Welcome to Wells Fargo’s Hands on Banking® program!

This fun, interactive, and engaging financial education program is designed for both self-paced, individual learning and group use. These Instructor Guides will help you share this valuable program with groups of any size.

In these guides, you’ll find everything you need to lead participants through real-life scenarios, group discussions, and activities that will encourage them to apply these lessons to their daily lives.

By sharing the Hands on Banking program with others, you’ll help them to take control of their finances and build a brighter financial future.

Program Overview

The Hands on Banking program covers all the basics of smart money management. The curriculum is designed for four age groups: Adults, Young Adults (ages 15–21), Teens (grades 6–8), and Kids (grades 4 and 5).

The Hands on Banking program is an easy and enjoyable way to teach and learn the essentials of financial education: the basics of bank services, the importance of saving, smart money management, using credit responsibly, investing, wealth building, and more. Whether it’s opening a checking account, avoiding identity theft, paying for college, buying a home, or starting a small business, the Hands on Banking program provides real-world skills and knowledge everyone can use.

Using the Instructor Guides

The Instructor Guides can be used alone or as an adjunct to the online/CD-ROM program; however, we strongly encourage you to review the program online or request a free CD-ROM. Even if participants will not experience the program online, gaining familiarity with the online program will help you present it more effectively. The most up to date content can always be found online at www.handsonbanking.org.

Each topic in the Hands on Banking program has its own Instructor Guide which follows the organization of the online program and includes much of the same content. The Adults’ version of the Hands on Banking program includes six topics:

3. Protect Yourself Financially.
4. Using Credit to Your Advantage.
5. Planning Your Future.

Each Instructor Guide includes:

- A glossary of all the relevant terms introduced in the topic.
- A lesson introduction which includes:
  - An overview.
  - Learning objectives.
  - Sample discussion questions to start the lesson.
  - “The Basics”—a list of bullet points outlining the key concepts of the lesson.
- A lesson summary of all the key concepts of the lesson.
- Activities, quizzes, discussion questions, handouts and important tips for key concepts.
- A topic summary that lists all the major concepts of the topic.
- Additional activities designed to extend the concepts presented in the topic to the real world.
- A Library Resource section that includes additional reference materials and handouts.
Lesson Concepts and Icons
Each lesson of a topic will present several key concepts. These concepts are introduced to your participants in a variety of ways, which are represented in the guides by these icons.

**Activity**
An activity usually involves some sort of class participation, whether it is a matching game, a fill in the blank exercise, or worksheet completion. Typically after an activity you will have the opportunity to lead a discussion.

**Discussion**
Discussions allow you to introduce key concepts while involving your participants in the conversation and making the information relevant to them. In some places, sample discussion questions are included to help you guide the discussion.

**Quiz**
Throughout all the topics, there are short quizzes designed to start discussions or quickly test participants' knowledge of certain concepts.

**Handout**
All of the Instructor Guides include handouts that are designed as a resource for your participants to use outside the classroom in their daily lives. For example, one handout includes a list of web links for participants to use as they start, grow and manage their small business.

**Activity and Discussion Handouts**
Sometimes during a lesson, an activity or discussion will also use a handout to teach key concepts. In these cases the Handout icon is placed below the Activity or Discussion icon.

**Transition**
The Transition icon will let you know when the next concept is related to or follows up on the concept you're presently discussing or covering with your participants.

**Library Articles**
The online/CD-ROM version of the Hands on Banking program includes a vast library with relevant articles, checklists, and worksheets for each topic and lesson.

Relevant library articles are recommended at the end of each lesson. These articles provide additional information to use in teaching key concepts (look for the library icon as seen above). We encourage you to review the full library selection online or on the CD-ROM. Feel free to enrich your sessions with additional articles from the library.

You can photocopy these articles and distribute them to participants to start a discussion, or you may want to give them away as handouts for participants to read on their own time. These library articles expand the topic content.
Pre-and Post-tests for Adults and Young Adults
When you use the Adults’ and/or Young Adults’ courses with a group or in a classroom setting, we invite you to use the Hands on Banking pre and post test we’ve developed. They can be accessed in the “Instructional Resources” section of handsonbanking.org.

- The Pre-test will help you to determine what topics to emphasis with your group.
- The Post-test will help you assess participants progress.

We'd like to request that you report the anonymous results of these tests to our Hands on Banking team. Your input will help us to continue to improve the program.

How to Access the Interactive Program
The Hands on Banking program is available free of charge in both English and Spanish.

- Available for free on CD-ROM—all four age groups are included.
- You may order a CD at HOBCD@wellsfargo.com. There is no charge for small quantities of the CD-ROM. Please email for information regarding high-volume requests. Allow two weeks for delivery.

Once again, Thank You!
Thank you for sharing these valuable financial education programs with students and adults in our communities. As an instructor, your training and guidance will provide others with the knowledge and skills they need for a brighter financial future.

We welcome your comments and suggestions for future versions of the Hands on Banking curriculum and the Instructor Guides. And, we would very much like to hear your success stories. Please contact us via email at HOBinfo@wellsfargo.com.
Money Management Tools

Topic Overview
The Money Management Tools topic will teach participants how to make the most of their money by saving more, creating a spending plan, and being a better shopper. It also includes special sections on kids and money and buying a car.

This topic includes six lessons:

1. Be a better saver
2. Control your finances with a Spending Plan
3. Be a smart shopper
4. Smart car buying
5. Kids & money
6. Recap

These lessons include a number of hands-on participant activities. Use these activities to help simulate real-world scenarios and activities with your participants.

This instructor guide is based on and follows the structure of the online Hands on Banking® program. We invite you to use and experience the online program as it is an excellent resource that will support your instructional efforts and enhance your participants' experience. It includes a variety of interactive lessons and many helpful resource library articles to augment this guide. Visit www.handsonbanking.org to access the program. Should you require a CD ROM to access the program you may request a free copy at HOBCD@wellsfargo.com.
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# Topic 2 — Money Management Tools

## Instructor’s Guide — Adults

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Glossary

Instructor note:
The Glossary contains definitions and descriptions of valuable terms and phrases related to this topic. Encourage your participants to use the Glossary during and after the class to become more familiar and comfortable with the terminology.

Photocopy the glossary on the next page and hand it out to your participants.
**Glossary**

**529 Plan**  
A program set up to allow an adult to either prepay, or contribute to an account established for paying a student’s qualified education expenses at an eligible educational institution.

**Annual Percentage Yield (APY)**  
The rate of return on an investment, such as a deposit in an interest-bearing savings account, for a one year period.

**Appreciation**  
The amount of value an item such as a car, home or stock, gains over time from the original purchase price.

**Compound interest**  
When a financial institution pays you interest not only on your initial principal (the amount you originally deposited) but also on the interest your deposit has earned over time.

**Co-sign**  
A second person who signs your credit or loan application. Just like the borrower, the co-signer on a loan is equally responsible for repaying the debt. Also called a co-borrower.

**Credit rating**  
An evaluation of an individual’s or business’s financial history and the ability to pay debts. Lenders use this information to decide whether to approve a loan. The credit rating is usually in the form of a number or letter.

**Depreciation**  
A loss of value in real property brought about by age, physical deterioration, functional or economic obsolescence.

**Discretionary expenses**  
The purchase of goods or services which are not essential to the buyer, or are more expensive than necessary. Examples include entertainment and restaurant meals.

**Earning power**  
The amount of money a person is able to make from his or her work.

**Education Savings Account**  
An investment account designed to assist with paying for education-related expenses. Contributions grow tax-deferred and distributions are not taxed if used for qualified expenses. Withdrawals for non-qualified educational expenses are subject to income tax and a 10% IRS penalty. Distributions may be taxable.

**FAFSA**  
The application a student and his or her family completes in order to apply for federal student loans.

**Financial aid**  
Financial assistance, such as a loan, grant or works study program, a student receives to enroll in an accredited educational institution.

**Fixed expenses**  
For an individual, a fixed cost is an expense that stays the same each month, such as rent or a car payment. For a business, a fixed cost is an expense that does not vary depending on production or sales levels, such as an equipment lease or property tax.

**Flexible expenses**  
An expense that you can control or adjust, for example, how much you spend on groceries, clothes, or long distance phone calls.
Topic 2 — Money Management Tools

Glossary

Income
For an individual, income means the amount of money received during a period of time, including money received in exchange for labor or services, from the sale of goods or property, or as profit from financial investments. For a business, income is revenues (all the money brought in) minus cost of sales, operating expenses, and taxes, over a given period of time.

Interest
The amount of money paid by a borrower to a lender in exchange for the use of the lender's money for a certain period of time. For example, you earn interest from a bank if you have a savings account and you pay interest to a lender if you have a loan.

Interest rate
The amount of interest paid per year divided by the principal amount (that is, the amount loaned, deposited, or invested). For example, if you paid $500 in interest per year for a loan of $10,000, the interest rate is 500 divided by 10,000, or five percent (5%).

Lease
A contract by which one party (lessor) gives to another (lessee) the use and permission of an item, such as an automobile or apartment for a specified time and fixed payments.

Loan
An agreement between a borrower and a lender, where the borrower agrees to repay money with interest over a period of time.

Net income
For a business, the amount of money earned after all expenses and taxes. For an individual, total take-home pay after all deductions (taxes, social security, etc.). Also called after tax income or net salary.

Pre-approval loan
A written commitment from a lender, subject to a property appraisal or other stated conditions, that confirms the price of home a potential borrower can afford.

Repossess
When a lender or seller takes back property or collateral from the borrower or buyer, usually because the buyer has failed to make required debt payments on time, or has failed to meet other conditions of the loan agreement.

Rule of 72
A way to estimate the time or interest rate you would need to double your money on an investment. For example, if you have an investment that's earning 8% per year, 72 divided by 8 equals 9. This means it would take about nine years for your original investment to double.

Simple interest
Interest that is calculated only on the principal sum, that is, the amount of money that was originally deposited. (By contrast, compound interest is when a financial institution pays you interest not only on your initial principal but also on the interest your deposit has earned over time.)

Spending plan
Also known as a budget, a method of tracking your monthly income and expenses.

Take-home pay
For a business, the amount of money earned after all expenses and taxes. For an individual, total take-home pay after all deductions (taxes, social security, etc.). Also called after tax income or net salary.

Term
A period of time over which a loan is scheduled to be repaid. For example, a home mortgage may have a 30-year term, meaning it must be repaid within 30 years.
Lesson 1: Be a Better Saver

In this lesson your participants will learn why saving money is critical to their financial future and provide money-saving tips they can use, starting today!

Learning Objectives
After completing this lesson, participants will be able to:
- State why saving money is critical to their financial future.
- Use money-saving tips.
- Explain the power of compound interest.

Start the Discussion
To start a discussion with your participants, ask some open-ended questions or invite them to talk about saving money. Here are some examples you could use:
- Why is it important to save money?
- Are there some short-term or long term items you are saving for or want to save for?
- Why is interest an important consideration when talking about savings?
- What is compound interest?

The Basics
- Savings is the first step of good money management.
- Set aside money in savings every time you get paid or receive extra money from tax returns, bonuses or gifts.
- The amount of interest you earn depends on the interest rate, how long you keep the money in the account, and how the financial institution pays interest.
- Compounding is a powerful way to make your money grow faster.
- The higher the APY, the more interest you receive.
- Savings is an investment in yourself and your future.
The Power of Compound Interest Activity (Instructor Copy)

Instructor note:
Compound interest may seem like a complicated topic for your participants, but if you break it down into manageable pieces, it's pretty easy to understand.

Photocopy the activity handout on the following page. Instruct your participants to list the three things that impact the amount of interest they can earn if their money is in an interest-earning account and why.

Instructions:
Have your participants list the three things that impact the amount of interest their money will earn in an interest-earning account and why.

If you start saving your money in an interest-earning account, like a savings account at a bank, the amount of interest you'll earn depends on three factors.

What are these three factors and how do they impact the amount of interest your money will earn?

1. **Interest rate**—the higher the interest rate, the more your money grows.
2. **Time**—how long you keep the money in the account will affect how your money grows. The more time your money has to grow, the better!
3. **Interest payments**—how your bank pays you interest is very important. Almost all banks compound interest. When you're out shopping for a savings account, here's a quick way to determine which account will pay you the most. Just compare the annual percentage yield, or APY, of the accounts. The higher the APY percentage, the more interest you'll receive.
The Power of Compound Interest Activity

If you start saving your money in an interest-earning account, like a savings account at a bank, the amount of interest you’ll earn depends on three factors.

Instructions:
List the three things that impact the amount of interest your money will earn in an interest-earning account and why.

1. Factor 1: ________________________________
   Why/how? ________________________________
   _______________________________________
   _______________________________________
   _______________________________________

2. Factor 2: ________________________________
   Why/how? ________________________________
   _______________________________________
   _______________________________________
   _______________________________________

3. Factor 3: ________________________________
   Why/how? ________________________________
   _______________________________________
   _______________________________________
   _______________________________________

Fill in the blank.
Compound Interest in Detail

**Instructor note:**
*Lead a discussion about compound interest. Use the table below to discuss other topics.*

Compounding interest means a financial institution pays interest on the amount of money you originally deposited as well as the interest your deposit has earned over time.

Depending on the account, the interest may be compounded daily, monthly, or quarterly. Each time, you're paid interest on the new, total amount you have in your account. So the more frequently your money is compounded, the more interest you'll earn.

<table>
<thead>
<tr>
<th>Simple interest</th>
<th>Your money only earns interest on the principal—the amount of money you originally deposited.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compound interest</td>
<td>The financial institution will pay you interest on your original deposit and on the interest your deposit earns over time. Your money grows more—and a lot faster!</td>
</tr>
<tr>
<td>Annual Percentage Yield (APY)</td>
<td>The rate of return on an investment, such as a deposit in an interest-bearing savings account, for a one year period. When you're out shopping for a savings account, here's a quick way to determine which account will pay you the most. Just compare the annual percentage yield, or APY, of the accounts. The higher the APY percentage, the more interest you'll receive.</td>
</tr>
<tr>
<td>Is the interest I earn taxable?</td>
<td>Yes. The interest you earn in your bank accounts is considered income, so it is taxable. The bank will send you a form at the end of the year that shows the total amount of interest you earned.</td>
</tr>
</tbody>
</table>
Compare the Results Activity (Instructor Copy)

**Instructor note:**
It's easy to see the benefits of compound interest when the results are compared side-by-side. Use this comparison to reinforce the benefits of compound interest.

Photocopy the activity handout on the following page. First, introduce the story of the Shoebox Saver (puts money in a shoebox, under a mattress, etc.) and the Super Saver (puts money in interest-earning accounts).

Then, tell participants that both people put away five dollars per day per year. The Super Saver earned 5% interest, compounded daily.

Ask participants how much more money they think the Super Saver has made after 30 years as compared to the Shoebox Saver.

After you receive guesses from the participants, pass out the handout with the savings chart.

### Interest vs. No Interest

<table>
<thead>
<tr>
<th>Shoebax Saver</th>
<th>Super Saver</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Year 1</strong></td>
<td><strong>Year 1</strong></td>
</tr>
<tr>
<td>$1,825</td>
<td>$1,871</td>
</tr>
<tr>
<td></td>
<td>$46 more</td>
</tr>
<tr>
<td><strong>Year 5</strong></td>
<td><strong>Year 5</strong></td>
</tr>
<tr>
<td>$9,125</td>
<td>$10,366</td>
</tr>
<tr>
<td></td>
<td>$1,241 more</td>
</tr>
<tr>
<td><strong>Year 10</strong></td>
<td><strong>Year 10</strong></td>
</tr>
<tr>
<td>$18,250</td>
<td>$23,677</td>
</tr>
<tr>
<td></td>
<td>$5,427 more</td>
</tr>
<tr>
<td><strong>Year 30</strong></td>
<td><strong>Year 30</strong></td>
</tr>
<tr>
<td>$54,750</td>
<td>$127,077</td>
</tr>
<tr>
<td></td>
<td>$72,327 more!</td>
</tr>
</tbody>
</table>
## Compare the Results Activity

### Interest vs. No Interest

<table>
<thead>
<tr>
<th></th>
<th>Shoebox Saver</th>
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</tr>
</tbody>
</table>

$46 more
$1,241 more
$5,427 more
$72,327 more!
Use the Formula Activity (Instructor Copy)

**Instructor note:**
Photocopy the activity handout on the following page. Introduce the formula for calculating compound interest. Explain each variable in the equation. Explain to them when they use this formula, they should take the amount in the parentheses and take it to the “nth” power and then multiply by P. Instruct your participants to use the formula to complete the example.

The formula for calculating compound interest is:

\[ M = P(1 + i)^n \]

- Where \( M \) is the final amount including the principal.
- \( P \) is the principal amount.
- \( i \) is the rate of interest per year.
- \( n \) is the number of years invested.

**Instructions:**
Have your participants use this formula to determine the final amount of money they’ll have if they invest:

- $1000.00
- For three years
- With a 5% compound interest rate

\[ M = 1000 \times (1 + 5\%)^3 \]

**Answer Key:**

**Step 1:** Change 5% to .05
Equation now reads: \( M = 1000 \times (1 + .05)^3 \)

**Step 2:** Add 1 and .05
Equation now reads: \( M = 1000 \times (1.05) \)

**Step 3:** Cube 1.05 (1.05 x 1.05 x 1.05)
Equation now reads: \( M = 1000 \times (1.15762) \)

**Step 4:** Multiply 1000 by 1.15762

**Final Answer:** $1157.62
Use the Formula Activity (Instructor Copy)

The formula for calculating compound interest is:

\[ M = P(1 + i)^n \]

- Where \( M \) is the final amount including the principal.
- \( P \) is the principal amount.
- \( i \) is the rate of interest per year.
- \( n \) is the number of years invested.

Instructions:
Use this formula to determine the final amount of money you'll have if they invest:

- $1000.00
- For three years
- With a 5% compound interest rate

Final Answer:
How to Build Up Your Savings (Instructor Copy)

**Instructor note:**
Photocopy the activity handout on the following page. Then lead a discussion based on the key points below.

Do you have enough money saved for future goals, emergencies, and to retire someday? Learn to be a better saver by following these tips.

## Building Savings

| Consider “needs” vs. “wants” | • Determine whether you’re buying products or services you really need.  
| • Give some thought to items on which you could spend less. |
| Make savings automatic | • Put a portion of every paycheck you receive into your savings account by using direct deposit or automatic transfer.  
| • You’ll be much less likely to spend the money that way. |
| Pay yourself first! | • Set aside money for savings at the beginning of each month, rather than waiting to see what’s left at the end.  
| • Decide on a percentage of your monthly income (for example, 5–10%) to direct deposit or transfer into your savings account. |
| Put “extra” money into savings | • If you receive any extra money, put it into savings. This extra money could be from:  
| • Tax refund  
| • A raise or bonus  
| • A gift  
| • If you have paid off a loan, keep making the monthly payments—to yourself, in your own savings account! |
| Pay your bills on time | • When you pay your bills on time, you avoid:  
| • Late fees  
| • Extra finance charges  
| • Disconnection of (and re-connection fees for) phone, electricity, or other services  
| • The cost of eviction  
| • Repossession of cars or other items  
| • Bill collectors |
| Avoid check-cashing stores | • At $10 or more for each check you cash, this can add up to several hundred dollars per year.  
| • Consider opening a checking account at a bank instead. |
| Save for retirement | • If you work for a company that has a retirement savings plan, participate!  
| • If you’re self-employed, set up a retirement savings account of your own. |
### How to Build Up Your Savings

Do you have enough money saved for future goals, emergencies, and to retire someday? Learn to be a better saver by following these tips.

#### Building Savings

| Consider “needs” vs. “wants” | Determine whether you’re buying products or services you really need.  
| Make savings automatic | Put a portion of every paycheck you receive into your savings account by using direct deposit or automatic transfer.  
| Pay yourself first! | Set aside money for savings at the beginning of each month, rather than waiting to see what’s left at the end.  
| Put “extra” money into savings | If you receive any extra money, put it into savings. This extra money could be from:  
| Pay your bills on time | When you pay your bills on time, you avoid:  
| Avoid check-cashing stores | At $10 or more for each check you cash, this can add up to several hundred dollars per year.  
| Save for retirement | If you work for a company that has a retirement savings plan, participate!  

- Determine whether you’re buying products or services you really need.
- Give some thought to items on which you could spend less.
- Put a portion of every paycheck you receive into your savings account by using direct deposit or automatic transfer.
- Pay yourself first! Set aside money for savings at the beginning of each month, rather than waiting to see what’s left at the end. Decide on a percentage of your monthly income (for example, 5–10%) to direct deposit or transfer into your savings account.
- If you receive any extra money, put it into savings. This extra money could be from:
  - Tax refund
  - A raise or bonus
  - A gift
  - If you have paid off a loan, keep making the monthly payments— to yourself, in your own savings account!
- When you pay your bills on time, you avoid:
  - Late fees
  - Extra finance charges
  - Disconnection of (and re-connection fees for) phone, electricity, or other services
  - The cost of eviction
  - Repossession of cars or other items
  - Bill collectors
- At $10 or more for each check you cash, this can add up to several hundred dollars per year. Consider opening a checking account at a bank instead.
- If you work for a company that has a retirement savings plan, participate! If you’re self-employed, set up a retirement savings account of your own.
The Rule of 72 Activity (Instructor Copy)

**Instructor note:**
The Rule of 72 is an effective way to get your participants interested in investing. It makes it easy to see how many years it will take to double the money made in an investment.

Photocopy the activity handout on the following page. Explain the formula to the participants and say it out loud so they understand the division: “72 divided by the interest rate will show you how many years it will take to double your investment.” Instruct them to complete the three scenarios on the sheet.

**Instructions:**
Have your participants complete the scenarios on the page using this formula:

\[ 72 \div \text{interest rate} = \text{years it will take to double your investment} \]

1. Take the interest rate of your investment.
2. Divide 72 by the interest rate.
3. The number you come up with is how many years it will take your original investment to double.

**Scenario 1:**
You have an investment that’s earning 8% per year. How many years will it take to double your investment?

Answer: _______ 9 years _______

**Scenario 2:**
You have 10 years to invest your money. What interest rate will you need to have to double your money in that time?

Answer: _______ 7.2% _______

**Scenario 3:**
Your investment earns 6%. How many years will it take to double that investment?

Answer: _______ 12 years _______
The Rule of 72 Activity

Instructions:
Complete the scenarios on the page using this formula:

\[ 72 \div \text{interest rate} = \text{years it will take to double your investment} \]

1. Take the interest rate of your investment.
2. Divide 72 by the interest rate.
3. The number you come up with is how many years it will take your original investment to double.

Scenario 1:
You have an investment that’s earning 8% per year. How many years will it take to double your investment?

Answer: ________________

Scenario 2:
You have 10 years to invest your money. What interest rate will you need to have to double your money in that time?

Answer: ________________

Scenario 3:
Your investment earns 6%. How many years will it take to double that investment?

Answer: ________________
Lesson Summary

Instructor note:
Summarize this lesson by reviewing these key points with your participants.

Key points from the Be a Better Saver lesson:

- Savings is the first step of good money management.
- Set aside money in savings every time you get paid or receive extra money from tax returns, bonuses or gifts.
- The amount of interest you earn depends on the interest rate, how long you keep the money in the account, and how the financial institution pays interest.
- Compounding is a powerful way to make your money grow faster.
- The higher the APY, the more interest you receive.
- Savings is an investment in yourself and your future.
Lesson 2: Control Your Finances With a Spending Plan

This lesson—Control Your Finances with a Spending Plan—will help participants understand what a Spending Plan is, how to use it to save more, pay bills on time and make the most of the money they have right now.

Learning Objectives
After completing this lesson, participants will be able to:

• State the benefits of a Spending Plan.
• Define the key concepts of a Spending Plan.
• Create their own Spending Plan.
• Determine what things to pay for first on a monthly basis.

Start the Discussion
To start a discussion with your participants, ask some open-ended questions or invite them to talk about saving money. Here are some examples you could use:

• Why do you think you should have a written plan for how you will spend your money?
• Do you have any positive or negative feelings when you hear the words “Spending Plan” or “budget.” Why?
• What things do you seem never to have enough money to purchase? How do you think a Spending Plan could help you with that?
• What are some of the ways you save money when you go shopping?

The Basics

• A spending plan can help you make the most of your money and reach your financial goals. It is your personal strategy.
• A spending plan is easy to create—on a piece of paper, write down the money you have coming in and what you spend in an average month. Putting it down on paper helps you see where you can improve and make better money decisions.
• As you begin to create your spending plan, you will write down how much money that comes in during an average month and then decide how to spend it.
• A spending plan can help you live within your means.
• The right spending plan can help you set aside enough to pay your bills, have some savings for emergencies, and some money left over in your pocket every month.
Key Concepts of a Spending Plan Activity (Instructor Copy)

Instructor note:
Photocopy the activity handouts on the following pages. Divide the class into groups. Instruct them to answer the questions in the space provided. Then, hand out the completed worksheet and lead these key points.

Instructions:
Have your participants answer the questions in the space provided.

Things to Consider when Building a Spending Plan Answers

| What is the difference between income and take home pay? | • There is a difference between your income (the total amount you earn) and your take-home pay (net income).
| • Net income = the amount of money earned after taxes, insurance, or other costs have been subtracted.
| • Base your spending plan on your take-home pay. |

| Why and how should you track your spending? | • To get a clear picture of your spending right now, keep a spending diary for a month or two.
| • Save your receipts and write down the items and amounts for everything you spend. |

| What are the three types of expenses? List an example for each. | There are three types of expenses:
| 1. Fixed expenses:
| • Regular amounts that generally don't change much.
| • Monthly expenses like rent or car payments.
| • Bills you receive less often, like car registration or insurance.
| 2. Flexible expenses:
| • Occur on a regular basis and are also for necessities.
| • You have more control over how much you spend.
| • For example, you can control how much you spend on groceries or how many long distance phone calls you make in a month.
| 3. Discretionary expenses:
| • Money you choose to spend, but don’t necessarily have to spend.
| • Could include clothes, movies, and dining out.
| • Savings is a discretionary expense—it’s up to you to decide how much of your money you’re going to set aside for your future. |

| What should you do if find there’s not enough income to cover expenses? | • After writing your spending plan, you may find that there’s not enough money to go around.
| • Since your fixed expenses may be difficult to change, look for ways to decrease your flexible and discretionary expenses—and/or, increase your income. |

| What are trade-offs? | • Most people can’t afford everything they want to buy, so they have to make tradeoffs.
| • Making tradeoffs may mean giving up things or buying something less expensive, so you can afford things that are valuable to you.
| • Tradeoffs may also relate to how you spend your time. To make more money at your job, you may have to work more hours. |
Key Concepts of a Spending Plan Activity

Instructions:
Answer the questions in the space provided.

<table>
<thead>
<tr>
<th>Things to Consider when Building a Spending Plan Answers</th>
</tr>
</thead>
<tbody>
<tr>
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</tr>
<tr>
<td><strong>Why and how should you track your spending?</strong></td>
</tr>
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</tr>
<tr>
<td><strong>What should you do if find there's not enough income to cover expenses?</strong></td>
</tr>
<tr>
<td><strong>What are trade-offs?</strong></td>
</tr>
</tbody>
</table>
### Key Concepts of a Spending Plan Activity

#### Things to Consider when Building a Spending Plan Answers

| What is the difference between income and take home pay? | • There is a difference between your income (the total amount you earn) and your take-home pay (net income).
  • Net income = the amount of money earned after taxes, insurance, or other costs have been subtracted.
  • Base your spending plan on your take-home pay. |
|---------------------------------------------------------|--------------------------------------------------|
| Why and how should you track your spending?             | • To get a clear picture of your spending right now, keep a spending diary for a month or two.
  • Save your receipts and write down the items and amounts for everything you spend. |
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  • Tradeoffs may also relate to how you spend your time. To make more money at your job, you may have to work more hours. |

---

**Tip!**

- Create a spending plan you can live with—be realistic and flexible.
- Review your plan every month.
- Adjust it as your income and expenses change.
- Avoid high cost check-cashing stores.
Spending Plan Activity (Instructor Copy)

**Instructor note:**
Photocopy the activity handout on the following page. Instruct your participants to fill in the blank boxes with the correct category.

**Instructions:**
This is a sample spending plan. Have your participants write the correct category name in each blank field on the spending plan.

**Categories:**
- Salary from Job 1
- Car insurance
- Utilities
- Clothing
- Groceries
- Rent

**Spending Plan Worksheet**

<table>
<thead>
<tr>
<th>MONTHLY INCOME</th>
<th>Estimate/Goal</th>
<th>Actual Earned</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary from Job 1</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Salary/Wages from Job 2</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Other Income</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Total Monthly Income</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>MONTHLY EXPENSES</th>
<th>Estimate/Goal</th>
<th>Actual Spent</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fixed Expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rent</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Car loan payments</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Car insurance</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Other debt payments (credit cards/loans)</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Other:</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Flexible Expenses</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Groceries</td>
<td>$</td>
</tr>
<tr>
<td>Gas</td>
<td>$</td>
</tr>
<tr>
<td>Telephone (cell phones too)</td>
<td>$</td>
</tr>
<tr>
<td>Utilities</td>
<td>$</td>
</tr>
<tr>
<td>Household items</td>
<td>$</td>
</tr>
<tr>
<td>Other:</td>
<td>$</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Discretionary Expenses</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Clothing</td>
<td>$</td>
</tr>
<tr>
<td>Dining out</td>
<td>$</td>
</tr>
<tr>
<td>Entertainment</td>
<td>$</td>
</tr>
<tr>
<td>Gifts</td>
<td>$</td>
</tr>
<tr>
<td>Savings</td>
<td>$</td>
</tr>
<tr>
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<table>
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<tr>
<th><strong>Total Monthly Expenses</strong></th>
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<tr>
<td></td>
<td>$</td>
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**Spending Plan Activity**

**Instructions:**
This is a sample spending plan. Write the correct category name in each blank field on the spending plan.

**Categories:**
Salary from Job 1  
Car insurance  
Utilities  
Clothing  
Groceries  
Rent

**Spending Plan Worksheet**

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</tr>
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<td>Other:</td>
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</tbody>
</table>

| Total Monthly Expenses | $ | $ |
What Should I Pay First? Activity (Instructor Copy)

**Instructor note:**
Photocopy the activity handout on the following page. Instruct your participants to determine the order of paying their expenses or saving money. When they’re finished, lead a Discussion using the key points in the table below.

It’s important to make your monthly income last as long as possible, so you’ll need to pay things in a specific order. Remember, paying bills late can seriously damage your future ability to borrow. If you begin to earn more, increase the amount you save as much as you can.

**Instructions:**
Have participants determine the order they should pay expenses or save their monthly income.

### Payment Priority Rankings

<table>
<thead>
<tr>
<th>Payment Order</th>
<th>Expenses / Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Pay your monthly bills. Always pay your monthly bills first! There are many potential penalties if you pay late, such as late fees, losing possession of things you’ve bought on credit, even being evicted from an apartment!</td>
</tr>
<tr>
<td>2</td>
<td>Set aside the money you’ll need for your weekly and day-to-day expenses. Planning for these expenses, like groceries, bus fare, gasoline, can help you track where your money is being spent.</td>
</tr>
<tr>
<td>3</td>
<td>Put money into savings. Try to build two months of take-home pay for an unexpected financial emergency.</td>
</tr>
<tr>
<td>4</td>
<td>Set aside money for larger expenses you know are coming. Set aside money for larger expenses you know are coming, such as car repairs or appliances. This emergency fund is a great cushion to have when a large expense pops up.</td>
</tr>
<tr>
<td>5</td>
<td>Set aside money for your major future goals. These goals could include a house, a car, college for your kids, or even world travel. When you use a spending plan, you can dream big, because anything is possible!</td>
</tr>
</tbody>
</table>

**Tip!**
Paying bills late can seriously damage your future ability to borrow. If you begin to earn more, increase the amount you save as much as you can.
What Should I Pay First? Activity (Instructor Copy)

It’s important to make your monthly income last as long as possible, so you’ll need to pay things in a specific order. Remember, paying bills late can seriously damage your future ability to borrow. If you begin to earn more, increase the amount you save as much as you can.

Instructions:
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Tip!
Paying bills late can seriously damage your future ability to borrow. If you begin to earn more, increase the amount you save as much as you can.
Instructor note:
At this point in the class, consider using this recommended library article listed below as a discussion resource or a takeaway for your participants. You can find this and other library articles at the end of this topic.

Recommended Article: Budget Tips

Remember, the online Hands on Banking® program has dozens of additional library articles that you can use and distribute for this and other topics. Visit www.handsonbanking.org to browse all the available articles.
Instructor note:
Summarize this lesson by reviewing these key points with your participants.

Key points from the Control Your Finances With a Spending Plan lesson:

- A spending plan can help you make the most of your money and reach your financial goals. It is your personal strategy.
- A spending plan is easy to create—on a piece of paper, write down the money you have coming in and what you spend in an average month. Putting it down on paper helps you see where you can improve and make better money decisions.
- As you begin to create your spending plan, you will write down how much money that comes in during an average month and then decide how to spend it.
- A spending plan can help you live within your means.
- The right spending plan can help you set aside enough to pay your bills, have some savings for emergencies, and some money left over in your pocket every month.
Lesson 3: Be a Smart Shopper

In this lesson, participants will learn a step-by-step guide for making major purchases the smart way. They will also learn helpful tips for saving money day-to-day.

Learning Objectives
After completing this lesson, participants will be able to:

- Explain the step-by-step guide for how to make smart choices for major purchases.
- Explain helpful tips for saving money day to day.

Start the Discussion
To start a discussion with your participants, ask some open-ended questions. Here are some examples you could use:

- Describe the process you use when you begin thinking about making a big purchase.
- Describe a shopping incident when you bought something on an impulse and it worked out well or worked out poorly.
- What types of situations make you want to shop more or shop less?

The Basics

- Consider your needs and your budget before you buy a major item.
- Research thoroughly and comparison shop before making a purchase.
- Find the best overall value for your item and always follow up if there is a problem.
- Resist impulse buying and follow our tips and techniques for spending less and saving more.
Making Major Purchases Activity (Instructor Copy)

**Instructor note:**
Photocopy the activity handout on the following page. Open the floor to discussion about making big purchases—whether it’s a flat-screen TV, an all-terrain vehicle, or even a leather sofa. Ask your participants if they ever had buyer’s remorse after making a big purchase and why. Ask them to share their experiences with making these types of purchase, and ask how they went about it—from beginning to end. Then, introduce this step-by-step guide.

**Things to Consider When Making Major Purchases**

<table>
<thead>
<tr>
<th>Step</th>
<th>Considerations</th>
</tr>
</thead>
</table>
| 1. Consider your needs | • Ask “Do I really need this, or do I just want it?”  
| | • Ask: “Am I trying to fill a need with a purchase?” |
| 2. Determine your budget | • Decide how much you can spend on this purchase and still cover your other expenses. |
| 3. Research before you buy | • Do some research to determine when, how, and where to buy the item to get the best deal.  
| | • **Research any product claims.** Try to separate fact from fantasy in advertising. Check product ratings and reviews in magazines and online.  
| | • **Inspect products and try before you buy.** Ask a salesperson for a demonstration.  
| | • **Ask for advice** from friends and family who are familiar with the product you’re considering.  
| | • **Inspect the product carefully before you buy it.** Check for quality and durability. When in doubt, stick to reliable brand names.  
| | • **Check warranties carefully.** Make sure you understand what’s covered and for how long. |
| 4. Comparison shop | • Shop around and use the Internet. Web research can save time, effort, and transportation costs.  
| | • Compare ads in the newspaper, shop by telephone, and look at catalogues, too.  
| | • Call 3 stores to compare prices, models, and store return policies.  
| | • Be sure to confirm the price. Ask about extra charges, like delivery.  
| | • Find out about the store’s return policy. |
| 5. Find the best overall value | • The goal is value, not just the lowest price.  
| | • Look for the features and quality you want, good customer service, a fair price, and a flexible return policy.  
| | • Watch for sales, coupons, and rebate offers to get the best price. Depending on the item and the store, you may be able to negotiate the price. |
| 6. Follow-up if there’s a problem | • Save your receipts and return unsatisfactory products to the store.  
| | • Speak to the store manager if there’s a problem before or after you buy. |
# Topic 2 — Money Management Tools

## Making Major Purchases Activity

### Things to Consider When Making Major Purchases

<table>
<thead>
<tr>
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<th>Considerations</th>
</tr>
</thead>
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  - Watch for sales, coupons, and rebate offers to get the best price. Depending on the item and the store, you may be able to negotiate the price. |
| 6. Follow-up if there’s a problem | - Save your receipts and return unsatisfactory products to the store.  
  - Speak to the store manager if there’s a problem before or after you buy. |
Shopping Tips To Help You Save Activity (Instructor Copy)

**Instructor note:**
Photocopy the activity handout on the following page. Divide the class into groups and have them brainstorm tips to use in the situations listed in the left column of the table. When they’re finished, focus on these key points.

**Instructions:**
Have your participants list several tips for each shopping situation.

### Shopping Tips

<table>
<thead>
<tr>
<th>Shopping Tips</th>
<th>At the store</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Resist impulse buying!</td>
</tr>
<tr>
<td></td>
<td>• Ask yourself: Do I really need it?, Do I need it today?, What if don’t buy it now?, Can I do this at a lower cost?</td>
</tr>
<tr>
<td></td>
<td>• Limit the cash you carry and shop with your spending plan in mind</td>
</tr>
<tr>
<td></td>
<td>• Avoid ATM fees by using your bank’s ATMs.</td>
</tr>
<tr>
<td></td>
<td>• Watch for sales and wait for the right price.</td>
</tr>
<tr>
<td></td>
<td>• Look for coupons and rebates and shop for value!</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Shopping Tips</th>
<th>Food shopping</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Save money by eating at home.</td>
</tr>
<tr>
<td></td>
<td>• Make a shopping list and watch for sales and coupons.</td>
</tr>
<tr>
<td></td>
<td>• Buy large quantities or in bulk for products you use frequently.</td>
</tr>
<tr>
<td></td>
<td>• Don’t go shop when hungry.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Shopping Tips</th>
<th>Credit card tips</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Use your credit card to purchase larger, lasting items.</td>
</tr>
<tr>
<td></td>
<td>• Limit the number of credit cards you have.</td>
</tr>
<tr>
<td></td>
<td>• Don’t use a credit card if you can’t afford the price. Avoid having a monthly credit card balance greater than 10% of your net income.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Shopping Tips</th>
<th>Cell phone tips</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Shop for a package deal.</td>
</tr>
<tr>
<td></td>
<td>• Watch out for high text messaging and web access charges.</td>
</tr>
<tr>
<td></td>
<td>• Read the contract before you sign and ask questions; make sure you understand all features &amp; fees.</td>
</tr>
<tr>
<td></td>
<td>• Keep track of your usage and pay your bill on time and in full.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Shopping Tips</th>
<th>Take advantage of discounts</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• You may be eligible for discounts if you have a valid student, military, or insurance ID, or other organization memberships.</td>
</tr>
<tr>
<td></td>
<td>• Research the benefits and ask stores what cards they honor for discounts. Some grocery and drug stores offer savings cards for customers.</td>
</tr>
<tr>
<td></td>
<td>• Some stores and businesses offer their employees a special discount on merchandise. Consider working a seasonal job.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Shopping Tips</th>
<th>Skip the rest, save for best</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Consider skipping a few low-cost purchases you could do without to save for one item you really value.</td>
</tr>
<tr>
<td></td>
<td>• Bypass small luxuries (like fancy coffees and movie rentals) for a few months.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Shopping Tips</th>
<th>Find a creative way</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• How can you obtain something you want at a lower cost or even for free? For example, you might be able to see a play by volunteering to usher.</td>
</tr>
<tr>
<td></td>
<td>• Or you might get some friends together in order to qualify for a volume or group discount.</td>
</tr>
<tr>
<td></td>
<td>• Share a magazine subscription with a friend rather than buying single issues off the rack.</td>
</tr>
</tbody>
</table>
Shopping Tips To Help You Save Activity (Instructor Copy)

Instructions:
Have your participants list several tips for each shopping situation.

Shopping Tips

<table>
<thead>
<tr>
<th>At the store</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food shopping</td>
</tr>
<tr>
<td>Credit card tips</td>
</tr>
<tr>
<td>Cell phone tips</td>
</tr>
<tr>
<td>Take advantage of discounts</td>
</tr>
<tr>
<td>Skip the rest, save for best</td>
</tr>
<tr>
<td>Find a creative way</td>
</tr>
</tbody>
</table>
Instructor note:
Summarize this lesson by reviewing these key points with your participants.

Key points from the Be a Smart Shopper lesson:

- Consider your needs and your budget before you buy a major item.
- Research thoroughly and comparison shop before making a purchase.
- Find the best overall value for your item and always follow up if there is a problem.
- Resist impulse buying and follow our tips and techniques for spending less and saving more.
Lesson 4: Smart Car Shopping

This lesson will help your participants consider their options and the potential impact on their budget. It also offers valuable advice on all aspects of the car-buying process and making car ownership affordable.

Learning Objectives
After completing this lesson, participants will be able to:

• Explain how to consider options when buying a car.
• Explain the potential impact of buying a car on their budget.
• Explain tips and techniques to use during the car buying process.

Start the Discussion
To start a discussion with your participants, ask some open-ended questions or invite them to talk about their good and bad experiences with banks. Here are some examples you could use:

• What is important to consider when you shop for a new car?
• How do you prepare your budget/spending plan when you are thinking about buying a car?
• What are some options to owing a car? Is there a positive impact on your financial situation?
• Why does car shopping seem intimidating to some people?
• What are other costs you will need to factor into your monthly budget/spending plan when you are buying a car?

The Basics

• If you’re thinking of buying a car, it pays to do your research.
• Millions of people can get by just fine without a car.
• You can save money and the environment by not having a car.
• If you do need a car, there’s a lot to consider: whether you’ll need a loan to buy it, whether you can afford all of the car-related expenses, and how to go about finding and buying the right car to meet your needs.
Living without a Car: The Pros and Cons (Instructor Copy)

Instructor note:
Photocopy the activity handout on the following page. Instruct your participants to list some benefits of owning a car and not owning a car. Then lead a discussion based on these key points.

Before you buy a car, consider the benefits and drawbacks of living without one. If you decide to get a car, be realistic. It’s a major expense and responsibility, so research and think it through.

Instructions:
Have your participants list several benefits of owning a car and several benefits of not owning a car.

Pros and Cons of Living without a Car

<table>
<thead>
<tr>
<th>Benefits of NOT owning a car</th>
<th>Benefits OF owning a car</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Major savings</strong></td>
<td>Reduced convenience</td>
</tr>
<tr>
<td>• Owning a car is a major expense.</td>
<td>• Without a car of your own, you may not always be able to travel exactly where, when, and how quickly you want to.</td>
</tr>
<tr>
<td>• You can save a lot of money if you can manage living without one.</td>
<td><strong>Missing the “fun”</strong></td>
</tr>
<tr>
<td>• No need to save for a down payment, no monthly or emergency expenses such as such as insurance, gas, maintenance, and repairs.</td>
<td>• Millions of Americans are in love with their cars.</td>
</tr>
<tr>
<td><strong>Multiple options</strong></td>
<td>• Having a car of your own can be fun.</td>
</tr>
<tr>
<td>• There are many cheap ways to get around, such as:</td>
<td><strong>Rent when you need to</strong></td>
</tr>
<tr>
<td>• Public transportation</td>
<td>• Even if you don’t own a car, you can rent a car now and then when you need one.</td>
</tr>
<tr>
<td>• Moped or scooter</td>
<td></td>
</tr>
<tr>
<td>• Bicycling</td>
<td></td>
</tr>
<tr>
<td>• Riding in a carpool</td>
<td></td>
</tr>
<tr>
<td><strong>A healthy choice</strong></td>
<td></td>
</tr>
<tr>
<td>• If you can walk or ride your bike, you’ll save money and get some free exercise.</td>
<td></td>
</tr>
<tr>
<td>• Having one less car on the road cuts back on traffic and air pollution.</td>
<td></td>
</tr>
<tr>
<td><strong>Rent when you need to</strong></td>
<td></td>
</tr>
<tr>
<td>• Even if you don’t own a car, you can rent a car now and then when you need one.</td>
<td></td>
</tr>
</tbody>
</table>
Living without a Car: The Pros and Cons

Before you buy a car, consider the benefits and drawbacks of living without one. If you decide to get a car, be realistic. It’s a major expense and responsibility, so research and think it through.

Instructions:
List several benefits of owning a car and several benefits of not owning a car.

Pros and Cons of Living without a Car

<table>
<thead>
<tr>
<th>To own a car?</th>
</tr>
</thead>
<tbody>
<tr>
<td>To not own a car?</td>
</tr>
</tbody>
</table>

Fill in the blank. Fill in the blank.
What Can You Afford? Activity (Instructor Copy)

Instructor note:
Photocopy the activity handout on the following page. Instruct your participants to follow along as you lead a discussion about all the costs and options when it comes to buying a car.

Before you buy a car, consider all the costs to determine what you can afford.

<table>
<thead>
<tr>
<th>Things to Consider Before Buying a Car</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Your needs</strong></td>
</tr>
<tr>
<td>• Based on your situation, what type of vehicle will fill your transportation needs now and in the next few years?</td>
</tr>
<tr>
<td>• Are safety and fuel economy important to you?</td>
</tr>
<tr>
<td>• Options such as a sunroof, sound system or leather seats are great, but they can increase the car's price.</td>
</tr>
<tr>
<td><strong>Consider value</strong></td>
</tr>
<tr>
<td>• Reference guides such as Kelly Blue Book and Edmunds can help you determine the value of a vehicle.</td>
</tr>
<tr>
<td>• Optional features may add substantially to the purchase price but not increase its value when it's time to sell.</td>
</tr>
<tr>
<td>• Visit Web sites such as autotrader.com or vehix.com to compare models.</td>
</tr>
<tr>
<td>• Talk with a loan officer to get more information about car values.</td>
</tr>
<tr>
<td><strong>New vs. used</strong></td>
</tr>
<tr>
<td>• Almost all cars depreciate (go down in value) over time.</td>
</tr>
<tr>
<td>• The value of a new car can drop thousands of dollars the day you drive it home.</td>
</tr>
<tr>
<td>• Your initial cost for a used car will be less—but checking its mechanical condition will be especially important.</td>
</tr>
<tr>
<td><strong>Buy vs. lease</strong></td>
</tr>
<tr>
<td>• Buying a car means paying for it with cash and/or a loan. After you finish making the payments, you own the vehicle and can sell or trade it.</td>
</tr>
<tr>
<td>• With leasing, you sign a contract and make monthly payments to have use of the car for a specific length of time and number of miles. After making all your lease payments, you return the car to the dealer. You own nothing and may even owe the dealer more money for any excess mileage or damage. However, monthly lease payments are often lower than loan payments.</td>
</tr>
<tr>
<td><strong>Down payment</strong></td>
</tr>
<tr>
<td>• You may need some cash up front to acquire the car—the down payment.</td>
</tr>
<tr>
<td>• A larger down payment will decrease your monthly payment, and the amount of interest you pay.</td>
</tr>
<tr>
<td><strong>Loan term</strong></td>
</tr>
<tr>
<td>• With a car loan, you'll have a monthly payment to the lender.</td>
</tr>
<tr>
<td>• The longer the term of your loan—that is, the longer you have to pay the money back—the lower your monthly payment but the higher your monthly interest payments! That means you'll end up paying more for the car than you would with a shorter term loan.</td>
</tr>
<tr>
<td>• Make sure you know what your total costs will be and decide if the vehicle seems worth it to you at that price.</td>
</tr>
<tr>
<td><strong>Your monthly budget</strong></td>
</tr>
<tr>
<td>• After you pay all of your other bills, how much money do you have available to pay the ongoing expenses of car ownership (fuel, insurance, maintenance, registration, parking, and more).</td>
</tr>
<tr>
<td>• Over the years that you own the car, there may be times when your income drops or you're unemployed.</td>
</tr>
<tr>
<td>• Try to keep your car expenses within a range you can consistently afford through the ups and downs.</td>
</tr>
</tbody>
</table>

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### What Can You Afford? Activity

Before you buy a car, consider all the costs to determine what you can afford.

### Things to Consider Before Buying a Car

| Your needs | • Based on your situation, what type of vehicle will fill your transportation needs now and in the next few years?  
|            | • Are safety and fuel economy important to you?  
|            | • Options such as a sunroof, sound system or leather seats are great, but they can increase the car’s price. |
| Consider value | • Reference guides such as Kelly Blue Book and Edmunds can help you determine the value of a vehicle.  
|                | • Optional features may add substantially to the purchase price but not increase its value when it’s time to sell.  
|                | • Visit Web sites such as autotrader.com or vehix.com to compare models.  
|                | • Talk with a loan officer to get more information about car values. |
| New vs. used | • Almost all cars depreciate (go down in value) over time.  
|             | • The value of a new car can drop thousands of dollars the day you drive it home.  
|             | • Your initial cost for a used car will be less—but checking its mechanical condition will be especially important. |
| Buy vs. lease | • Buying a car means paying for it with cash and/or a loan. After you finish making the payments, you own the vehicle and can sell or trade it.  
|             | • With leasing, you sign a contract and make monthly payments to have use of the car for a specific length of time and number of miles. After making all your lease payments, you return the car to the dealer. You own nothing and may even owe the dealer more money for any excess mileage or damage. However, monthly lease payments are often lower than loan payments. |
| Down payment | • You may need some cash up front to acquire the car—the down payment.  
|             | • A larger down payment will decrease your monthly payment, and the amount of interest you pay. |
| Loan term | • With a car loan, you’ll have a monthly payment to the lender.  
|          | • The longer the term of your loan—that is, the longer you have to pay the money back—the lower your monthly payment but the higher your monthly interest payments! That means you’ll end up paying more for the car than you would with a shorter term loan.  
|          | • Make sure you know what your total costs will be and decide if the vehicle seems worth it to you at that price. |
| Your monthly budget | • After you pay all of your other bills, how much money do you have available to pay the ongoing expenses of car ownership (fuel, insurance, maintenance, registration, parking, and more).  
|                | • Over the years that you own the car, there may be times when your income drops or you’re unemployed.  
|                | • Try to keep your car expenses within a range you can consistently afford through the ups and downs. |
### Leasing: Benefits & Drawbacks Activity (Instructor Copy)

**Instructor note:**
Photocopy the activity handout on the following page. Instruct your participants to determine the benefits and drawbacks of leasing a car. When they're finished, lead a discussion using the key points below.

**Instructions:**
Have your participants determine whether leasing is a good option. Have them write “benefit” or “drawback” next to each phrase.

#### Benefits and Drawbacks of Leasing a Car

<table>
<thead>
<tr>
<th>By Leasing a Car You May Experience:</th>
<th>Benefit or Drawback?</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Excessive mileage charges</strong></td>
<td><strong>Drawback</strong></td>
</tr>
<tr>
<td>Your lease agreement will specify how many miles are included. At the end of the lease, you may be charged 15 to 20 cents or more for each mile above this limit. You can usually pay for extra miles ahead of time at a lower rate.</td>
<td></td>
</tr>
<tr>
<td><strong>Fees for damage</strong></td>
<td><strong>Drawback</strong></td>
</tr>
<tr>
<td>If you lease, it pays to maintain your vehicle in top condition. You may have to pay the dealer extra for even minor damage.</td>
<td></td>
</tr>
<tr>
<td><strong>A new car</strong></td>
<td><strong>Benefit</strong></td>
</tr>
<tr>
<td>Consider leasing if you enjoy having a new car with the latest features every few years—even though you won’t actually own it.</td>
<td></td>
</tr>
<tr>
<td><strong>Easy transition</strong></td>
<td><strong>Benefit</strong></td>
</tr>
<tr>
<td>You’ll avoid any trade-in or selling hassles when it’s time for another car.</td>
<td></td>
</tr>
<tr>
<td><strong>Fee for early termination</strong></td>
<td><strong>Drawback</strong></td>
</tr>
<tr>
<td>By signing a lease, you are making a commitment to pay for a certain period of months. Dealers typically charge a high fee if you end the lease early.</td>
<td></td>
</tr>
<tr>
<td><strong>Lower monthly payments</strong></td>
<td><strong>Benefit</strong></td>
</tr>
<tr>
<td>Monthly lease payments are often lower than loan payments because you’re only paying for the depreciation of the car during your lease—not for the car’s full value.</td>
<td></td>
</tr>
</tbody>
</table>
Leasing: Benefits & Drawbacks Activity

Instructions:
Determine whether leasing is a good option for you. Read the phrases and decide whether it is a drawback or benefit of leasing a car. Write “benefit” or “drawback” next to each phrase.

Benefits and Drawbacks of Leasing a Car

<table>
<thead>
<tr>
<th>By Leasing a Car You May Experience:</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Excessive mileage charges</td>
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<td></td>
</tr>
<tr>
<td>A new car</td>
<td></td>
</tr>
<tr>
<td>Easy transition</td>
<td></td>
</tr>
<tr>
<td>Fee for early termination</td>
<td></td>
</tr>
<tr>
<td>Lower monthly payments</td>
<td></td>
</tr>
</tbody>
</table>
Depreciation Activity (Instructor Copy)

_Instructor note:_
Photocopy the activity handout on the following page. Instruct your participants to fill in the blanks as you lead a discussion about depreciation.

_Instructions:_
Have your participants fill in the blanks as they listen to the discussion.

Planning to buy a car sometime soon? Before you do, there’s a critical concept you need to understand—depreciation.

1. Depreciation is when the __________ value __________ of a car goes down due to ________ wear and tear ________ over time.

2. Almost all cars ________ depreciate ________.

3. The value of a new car can drop hundreds or even thousands of dollars the day you ________ drive it off the car dealer’s lot ________.

4. Whether it’s new or used, a car will start decreasing in value because the ________ condition ________ of the car is going to ________ deteriorate ________ as you drive it over time.

5. How much your car will depreciate depends on many factors—the make, model, year, ________ where you live ________ and ________ how much you drive ________.

6. A car is not an ________ investment ________! It will probably not grow in value over time.

7. A car is an ________ expense ________ that carries a lot of additional expenses—fuel, maintenance, repairs, insurance, taxes, fees and depreciation.
Depreciation Activity

Instructor note:
Photocopy the activity handout on the following page. Instruct your participants to fill in the blanks as you lead a discussion about depreciation.

Instructions:
Have your participants fill in the blanks as they listen to the discussion.

Planning to buy a car sometime soon? Before you do, there’s a critical concept you need to understand—depreciation.

1. Depreciation is when the ________________________ of a car goes down due to ________________________ over time.

2. Almost all cars ________________________.

3. The value of a new car can drop hundreds or even thousands of dollars the day you ________________________.

4. Whether it’s new or used, a car will start decreasing in value because the ________________________ the car is going to ________________________ as you drive it over time.

5. How much your car will depreciate depends on many factors—the make, model, year, ________________________ and ________________________.

6. A car is not an ________________________! It will probably not grow in value over time.

7. A car is an ________________________ that carries a lot of additional expenses—fuel, maintenance, repairs, insurance, taxes, fees and depreciation.
### New vs. Used Activity (Instructor Copy)

**Instructor note:**
Photocopy the activity handout on the following page. Instruct your participants to write each feature under New Cars or Used Cars. Then instruct them to decide whether or not each feature is a benefit or disadvantage.

**Instructions:**
Have your participants read the list of new and used car features. Have them write each feature under the New Cars or Used Cars column. Then, have them decide whether or not that feature is positive or a negative.

#### Features:
- Fewer feature choices
- Higher insurance, tax & fees
- Higher loan interest rate?
- Higher maintenance
- Higher price
- Instant depreciation
- Latest features & options
- Declining depreciation
- Limited or no warranty
- Lower price
- Top condition
- Warranty

#### New Cars vs. Used Cars

<table>
<thead>
<tr>
<th>Features</th>
<th>New Cars</th>
<th>Plus or minus?</th>
<th>Features</th>
<th>Used Cars</th>
<th>Plus or minus?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Example: new car smell</td>
<td></td>
<td></td>
<td>Lower price</td>
<td>Used cars cost less &amp; can be a better value. Buying from a private seller might get you a better price, but the seller may not allow you to return it.</td>
<td></td>
</tr>
<tr>
<td>Higher price</td>
<td></td>
<td>-</td>
<td>Lower price</td>
<td>Used cars continue to depreciate, but cars typically depreciate the most during the first 3 years.</td>
<td></td>
</tr>
<tr>
<td>Instant depreciation</td>
<td></td>
<td>-</td>
<td>Higher loan interest rate</td>
<td>A loan for a used car may carry a higher interest rate. Cars more than 7 yrs. old might not qualify for loans.</td>
<td></td>
</tr>
<tr>
<td>Higher insurance/taxes/fees</td>
<td></td>
<td>-</td>
<td>Limited or no warranty</td>
<td>If you purchase from a private seller, your car may not carry a warranty. A dealer may or may not offer you a warranty on a used car.</td>
<td></td>
</tr>
<tr>
<td>Warranty</td>
<td></td>
<td>+</td>
<td>Fewer feature choices</td>
<td>You can’t “order” a used car with specific features but you may get more features for the money.</td>
<td></td>
</tr>
<tr>
<td>Top condition</td>
<td></td>
<td>+</td>
<td>Higher maintenance</td>
<td>Before buying, review maintenance documentation and check the car during the day. Test drive &amp; consult a service to see if it has been damaged. Hire a mechanic for inspection.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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## New vs. Used Activity

### Instructions:
Read the list of new and used car features. Write each feature under the New Cars or Used Cars column. Then decide whether or not that feature is positive or a negative.

### Features:
- Fewer feature choices
- Higher insurance, tax & fees
- Higher loan interest rate?
- Higher maintenance
- Higher price
- Instant depreciation
- Latest features & options
- Declining depreciation
- Limited or no warranty
- Lower price
- Top condition
- Warranty

### New Cars vs. Used Cars

<table>
<thead>
<tr>
<th>Features</th>
<th>Plus or minus?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Example: new car smell</td>
<td>+</td>
</tr>
</tbody>
</table>

<table>
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<th>Features</th>
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</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Features</th>
<th>Plus or minus?</th>
</tr>
</thead>
</table>
There are ways to make car-buying easier on you and your wallet. Before you buy or lease a new or used car, read through these tips and techniques.

### Smart Car Shopping Tips

<table>
<thead>
<tr>
<th>Tips</th>
<th>More Information</th>
</tr>
</thead>
</table>
| **Shop for your car loan** | • Shop for your loan before you shop for your car.  
• Research a number of financing sources including banks. Some car dealers also offer financing. Compare the interest rates they offer. Find out what your monthly payment would be for different loan amounts.  
• Consider asking for pre-approval of your loan. If you’re pre-approved, it means you can shop for a car in your price range with the confidence that you’ll get the loan you need.  
• The lowest interest rate may not be your best deal. |
| **Advance research** | • Consider the kind of vehicle that will meet your transportation needs. Be sure to consider safety records, gas mileage, maintenance, and insurance costs.  
• Use the Web, consumer and auto magazines, and other publications to research the possibilities. Look at ratings and evaluations by automotive professionals and road tests, especially those performed over thousands of miles to evaluate a car’s gas mileage, durability, and maintenance issues.  
• Research safety records.  
• Narrow your choices to a few specific cars.  
• Check with your insurance agent to compare the cost of insuring each car.  
• Based on your research, compare the total costs of each car you’re considering. Does the amount fit your budget? |
| **Where to shop** | • Buying cars over the Web is quite popular and there are lots of helpful Web sites.  
• Visit local dealerships if you can. You’ll see the cars first-hand, take test drives, ask questions, and evaluate their parts and service departments.  
• Your local dealership may not offer you the best price. Dealers located far from major cities pay lower overhead costs and can afford to offer larger discounts.  
• Some dealers have adopted a “one-price” policy on new cars. Every car is offered at a fixed price with no negotiating between the dealership and the customer. The transaction may be faster and easier, but you could pay a higher price than what you might have gotten through negotiation. |
| **Make your choice** | • As you comparison shop, be flexible about make, model, year and color.  
• Narrow your choice. Decide on specifics such as the color and options you want. Remember to take resale value into account. If it comes time to sell the car, you will want a color and options that appeal to prospective buyers.  
• Research the dealer invoice for the car you’re interested in. This will give you a rough idea of how much of a discount a dealer can provide.  
• Be careful about extra options the dealer may offer you, such as undercoating, fabric protection, and paint sealant. These are often unnecessary add-ons that are significantly overpriced.  
• If you’re buying a used car, point out any flaws or problems with the car to the seller. Before you agree to buy it, be sure to have it inspected by a certified mechanic. |
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- Be a patient and persistent shopper. Avoid being more anxious to buy than the seller is to sell.  
- Decide on your top price, a number you feel is fair for the vehicle, with monthly payments you can afford.  
- Start negotiations by focusing on the price of the car—not on payments, insurance, a trade-in, or extras.  
- Try not to be the first one to mention a specific price. Ideally begin your negotiation at least 20% below what you’re willing to pay. Remember that the dealer needs to make a profit and is likely to make a high counteroffer.  
- Know your “cash on hand.” If you have can write a substantial check on the spot it may get the seller’s attention and strengthen your ability to negotiate the price. |
| **Tips for negotiating** | - Be prepared to spend at least a few hours negotiating.  
- Maintain your composure. Don’t argue. Be firm, but polite. This attitude will convey that you cannot be intimidated, rushed, pushed, or panicked into a decision.  
- Don’t let the seller know exactly what you’re thinking. If you’re too enthusiastic about a specific car, you’re less likely to get the best price. Don’t divulge the top amount you’re willing to pay or the monthly payment you can afford.  
- If the seller pressures you, simply smile and say something such as: “You have my offer. I appreciate your time and effort, but this is my budget limit.”  
- Beware of dealers who bring another salesperson or manager into the negotiation to wear you down. Reach a deal with the original salesperson or walk out.  
- Be ready to walk away—slowly. Chances are the seller will make one last attempt to find a price you can agree on.  
- Leave on good terms. Even if you don’t buy today, you might be back again later. |
| **Before you sign** | - Review the contract carefully. Make sure it reflects everything that was agreed on.  
- Beware of any unnecessary or overpriced extras the dealer may attempt to tack on. Don’t let your guard down until you leave the dealership.  
- Don’t pay for “dealer prep!” It’s already been paid for by the manufacturer.  
- Think carefully before you agree to an extended warranty. Some dealers may imply that banks require extra warranty protection for longer financing terms, but that may not be the case. You may not need one, or may be able to get a better deal later.  
- Be prepared to cancel the deal. If something doesn’t feel right, or you have a “gut feeling” that your purchase will be a mistake: walk away! Remember, you can always find another car.  
- Never sign a contract with any blank spaces.  
- Get a copy of the contract immediately. |
Smart Car Shopping Tips

There are ways to make car-buying easier on you and your wallet. Before you buy or lease a new or used car, read through these tips and techniques.

### Shop for your car loan

- Shop for your loan before you shop for your car.
- Research a number of financing sources including banks. Some car dealers also offer financing. Compare the interest rates they offer. Find out what your monthly payment would be for different loan amounts.
- Consider asking for pre-approval of your loan. If you’re pre-approved, it means you can shop for a car in your price range with the confidence that you’ll get the loan you need.
- The lowest interest rate may not be your best deal.

### Advance research

- Consider the kind of vehicle that will meet your transportation needs. Be sure to consider safety records, gas mileage, maintenance, and insurance costs.
- Use the Web, consumer and auto magazines, and other publications to research the possibilities. Look at ratings and evaluations by automotive professionals and road tests, especially those performed over thousands of miles to evaluate a car’s gas mileage, durability, and maintenance issues.
- Research safety records.
- Narrow your choices to a few specific cars.
- Check with your insurance agent to compare the cost of insuring each car.
- Based on your research, compare the total costs of each car you’re considering. Does the amount fit your budget?

### Where to shop

- Buying cars over the Web is quite popular and there are lots of helpful Web sites.
- Visit local dealerships if you can. You’ll see the cars first-hand, take test drives, ask questions, and evaluate their parts and service departments.
- Your local dealership may not offer you the best price. Dealers located far from major cities pay lower overhead costs and can afford to offer larger discounts.
- Some dealers have adopted a “one-price” policy on new cars. Every car is offered at a fixed price with no negotiating between the dealership and the customer. The transaction may be faster and easier, but you could pay a higher price than what you might have gotten through negotiation.

### Make your choice

- As you comparison shop, be flexible about make, model, year and color.
- Narrow your choice. Decide on specifics such as the color and options you want. Remember to take resale value into account. If it comes time to sell the car, you will want a color and options that appeal to prospective buyers.
- Research the dealer invoice for the car you’re interested in. This will give you a rough idea of how much of a discount a dealer can provide.
- Be careful about extra options the dealer may offer you, such as undercoating, fabric protection, and paint sealant. These are often unnecessary add-ons that are significantly overpriced.
- If you’re buying a used car, point out any flaws or problems with the car to the seller. Before you agree to buy it, be sure to have it inspected by a certified mechanic.
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  • Be prepared to cancel the deal. If something doesn't feel right, or you have a "gut feeling" that your purchase will be a mistake: walk away! Remember, you can always find another car.  
  • Never sign a contract with any blank spaces.  
  • Get a copy of the contract immediately. |
Instructor note:
At this point in the class, consider using this recommended library article listed below as a discussion resource or a takeaway for your participants. You can find this and other library articles at the end of this topic.

Recommended Article: Smart Car Shopping

Remember, the online Hands on Banking® program has dozens of additional library articles that you can use and distribute for this and other topics. Visit www.handsonbanking.org to browse all the available articles.
Car Insurance Activity (Instructor Copy)

Instructor note:
Photocopy the activity handout on the following page. Divide the class into groups. Instruct them to answer the questions provided and if necessary, list some of their own questions. Then discuss these key points.

Instructions:
Have your participants answer these questions and list some of their own.

Discussion questions:
• Why is car insurance critical to your financial protection?
• List an example of how car insurance can help you if you’re in an accident.
• Why should you meet with an insurance professional to discuss car insurance?
• How much coverage is enough?
• How does car value figure into car insurance?
• How should you shop for car insurance?

Key points:
• Car insurance is a resource that is absolutely critical to your financial protection.
• Like all other kinds of insurance, the value of car insurance is to protect you from major expenses that you couldn’t afford otherwise.
• For example, auto insurance can help you repair a car that’s damaged in an accident, or pay hospital bills.
• Keep in mind that auto insurance can include many different types of insurance on one policy.
• Ask an insurance professional to find out what kinds of coverage you need. You’ll find that some types of insurance are required to register a car in your state, while others are optional.
• How much coverage is enough? In terms of your vehicle itself, the amount of coverage you need depends on how much you could afford to spend to repair or replace it.
• The higher the value of your car, the more coverage you should consider.
• For other forms of insurance, you should have enough to protect your assets in case you get sued.
• Again, it definitely makes sense to consult with insurance professionals, consider their advice, and then comparison shop before you buy.
Car Insurance Activity

Instructions:
Answer these questions and list any questions you may have for the instructor.

Why is car insurance critical to your financial protection?

List an example of how car insurance can help you if you're in an accident.

Why should you meet with an insurance professional to discuss car insurance?

How much coverage is enough?

How does car value figure into car insurance?

How should you shop for car insurance?

Your questions:
**Basic Insurance Terminology Activity (Instructor Copy)**

**Instructor note:**
Photocopy the activity handout on the following page. Instruct your participants to match the vocabulary term with its correct definition.

**Instructions:**
Have your participants match the correct insurance vocabulary term with its definition.

**Basic Insurance Terminology**

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<tr>
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<tr>
<td>Benefits</td>
<td>Items covered by your insurance.</td>
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<tr>
<td>Insurance policy</td>
<td>Document that spells out exactly what is covered and what is not in the insurance you purchased.</td>
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<td>Premium</td>
<td>The amount you pay for the insurance.</td>
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<td>Claim</td>
<td>Filed when you have costs and submit the bills to your insurance company.</td>
</tr>
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<td>Deductible</td>
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</tr>
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<td>Co-pay</td>
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**Tip!**
Your credit score could impact how much insurance companies charge you in premiums.
**Basic Insurance Terminology Activity**

**Instructions:**
Match the correct insurance vocabulary term with its definition.

**Word Bank:**
- Benefits
- Claim
- Claims adjustor
- Co-pay
- Deductible
- Home insurance
- Insurance Fee
- Insurance policy
- Liability
- Premium

**Basic Insurance Terminology**

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**Tip!**
Your credit score could impact how much insurance companies charge you in premiums.
### Car Insurance Matching Activity (Instructor Copy)

**Instructor note:**
Photocopy the activity handout on the following page. Instruct your participants to match the type of car insurance, payments or coverage to its correct definition.

**Instructions:**
Have your participants draw a line from the car insurance phrase to the correct definition.

| Insures you against damage to your vehicle caused in an accident. | Collision coverage |
| Protects you against other forms of damage to your car, such as fire, theft, flood, and vandalism. | Liability insurance |
| Pays for injuries and property damage you cause to other people’s property with your car if you’re at fault. | Medical payments |
| Covers medical care for you and your passengers who are injured in an accident in your car. | Optional insurance |
| Covers medical and other expenses (such as loss of income) in the event of an accident in your car. | Personal injury protection |
| Pays you if you’re injured by a driver who doesn’t have enough insurance, or if you’re injured in a hit-and-run accident. | Uninsured/underinsured motorist coverage |
| May cover additional expenses such as towing, rental car benefits while your car is being repaired, or roadside service. | Comprehensive insurance |

**Tip!**
Typically, the higher the deductible amount, the less expensive the insurance premium. So a good strategy is to get a policy with the highest deductible that you’d be able to comfortably afford if you had to. This will minimize the cost of your policy.
**Car Insurance Matching Activity**

**Instructions:**
Draw a line from the car insurance phrase to the correct definition.

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Typically, the higher the deductible amount, the less expensive the insurance premium. So a good strategy is to get a policy with the highest deductible that you'd be able to comfortably afford if you had to. This will minimize the cost of your policy.
Scenario Activity: What’s the Best Choice? (Instructor Copy)

Instructor note:
Photocopy the activity handout on the next page. Ask participants to choose the best possible option, and then, for each option, instruct them to write a few sentences about why it was right or wrong for the situation. After participants finish, lead a group discussion about their choices, using the consequences and feedback provided below.

Instructions:
Have participants read Carla’s story. Based on her situation, have them choose the best possible option. Then, for each option, have them write a few sentences about why the option was right or wrong for Carla’s situation.

Carla’s Story
Carla has her own landscaping business and plans to get a pick-up truck. She’s been considering a brand new one, but the same dealer has a used one in good condition with low miles. She has enough cash to buy the used one, although that might mean paying some of her bills late for a few months and a delay in buying new plants. Three years from now, she’d like to give the truck to her daughter, who will be turning 16. What should Carla do?

1. **Buy the used truck for cash and save the fees and interest expense of a loan.**
   - **Consequences:** Even though Carla owns the truck and isn’t paying loan interest, she may not have any money left at all! She may not be able to buy plants and paying her bills late could hurt her business and her credit rating.
   - **Feedback:** If Carla had plenty of cash to spare, she could own the truck right away, and she’d save on loan fees and interest. But if this purchase requires so much cash that she can’t pay her other bills, then a cash purchase really isn’t an affordable option.

2. **Make a down payment for the used truck and get a loan for the rest.**
   - **Consequences:** Carla should feel good about her decision. She saved money by buying used and the down payment she made allowed her to get a loan with payments she can afford. When she makes her last loan payment three years from now, she’ll own the truck and can give it to her daughter.
   - **Feedback:** Both new and used cars can have high price tags, so most people get loans. It’s a good strategy for Carla. But remember: she’ll have to pay interest and fees for the loan, and she won’t own the truck until she makes her final loan payment.

3. **Lease the new truck.**
   - **Consequences:** Even though the down payment was small and maintenance costs are included in the lease agreement, Carla may end up paying extra because of the number of miles she drives. When the lease is up, she won’t own the truck and will have to buy it from the dealer so she can then give it to her daughter.
   - **Feedback:** Leasing may enable Carla to drive a brand new truck for not much money upfront, but when all factors are considered, leasing is frequently more expensive than making loan payments and buying a vehicle. Monthly lease payments may be lower or higher than a loan, so it’s important to comparison shop.
Scenario Activity: What’s the Best Choice?

Instructions:
Read Carla’s story. Based on her situation, choose the best possible option. Then, for each option, write a few sentences about why the option was right or wrong for Carla’s situation.

Carla’s Story
Carla has her own landscaping business and plans to get a pick-up truck. She’s been considering a brand new one, but the same dealer has a used one in good condition with low miles. She has enough cash to buy the used one, although that might mean paying some of her bills late for a few months and a delay in buying new plants. Three years from now, she’d like to give the truck to her daughter, who will be turning 16. What should Carla do?

1. **Buy the used truck for cash and save the fees and interest expense of a loan.**
   Should Carla choose this option? Why or why not?

2. **Make a down payment for the used truck and get a loan for the rest.**
   Should Carla choose this option? Why or why not?

3. **Lease the new truck.**
   Should Carla choose this option? Why or why not?
Lesson Summary

_Instructor note:_

_Summarize this lesson by reviewing these key points with your participants._

Key points from the Smart Car Buying lesson:

- If you're thinking of buying a car, it pays to do your research.
- Millions of people can get by just fine without a car.
- You can save money and the environment by not having a car.
- If you do need a car, there's a lot to consider: whether you'll need a loan to buy it, whether you can afford all of the car-related expenses, and how to go about finding and buying the right car to meet your needs.
Lesson 5: Kids and Money

This lesson provides great tips for talking to kids about money and starting them on the road to financial self-sufficiency. It offers easy to understand advice about savings plans, financial aid and other resources to help participants afford the costs of higher education.

Learning Objectives
After completing this lesson, participants will be able to:

• Effectively talk to their children about money and finances.
• Teach their children how to save.
• Define options for how they can save to afford higher education for their children.
• Compare and contrast college savings programs.

Start the Discussion
To start a discussion with your participants, ask some open-ended questions. Here are some examples you could use:

• How often do you talk to your children about money?
• What sorts of questions do they ask you?
• How much did your parents talk to you about money?
• Where did you learn about financial topics?
• How important is it to you that your child goes to college? How do you anticipate paying for this?

The Basics

• It’s good for kids to hear their parents’ perspectives on money.
• Most young people lack a basic understanding of personal finance. The majority of high school seniors graduate without knowing the basics of money management.
• As a parent, you have the opportunity to educate your kids about smart money management.
• Teaching your kids to develop a healthy relationship with money can have a positive, lifelong impact—and improve your own financial knowledge, skills, and attitudes along the way.
• By gradually transferring more financial responsibility to them, they’ll gain experience in planning, making choices, and learning to live independently.
• You have options how you can begin to plan and save for your child’s college education.
**Topic 2 — Money Management Tools**

**Tips for Your Talks (Instructor Copy)**

**Instructor note:**
Photocopy the activity handout on the following page. Ask participants to brainstorm some tip to talk to children about money. Then lead a discussion using these key points.

Here are teaching tips you can use to help children learn about money.

| Make it a (daily) conversation | • Engage your kids in age-appropriate conversations about money.  
• Share money management strategies, such as saving for a family vacation.  
• They’ll also benefit from hearing about past money mistakes and what you learned from them.  
• Let your kids know they can always turn to you for financial advice. |
| Start young | • As soon as your children can count, you can introduce them to money.  
• When they’re old enough to shop with you, introduce them to ideas of spending, saving, and how money is used to store, measure, and exchange value. |
| Discuss the fundamentals | • Once kids understand the idea of money, introduce them to basic concepts. The *Hands on Banking* program offers money management education for students from 4th grade through college age students.  
• Encourage your kids to set goals and save for them, make money grow with interest, recognize needs vs. wants, tradeoffs, be a smart shopper and keep good records. |
| Let kids make decisions | • Give kids an allowance so they can make their own decisions and their own mistakes—and live with the consequences.  
• Consider an allowance in an amount sufficient to cover essentials and discretionary items.  
• This approach will help the child recognize the difference between needs and wants and set spending priorities.  
• Help your child create a personal budget and map out a spending plan. Encourage them to routinely save part of the allowance they receive. |
| About jobs and pay | • Part-time jobs are a good way to learn more about earning money and how to manage it. Be sure that school is the top priority. |
| Start slowly with credit cards | • Credit cards can provide financial flexibility and convenience, but many young adults get in trouble with credit card debt.  
• One option to consider is getting a low-limit credit card for your teens while still in high school.  
• You can teach them how to manage a credit card account, including how to save receipts, check their monthly statements, and charge only what they can afford to pay off completely each month.  
• By learning to be responsible with credit early, your children may be less likely to have debt problems in the future. |
| Teach a commitment to charity | • Encourage your kids to make a habit of giving to charitable causes. Ask them to consider what causes they care about personally and how they would like to make a difference in the world around them.  
• Save solicitations you receive in the mail and ask your kids to help decide where your family should make donations.  
• Also, encourage your kids to volunteer and consider volunteering with them. Volunteering can be a powerful experience for both parents and kids in terms of recognizing community needs and the benefits of giving back. |
### Tips for Your Talks

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|                               | • Also, encourage your kids to volunteer and consider volunteering with them. Volunteering can be a powerful experience for both parents and kids in terms of recognizing community needs and the benefits of giving back. |
Teach Children To Save

_Instructor note:_
Divide the class into groups. Have them develop an outline or framework for a conversation they could have with kids about saving money. Ask them to come up with topics or discussion points they should cover while talking with kids about money. Then discuss these key points.

**Key points:**
- Saving money is a critical first step to financial independence and building wealth.
- Be sure to talk to your kids about the importance of saving and help them get started.
- Introduce them to your financial institution and the services it provides to you.
- Help your children to open savings and checking accounts of their own and guide them in using the accounts responsibly.
- Many financial institutions offer special accounts for young savers. Ask where you bank.
Affording Higher Education

Instructor note:
Lead a class discussion about affording higher education. Consider asking discussion questions such as “With today’s cost of higher education, what can you do now to prepare for those costs?” or “Do you believe financial aid will cover all the costs of higher education.” Then, hit on these key points.

Key points:

• There are lots of benefits for students who pursue education beyond high school.
• From a purely financial point of view, the level of education a person achieves can make a huge difference in their future earning power.
• On average, a college graduate earns over $1 million more in their lifetime than a high school graduate, and that gap is growing.
• But whatever your child’s goals may be—whether it's a four-year college, junior college, technical training or trade school—education after high school usually has a high price tag.
• The amount of money you'll need will depend on a variety of factors: the school you choose, whether it's public or private, whether it's a 2-year or 4-year program, and whether your child is going to be living at home or at school.
• The costs can vary significantly. But it makes sense to start saving as much as you can as soon as you can.
Compare Savings Programs (Instructor Copy)

**Instructor note:**
Photocopy the activity handout on the following page. Lead a discussion about the different types of savings programs designed for adults to set savings aside for their children or grandchildren.

The U.S. government has created two special programs for adults to set aside savings for their children or grandchildren's education—an Education Savings Account and a 529 Plan (there are two types of 529 plans)

- Both Education Savings Accounts and State-sponsored College Savings Plans are different than regular savings accounts because the account holder is actually placing money into investments that they select.
- Instead of earning interest on their deposits, they make a profit if their investments go up in value.

### Education Savings Options

<table>
<thead>
<tr>
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<td>• For postsecondary education.</td>
</tr>
<tr>
<td>• Use the money for student’s qualified educational expenses at almost any accredited school until student turns 30.</td>
<td>• Large dollar amounts can be contributed.</td>
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<td>• May involve fees and risk.</td>
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Compare Savings Programs

The U.S. government has created two special programs for adults to set aside savings for their children or grandchildren’s education—an Education Savings Account and a 529 Plan (there are two types of 529 plans)

- Both Education Savings Accounts and State-sponsored College Savings Plans are different than regular savings accounts because the account holder is actually placing money into investments that they select.
- Instead of earning interest on their deposits, they make a profit if their investments go up in value.

Education Savings Options

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Financial Aid 101

_Instructor note:_

Lead a discussion about the basics of financial aid. Direct your participants to the School & $ section of the Hands on Banking course for Young Adults for additional information. It includes more information about financial aid, including how to complete a free application for federal student aid, or FAFSA.

Financial aid is the combination of:

- Money you receive.
- Money you earn.
- Money you borrow.
- Money you save.

Financial aid makes it possible to pay the cost of higher education, whether that’s at a college, community college, trade school, or technical school.

There are several kinds of financial aid, but let’s divide it up into three main categories:

- **Money that’s given to you that you don’t have to pay back**, like grants and scholarships.
- **Money that a student earns by working** part-time, usually on campus. This is called the Federal Work-Study program.
- **Money you borrow.** These are loans that you do have to pay back. Student loans are available from three main sources: the U.S. federal government, state governments, and financial institutions, like banks. Some families also use home equity loans to help pay for education expenses.
Scenario Activity: Co-signing Your Kids Accounts and Loans (Instructor Copy)

Instructor note:
Photocopy the activity handout on the next page. Ask participants to choose the best possible option, and then, for each option, instruct them to write a few sentences about why it was right or wrong for the situation. After participants finish, lead a group discussion about their choices, using the consequences and feedback provided below.

Instructions:
Have participants read Greg’s story. Based on his situation, have them select the best possible option. Then, for each option, have them write a few sentences about why the option was right or wrong for Greg’s situation.

Troy is freshman in college. He hopes to get a job next summer. He’d like to buy a car but doesn’t have enough savings to buy one or enough credit in his own name to get a loan. So he’s asking his dad, Greg, to co-sign the loan, but promises that he’ll make all the payments. Greg has good credit, but he’s just launched his own business and cash is scarce. What should Greg do?

1. Co-sign the loan. This is a good use of his strong credit rating.
   Consequences: Greg thought that helping Troy out was a good idea, but a year later he doesn’t think so. Being a co-signer meant that he was equally responsible for the loan. Troy didn’t have the income to hold up his end of the deal, so he had to pay or he’d lose the car. That put extra financial pressure on me, my credit, and my new business.”
   Feedback: Not the best choice. When Greg co-signed he became equally responsible for the loan. There are real risks to co-signing a loan.

2. Co-sign, but get a cash advance for a large down payment to reduce the monthly loan payments.
   Consequences: Greg thought this was a quick solution to help Troy but what a mistake! The interest rate on the cash advance was gigantic. Then, when Troy was unable to make the payments anyway, he was equally responsible as the co-signer. The bank ended up repossessing the car.
   Feedback: This choice could have the most negative consequences. Greg compounded his problems by taking a high interest cash advance on top of an additional loan. The interest rates on cash advances are usually pretty high, and if Troy can’t make payments, Greg is still responsible.

3. Don’t co-sign. Suggest to Troy that he wait or consider alternatives.
   Consequences: This was the best choice. They sat down to talk it over. Greg explained that before you take on debt, you have to consider earning power. Troy just isn’t earning enough to take on loan payments. And Greg wasn’t in a position to take equal responsibility as the co-signer Troy can get by with a scooter for now.
   Feedback: This is the best choice. Greg was smart to educate Troy about the connection between earning power and debt, and to consider his own financial situation before taking out a loan. As a full-time student, he just isn’t earning enough to take on loan payments.
Scenario Activity: Co-signing Your Kids Accounts and Loans

Instructions:
Read Greg's story. Based on his situation, select the best possible option. Then, for each option, write a few sentences about why the option was right or wrong for Greg's situation.

Troy is freshman in college. He hopes to get a job next summer. He'd like to buy a car but doesn't have enough savings to buy one or enough credit in his own name to get a loan. So he's asking his dad, Greg, to co-sign the loan, but promises that he'll make all the payments. Greg has good credit, but he's just launched his own business and cash is scarce. What should Greg do?

1. **Co-sign the loan. This is a good use of his strong credit rating.**
   Should he choose this option? Why or why not?

2. **Co-sign, but get a cash advance for a large down payment to reduce the monthly loan payments.**
   Should he choose this option? Why or why not?

3. **Don't co-sign. Suggest to Troy that he wait or consider alternatives.**
   Should he choose this option? Why or why not?
Lesson Summary

Instructor note:

*Summarize this lesson by reviewing these key points with your participants.*

Key points from the Kids and Money lesson:

- It’s good for kids to hear their parents’ perspectives on money.
- Most young people lack a basic understanding of personal finance. The majority of high school seniors graduate without knowing the basics of money management.
- As a parent, you have the opportunity to educate your kids about smart money management.
- Teaching your kids to develop a healthy relationship with money can have a positive, lifelong impact—and improve your own financial knowledge, skills, and attitudes along the way.
- By gradually transferring more financial responsibility to them, they’ll gain experience in planning, making choices, and learning to live independently.
- You have options how you can begin to plan and save for your child’s college education.
Topic 2 — Money Management Tools

Topic Summary

Instructor note:
Summarize this topic by reviewing these key points with your participants.

Key points from the Money Management Tools topic:

- **Saving money is your key to financial independence** and building wealth. Make saving a regular habit.
- **Make your savings grow by earning compound interest**—at the highest interest rate you can find.
- **A spending plan is a simple one-page form you can create to help make the most of your money**, live a lifestyle you can afford, and reach your financial goals.
- **Be a smart shopper**. Whether it’s a major purchase or an everyday buy, make the most of the money you spend.
- **If you’re getting a car, consider the best way to go about it**. And don’t forget all of the extra expenses that come with it.
- **Talk to your kids about personal finance**. Teach them to develop a healthy relationship with money, and you’ll improve your own financial knowledge, skills, and attitudes along the way.
- **Plan for your child’s future education**. Explore options to set-up early saving program and options for financial aid.

Additional Activities

*These activities are designed to extend the new concepts presented in the Money Management Tools. Use these or similar activities to give participants an opportunity to apply what they have just learned to real-life scenarios.*

1. Research savings vehicles (like CDs, etc.) and compute the compound interest for a certain amount of money and interest rate.
2. Create your own spending plan. Share it with your children. Write down their questions and share with the class. Encourage them to open their own savings account.
3. List the next major purchases you are considering and make a plan how you will save and include in your monthly budget/spending plan.
4. Talk with your financial institution about education savings plan options.
5. Meet with your child’s high school counselor to discuss financial aid options?
Appendix

Library Articles & Additional Topic Resources
Use these library articles as a discussion resource or a takeaway for your participants. Remember, the online Hands on Banking® program has dozens of additional library articles that you can use and distribute for this and other topics. Visit www.handsonbanking.org to browse all the available articles.
Budget Tips

To make your monthly income last, consider using it in the following sequence:

1. Pay your monthly bills. There are many potential penalties if you pay late, such as late fees, losing possession of things you’ve bought on credit, even being evicted from an apartment!
2. Set aside the money you’ll need for your weekly and day-to-day expenses, like groceries and bus fare.
3. Put money into savings. Try to build two months of take-home pay for an unexpected financial emergency.
4. Set aside money for larger expenses you know are coming, such as car repairs or appliances.
5. Set aside money for your major future goals whether it’s a home, college for your children, a new car, or travel.

- If possible, try to stretch your bills out evenly over the month, so that you pay about the same amount each week. For regular monthly bills, you may be able to request a change of a bill’s due date to spread out your bills more evenly. Try to avoid having one week when all of your cash-on-hand is needed for bills.

- For large expenses that are not monthly (for example, insurance bills, car repairs, holiday gifts, etc.) place an amount of money aside each week or pay period so that you have money to pay the bills when they are due.

- Here are some guidelines to consider for how much of your take-home monthly income you might budget for various expenses:
  - Housing (rent or mortgage) 20 to 35%
  - Utilities (gas, electric, water, trash, telephone) 4 to 7%
  - Food (at home and away) 15 to 30%
  - Family necessities (laundry, toiletries, hair care) 2 to 4%
  - Medical (insurance, prescriptions, bills) 2 to 8%
  - Clothing 3 to 10%
  - Transportation (car payment, gas, insurance, repairs, or bus fare) 6 to 30%
  - Entertainment 2 to 6%
  - Savings 10 to 15%
Budget tips (continued)

- Try to limit your installment debts (car loans, credit card bills, other loans) to 10–20% of your monthly budget.

- To decide whether a purchase is necessary, ask yourself these questions:
  - Do I really need it?
  - Do I really need it today? What would happen if I don't buy it now?
  - Can I meet this need less expensively?

- Always review your bank and credit card statements. It will remind you where your money is going.

We invite you to contact Wells Fargo for further information and assistance. Visit our Web site at wellsfargo.com or any Wells Fargo store.
Smart Car Shopping

For many consumers, a new car is second only to a home as their most expensive purchase. It pays to get the most value possible for the money you spend. Review these tips before you begin the process of buying a car or other vehicle:

Shop for your car loan

• Consider how much you’re willing to spend. Will you pay cash for the vehicle, or make a down payment and finance the rest? If you plan to finance the purchase, shop for your loan before you shop for your car.

• Research a number of financing sources including banks, credit unions, and online lenders. Some car dealers also offer financing. Compare the Annual Percentage Rates (APR), interest rates, terms, and fees of the loans they offer. Find out what your monthly payment would be for different loan amounts and the total cost of each loan.

• Consider asking for pre-approval of your loan. If you’re pre-approved, it means you can shop for a car in your price range with the confidence that you’ll get the loan you need.

• Know your credit history and credit score before you negotiate an auto loan. At the Web site www.annualcreditreport.com, you can receive one free copy of your credit report once a year from each of the three largest credit bureaus in the United States. You can also purchase a credit score through this Web site.

Do some advance research

• By doing some advance research, you’ll be less likely make an impulsive or expensive purchase decision and more likely to be a satisfied buyer.

• Consider the kind of vehicle that will meet your transportation needs. Will the car you want now be the car you’ll still want in a couple of years?

• Use the Web, consumer and auto magazines, and other publications to research the possibilities. Look at ratings and evaluations by automotive professionals and road tests, especially those performed over thousands of miles to evaluate a car’s gas mileage, durability, and maintenance issues. Research safety records.

• Before heading out to the dealerships, go online to sites like Kelly Bluebook (kbb.com) and NADA (nada.com) to learn more about the car(s) you’re interested in and what they cost.

• Remember, almost all cars depreciate (go down in value) due to wear and tear over time. The value of a new car can drop hundreds or even thousands of dollars the day you drive it off the car dealer’s lot. You may be able to save a substantial amount by finding a used car in good mechanical condition.

• Narrow your choices to a few specific cars. Compare models and prices in ads and dealer showrooms. Consider contacting car-buying services and broker-buying services to make comparisons.
Do some advance research (continued)

- Check with your insurance agent to compare the cost of insuring each car. Remember that insurance will be part of your cost of ownership.
- Based on your research, compare the total costs of each car you’re considering. Does the amount fit your budget?

Choose where, when, and how to shop

- Nowadays, an increasing number of people are buying cars over the Web. Even if you consider this option, it makes sense to visit local dealerships if you can. This will give you the opportunity to see the cars first-hand, take test drives, and ask questions. It will also give you the opportunity to evaluate the service quality of dealerships you may use for parts and service.
- Some dealers have adopted a “one-price” policy on new cars, meaning that every car is offered at a fixed price with no negotiating between the dealership and the customer. While this system may make your transaction faster and easier, keep in mind that the price you pay might be higher than what you might pay by negotiating.
- You may be able to get the best price on a car in the last two weeks of December, because business is often slow at the end of the year.
- From July through October, some dealers may offer good deals on current year cars because they’re eager to make space for next year’s models.
- Go car shopping with an objective friend who can point out possible concerns and stop you from making a hasty decision.

Make your choice

- As you shop, retain some flexibility about make, model, year and color. As you comparison shop, you may find a car you like better and/or a better deal.
- Narrow your choice. Decide on specifics such as the color and options you want. Remember to take resale value into account. If it comes time to sell the car, you will want a color and options that appeal to prospective buyers.
- If the dealer doesn’t have the car you want, consider ordering a new car. Although you’ll have to wait for delivery, you could avoid paying more for options you don’t want.
- Cars that need to be ordered should not cost more than the cars on the lot. On the other hand, a dealer may be willing to make a deal for a car on their lot if they’re eager to sell current inventory.
- Be careful about extra options the dealer may offer you, such as undercoating, fabric protection, and paint sealant. These are often unnecessary add-ons that are significantly overpriced.
- If you’re buying a used car, point out any flaws or problems with the car to the seller. Before you agree to buy it, be sure to have it inspected by a certified mechanic.
- Don’t feel pressured to make a decision. Take your time and evaluate your options.
Plan your buying strategy

- Consider whether you want to buy the car or lease it. Buying it means paying for it with cash and/or a loan. After you finish making the payments, you own the vehicle and can sell or trade it. With leasing, you sign a contract and make monthly payments to have use of the car for a specific length of time. After making all your lease payments, you return the car to the dealer. You own nothing and may even owe the dealer more money for any excess mileage or damage. However, monthly lease payments are often lower than loan payments.
- Don’t leave your drivers license or social security number with a dealer. Dealers cannot run a credit check or an application for credit without your permission.
- Be prepared to cancel the deal. If something doesn’t feel right, or you have a “gut feeling” that your purchase will be a mistake: walk away! Remember, you can always find another car.

Tips for negotiating

- Negotiating can be challenging. To minimize the potential stress, make up your mind to be pleasant, friendly and non-combative throughout the process. This attitude will show the seller that you’re a person who cannot be intimidated, rushed, pushed, or panicked into a decision.
- Be patient and persistent. The key to finding a good deal is being in the right place at the right time. If you’re more anxious to buy than the seller is to sell, you’ll reduce your chances of getting the best price you can.
- Plan to negotiate on price. Some dealers may be willing to bargain on their profit margin, which is often between 10 and 20 percent.
- Decide on your top price, a number you feel is fair for the vehicle, with monthly payments you can afford. Keep in mind that the dealer needs to make some profit. Then begin your negotiation at least 20% below what you’re willing to pay. Remember, the dealer is likely to make a high counteroffer.
- Know your amount of “cash on hand.” If you have the resources to write a check for a significant amount on the spot it will probably get the seller’s attention and may strengthen your ability to negotiate the price.
- To increase your control of the negotiation, don’t let the seller know exactly what you’re thinking. Don’t divulge the top amount you’re willing to pay or the monthly payment you can afford. These are none of the seller’s business.
- If the seller pressures you, simply smile politely and say something such as: “You have my offer. I appreciate your time and effort, but this is my budget limit.”
- Beware of dealers who may bring another salesperson or manager into the negotiation in an effort to wear you down. Reach a deal with the original salesperson or walk out.
- Always be ready to walk away—but walk slowly. Chances are the seller will make one last attempt to find a price you can agree on.
- Leave on good terms. Even if you don’t buy today, you might be back again later.
Trading in your old car
The Federal Trade Commission (FTC) recommends that you discuss the possibility of a trade-in only after you’ve negotiated the best possible price for your new car and researched the value of your old car—online, in reference books, or magazines. Having this information may help you get a better price from the dealer. Selling your old car yourself may take more time, but generally you’ll get more money for it than trading-in.

Carefully consider add-ons
• If your dealer or lender asks you to buy credit insurance (to pay off your loan if you should die or become disabled), consider whether it’s worth the cost. Check to see if you have an existing policy that offers this benefit. Credit insurance is not required by federal law. Check with your state Insurance Commissioner or consumer protection agency to find out about possible credit insurance requirements in your state.
• If you’re offered a service contract by the dealer, manufacturer, or an independent company, review it carefully, and consider these questions:
  ° What does the service contract cover compared to what’s already covered by the manufacturer’s warranty?
  ° What repairs are covered? Is routine maintenance covered?
  ° Who pays for parts and labor?
  ° Who is authorized to make repairs?
  ° What’s the length of the contract?
  ° What are the cancellation and refund policies?
• An extended warranty is a way to protect yourself from costly repairs that may be required after the manufacturer’s warranty expires. Typically, neither manufacturer warranties nor extended warranties cover everything. Normal wear and tear (such as brake pads and batteries) and vehicle interior items (such as fabric and lights) are usually not covered. However, if you plan to keep the vehicle a long time, an extended warranty might be worth the cost. It can give you greater peace of mind and might also increase your vehicle’s resale value. Before you buy, be sure you know exactly what’s covered.
• If you purchase an extended warranty from the dealer when you buy your car, you may be able to add the cost of the warranty into your vehicle financing rather than paying for it in cash. If you don’t purchase an extended warranty when you purchase the car, you may be able to purchase one later. However the closer you get to the expiration date of your manufacturer’s warranty, the more the extended warranty is likely to cost.

Before you sign
• Review the contract carefully. Make sure it reflects everything that was agreed on.
• Beware of any unnecessary or overpriced extras the dealer may attempt to tack on.
• Don’t pay for “dealer prep!” It’s already been paid for by the manufacturer.
• Examine extended warranties carefully. You may not need one, or may be able to get a better deal later.
• Never sign a contract with any blank spaces.
• Immediately get a copy of the contract that both you and the dealer have signed.

We invite you to contact Wells Fargo for further information and assistance. Visit our Web site at wellsfargo.com or any Wells Fargo store.