young people to pay off credit card debt as the first part of their financial strategy?



CRITICAL THINKING SKILLS ACTIVITY 20

Categorizing Information

Learning the Skill

Categorizing information involves sorting facts, ideas, statistics, or other kinds of information into categories or groups. Categorizing information is one way to understand how various facts and details relate to one another.

Use the following guidelines to help you categorize information:

- Identify the main idea or topic of the text and the important details that relate to the main idea.
- Figure out into what categories the important details fit. Try to identify categories in which all relevant details will fit.
- Sort the information into the categories you identified.

Practicing the Skill

Directions: Study the table. Then answer the following questions in the space provided.

\$100	No restrictions	• None	• Three interest tiers • Use as Overdraft Protection
\$100	No restrictions	• Yes, if there are more than three withdrawals per quarter	• Tax-free interest if funds are used for qualified educational expenses
\$1,000	No restrictions	• None	• Limited check access • Two interest tiers
\$500 (\$500 to maintain)	30 days–5 years	• Yes, if funds are withdrawn prior to maturity	• Lock into guaranteed interest rate
\$100	No specified term	• Often IRS penalties	• Ability to add deposits
\$100	12, 18, 24, or 36 months	• Yes, bank penalty if funds are withdrawn prior to maturity • Often IRS penalties	• Guaranteed interest rate • Ability to increase rate one or two times if rates go up • Can add deposits



CRITICAL THINKING SKILLS ACTIVITY 20 (continued)

Categorizing Information

1. What is the topic of the table?

2. The table describes four categories of accounts. What are they?

Applying the Skill

Directions: Use the table to answer the following questions. Circle the letter of the correct answer.

1. Which account belongs in the category "minimum investment period of one year or more"?
 - A. Money Market
 - B. Certificate of Deposit
 - C. Jump-Up IRA
 - D. Variable-Rate IRA
2. How many accounts would be in the category "accounts requiring \$500 or more to open"?
 - A. 2
 - B. 3
 - C. 4
 - D. 5
3. How many accounts would be in the category "penalty for early withdrawal"?
 - A. 1
 - B. 2
 - C. 3
 - D. 4



SCHOOL-TO-HOME CONNECTION 20

Personal Finance and Economics—What Do You Know?

Directions: Ask each other the following questions to see how much you know about personal finance.*

Student: What are the two types of income?

Partner's answer:

Student's answer:

Partner: What information do you need to make a budget?

Student: Why is the rate of interest on a CD almost always higher than on a savings account?

Partner's answer:

Student's answer:

Partner: What is "impulse buying"?

*With your student, find answers to these questions on pages 536–563 of the student textbook.



Personal Finance and Economics— Understanding the Big Ideas

Directions: Use your textbook to answer the questions below in the space provided.

Section 1 Big Idea

You and everyone around you are consumers and, as such, play an important role in the economic system.

What purpose does the Better Business Bureau serve?

Section 2 Big Idea

We all make economic choices. Opportunity cost, scarcity, and supply and demand influence the decisions we make.

How can a budget help you make economic choices?

Section 3 Big Idea

We all make economic choices. Opportunity cost, scarcity, and supply and demand influence the decisions we make.

Why do stocks earn a higher return than other types of investments?

Section 4 Big Idea

We all make economic choices. Opportunity cost, scarcity, and supply and demand influence the decisions we make.

What kinds of items might require a long-term financial plan?



RETEACHING ACTIVITY 20

Personal Finance and Economics

In a capitalist system, every individual makes choices that contribute to the way the economy functions. Microeconomics is the study of how individuals behave in an economic system—what choices they make, what factors influence their choices, and what consequences result from their choices. Individual consumers have responsibilities as well as rights. One of these responsibilities is to spend and invest money wisely. To do this, consumers should gather information and make informed decisions.

Directions: Filling in the Blanks Write the term that most accurately completes each statement in the spaces provided below. You will not use all the terms.

producer	consumer	impulse	credit
stock	safe	budget	income
comparison	saving	checking	interest

1. According to the Consumer Bill of Rights, consumers have the right to a _____ product.
2. To ensure that your income can meet your expenses, you should make a _____.
3. _____ money can help you reach long-term purchasing goals.
4. _____ can be disposable or discretionary.
5. It is the responsibility of the _____ to report faulty goods and services.
6. Inexpensive items for sale near a store's checkout lane encourage _____ buying.
7. _____ means paying later for something you receive today.
8. When you buy _____, you are buying partial ownership of a company.
9. A _____ account allows you to write checks for purchases.
10. High _____ charges on unpaid balances increase the amount of money you owe on a credit card.



GUIDED READING ACTIVITY 20-1

Managing Your Money



As you read this section, write one way in which the information under each heading connects to your personal experience as a consumer or with managing money. For example, perhaps you or someone you know has made a complaint to the Better Business Bureau (BBB).

Directions: Answer the questions below in the space provided. Use the information in your textbook to answer the questions.

1. Contrasting What is the difference between disposable income and discretionary income?

2. Defining What is consumerism?

3. Listing What are the five major consumer rights?

4. Listing What are two main consumer responsibilities?

5. Labeling What are two things you should do if you purchase a faulty product or service?

6. Naming What two scarce resources are involved in buying decisions?



GUIDED READING ACTIVITY 20-2

Planning and Budgeting



The order in which steps occur in a process or an event is called a sequence. As you read about how to create a budget, draw a diagram that lists, or sequences, each step in the process in the correct order.

Directions: Answer the questions below in the space provided. Use the information in your textbook to answer the questions.

1. Identifying Central Issues If your income exceeds your expenses, are you left with a surplus or a deficit?

2. Identifying What is the final step in creating a budget?

3. Defining What is the annual percentage rate (APR)?

4. Explaining What is the purpose of collateral?

5. Describing How does a credit card work?

6. Labeling What is the term for the inability to pay debts?

7. Explaining What does it mean to be a responsible borrower?



GUIDED READING ACTIVITY 20-3

Saving and Investing

 **Reading Tip**

As you read, keep focused on the task. Stop regularly to review what you have just read and check your understanding before starting again.

Directions: Answer the questions below in the space provided. Use the information in your textbook to answer the questions.

1. Explaining In what way does saving benefit the economy?

2. Making Connections How are interest and principal related?

3. Comparing and Contrasting How are a money market account and a certificate of deposit (CD) similar and different?

4. Naming What is the term for a percentage of company earnings paid to stockholders?

5. Describing How are stocks and bonds different?

6. Explaining Why are mutual funds less risky than individual stocks or bonds?



GUIDED READING ACTIVITY 20-4

Achieving Your Financial Goals



Before you read this section, make a list of at least three personal financial goals. After you read, add information you learned that may help you meet these goals, or revise your list to add new goals.

Directions: Answer the questions below in the space provided. Use the information in your textbook to answer the questions.

1. **Defining** What is impulse buying?

2. **Identifying Central Issues** Why do marketers put items near the checkout line?

3. **Listing** What are four signs of impulse buying?

4. **Identifying** What is one way to avoid impulse buying?

5. **Explaining** How do long-term goals conflict with short-term spending decisions?

6. **Describing** How can long-term planning for your education help you financially?
