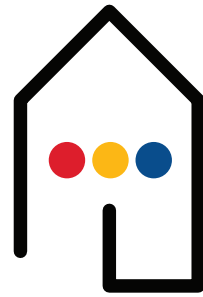


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# Financial Choices\$

Managing Money  
**to Get What You Want**

**M**oney is complicated. People don't just get it and spend it and then get more. It's not that easy because there is usually never enough. **They have to manage it.** What does that mean? It means thinking about all the many things they would like to do with it, deciding which is the most important and then using their money to meet those goals.

This workbook explains how this process works and why it's important, and it has short stories about young people who have made different choices. It includes sections on getting started, evaluating financial advice, understanding how people spend and save money, how loans work, what "credit" means and how people have gotten what they want by managing their money.

Ok, so managing money isn't easy; if it were, everyone would be rich. It sometimes means making hard decisions and giving up some things now to get other things later — sometimes just a few months later; sometimes years later. But it can also be a lot of fun. It's always exciting to get something nice, and the feeling of accomplishment from doing it alone can make it quite thrilling!

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## Lesson 1:

# What Does It Take to Get Started?

### **Story:**

My family always made us save money as kids. We didn't know what we were going to do with it, and I still don't. My brother spent his savings. My sister started a business. My cousin used it for education. I'm still saving mine because when I decide what to do I know I'll be in a hurry to get started.

### **Assignment:**

Think of someone who's 7 to 10 years older than you and likes what they've got. Write what they did when they were your age to start getting it. If you can't think of anyone, write actions you can start taking now to get something you want.

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### **Major Point:**

You can get started with money choices now. You get more if you know what you want and start making choices and taking actions that help you get it.

## Lesson 2:

# Advice About Your Finances: How to Tell If It's Good

### Story:

A few years ago I wanted a place to save my money. My neighbor told me about a company that would take care of my money and help me make more, so I went there. When I went to get my money back, the company had closed down with no forwarding address.

### Assignment:

Work in groups and talk about your choices.

### Question #1: Who should get your business?

You have \$1,000 and you want to use it wisely. Decide which choice is better for you and why.

- A.** A neighbor is starting his own business. He says if you lend him money now, he will pay you back double when he makes good.
- B.** Your friend's cousin tells you he is good with money. All you have to do is give him your \$1,000 and he'll invest it so you will have \$1,500 in six months. He doesn't tell you where he'll invest your money.
- C.** You read an advertisement in a magazine that says you can learn how to double your money in three months if you send \$100 today.
- D.** Your local bank offers certificates guaranteed by the United States government. These certificates will increase your money by 4 percent in one year.
- E.** Your local bank helps you invest your money in a mutual fund with a good track record. If you keep your money in the mutual fund for about five years, it is likely to grow by an average of 6 percent each year.

### **Question #2: What sounds like a good deal?**

**Advice to groups:** A good deal is fair, is what you need and is something you understand.

- F.** You can have this for less than cost; I need one more sale.
- G.** I don't know about you, but I'll lend you money even though no one else will.
- H.** I like you. You're going to get my best deal if you decide to take it right now.
- I.** I know what you need without asking. Take this; it's a great deal.
- J.** Decide when you're ready. My prices can go up or down in a day. I never know.
- K.** The best deal for you is the one with the medium price.
- L.** You can't tell much from this picture but trust me, you'll like it a lot.
- M.** Just sign here and don't bother reading all that. Everyone signs these papers.

### **Question #3: Where should you get good advice?**

**Advice to groups:** Get advice from people who work with money, care about what you want and want to work with you again.

- N.** Your neighbor who keeps all her money at home so she knows it's safe
- O.** Your grandparent who says "Ask someone who knows what they're doing."
- P.** The store clerk who says a credit card can only get you in trouble — not help you
- Q.** The newspaper article that said using a credit card can show that you pay your bills
- R.** The financial counselor who helped your brother shop for a savings account
- S.** Your cousin who says saving gets you nowhere
- T.** The lender who helped your cousin plan to get a mortgage next year
- U.** An ad that says "Make more money than you ever dreamed. Just send \$100."

### **✓ Major Points:**

You need to analyze deals to get what's good for you. Balance the amount of risk against the possible reward. Remember: If it sounds too good to be true, it probably is — and if it was easy, everyone would be rich.

## Lesson 3:

# You Get More If You Know About Spending

### Wants and Needs:

**Needs** are things you must have. **Wants** are things you can live without.

Many things are both wants and needs: Sometimes you need things and have a choice of prices. When you decide to pay more you are buying a want — not just a need.

Other decisions can change something from a want to a need: If you promise to be in a wedding party you may need clothes. If you promise to donate money monthly to a charity, the donation is a need unless you are willing to break your promise.

### Story:

Thomas wasn't saving any money from his job. He wanted to save but also needed some things and wanted others. To help decide how to save he listed everything he bought for a month and sorted them into three groups:

Wants — Needs — and Both. His list was:

- A. Bus money to get to school
- B. Money for lunch at the school cafeteria
- C. Concert tickets
- D. School supplies
- E. Name brand shoes on sale for the price of the discount store brand (His old pair had holes in the bottom.)
- F. New party shirt (His old one was the wrong style.)
- G. Fast food on the way home from his job (He could eat out of the refrigerator at home but wanted something hot.)
- H. One pair of jeans with a great label (His old jeans were too short.)
- I. High tech coat for mountain climbers with a high price. It's extra light and very warm (He planned to go camping in the mountains.)

 **Assignment: Give this guy some advice.**

	Wants	Needs	Both Wants and Needs
Bus		X	
Lunch		X	
Concert	X		
Supplies		X	
Shoes		X	
Shirt	X		
Fast food			X
Jeans			X
Coat			X

**Decide if you agree with the way he marked each thing.**

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**Describe how Thomas could save money.**

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**✓ Major Point:**

You'll get more if you identify wants, needs and combinations. You should know what's most important to you and why.

## Lesson 4:

# You Get More If You Know About Saving

### **Assignment #1: What Do People Really Mean by Savings?**

#### **Story:**

Michael is always saving money and half the time he can't come with you to a concert or game. Later he shows up with pictures from a great vacation or with a leather coat. This month he's got a new video game system.

#### **Question #1: What's his idea of saving?**

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#### **Story:**

Maria saves a lot by working long hours and paying low rent. She never comes with you to events that cost money. She just signed up for a job training program that pays her less than she was making before because she hopes to get a better salary later.

#### **Question #2: What kind of saving is she doing?**

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**Story:**

Sam saves every bit of money and talks about how he's going to make a fortune. He lends money to everyone in the neighborhood, just bought a big collection of baseball cards and answered one of those "make more money than you ever dreamed" ads.

**Question #3: What kind of saving is he doing?**

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**Story:**

One person buys a car. Another buys a fancy watch. A third puts money in an account that pays interest.

**Question #4: After one year, which things may be worth more? Less?**

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**✓ Major Point:**

Most things you use today will be worth less later but savings can be worth more.

 **Assignment #2: With Saving, What Do You Get?**

You get more choices because you have money at the right times. If you save you may get more because money becomes more valuable over time.

**Story:**

My friend Courtney always had something new and nice but her pay was the same as mine. I couldn't buy those things, save, and pay bills on time. When I asked her about it she said she just wanted things now. Then she got an offer — a chance to move away and take a great new job — but had to say “no” because she had no money for moving or to pay for all the things she'd have to change. She still talks about that great job she missed.

**Question: Discuss why Courtney couldn't take the job. What could she have done earlier to keep from missing a great opportunity later?**

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**Major Point:**

Savings give you choices. Saving now gets you more than saving later.



 **Assignment #3: With Saving, What's Your Risk?**

Your money should be there when you need it, be safe and grow.  
But, you may have risks:

- A.** The thing you own is worth less.
- B.** You want to sell something but no one will buy it for a good price.
- C.** Someone takes your money for themselves.
- D.** What you own doesn't grow and other things you want cost more.

**Story:**

Achim bought \$1,000 worth of stock in an oil company but decided to sell it after one month because he needed the money. The price of the stock had gone down a little in that time and he got only \$800 back after he sold the stock.

**Question #1: What should Achim have thought about before he bought his stock? Before he sold it?**

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**Story:**

Uncle TJ wanted his money safe so he locked up his cash in a safe deposit box 10 years ago. The same cash is still in the box. Since then his rent has gone up \$105 a month, his food bill is up \$30 and just about everything seems to cost more.

**Question #2: What should Uncle TJ have thought about before he locked up his money?**

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**Story:**

Danielle keeps money at home, hidden and locked in a fireproof box. Veronica keeps money in a bank account where the bank buys insurance on all accounts (up to \$100,000) from the U.S. government. Alicia keeps money at a neighborhood place, but there's no sign on the door that says anything about the U.S. government or insurance.

**Question #3: Who has money for sure?**

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**✓ Major Points:**

You can lose money if you buy something that can change in value — especially if you sell it soon. Savings should grow unless you are going to need them soon. You need to decide where your savings are safe.

## Lesson 5:

# You Get More If You Know About Loans

### **Loans:**

A loan lets you use someone else's (usually a bank or other financial institution) money now and pay for it over time. When you get a loan or use a credit card you are spending money you hope to get later. Loans cost you money and give you risks.

### **What Loans Get You:**

1. Things when you want them
2. Things when you need them
3. Proof you pay bills, and pay them on time
4. Things that may be worth more later

Using and paying a credit card is one way to prove you pay bills. Your education and owning a home are examples of things that can be useful today and may be worth more later.

### **What Loans Cost You:**

1. Interest — the money you pay, at an agreed-upon rate, for using someone else's money
2. Fees — to get a loan
3. Money — to pay back the loan
4. Risk — if you don't pay back on time, you can lose the things you bought, not get loans again for a while or have to work extra hard to get out of debt

### **Why Lenders Make Loans:**

1. The interest you pay on a loan gives the lender a return (or profit) on the money he has lent you.
2. Your ability and willingness to repay the loan and interest gives the lender confidence that you are a good risk.

 **Assignment #1:**

Renee has many loans so she can go to college. All the money she earns goes for things she needs.

**Question #1: What does Renee hope to get from her loans later?**

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**Question #2: What will her loans cost Renee later? Think about the loans themselves and also her future spending.**

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**Question #3: Name several of her risks:**

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 **Assignment #2:**

Jesse finished junior college, got a job and bought a car right away so he could get to work. He bought the car with a loan and paid on time. If a lender or employer checks, Jesse's credit record shows he pays on time.

**Question #1: Name several things Jesse is getting from his loan:**

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**Question #2: What is it costing him?**

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**Question #3: Name several of his risks:**

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**✓ Major Point:**

Loans let you have something now and pay for it over time. Loans come with benefits and risks.

## Lesson 6:

# Who Can Get a Loan?

People can get loans for cars, homes, etc. if they can afford them, have savings and pay bills on time.

 **Assignment: Write why you think each person succeeded in getting a loan.**

**A.** Single father, two children; works construction about 10 months a year; gets jobs that last from 3 to 18 months; has savings in a money market fund; has paid all bills and a credit card on time

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**B.** Working mom, one child; has no checking account or credit card or loans; has worked three years at the same computer company; saves at a credit union; keeps records that prove she pays bills on time

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**C.** Family with father, mother and three children; has lots of money at a bank; the mother works at home and the father has worked for the same company for 10 years; the family has had loans before, and has paid all bills on time

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**Question: What do these people have in common?**

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**✓ Major Point:**

Many people can get loans if they work hard and pay their bills on time.

## Lesson 7:

# You Get More If You Understand Credit

“Creditors” (the people who lend money) report how people pay their bills to a credit agency, which keeps a record of that information and uses it to generate a “score” from 300 to 850. When a person applies for a loan, the lender checks that score; the higher, the better.

### **Question: Why do you think each person has good credit?**

- A.** Single woman; has worked five years for the same company; uses more of her pay for rent than most people; has no bank accounts but has a safe with lots of cash; and has proof she pays bills on time.

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- B.** Army veteran; has been out of the military 19 months; got a good job at the airport right away; has always paid at least the minimum due on a credit card; and has savings.

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- C.** Hair stylist/barber, finished school three years ago; has had a job three years at the same place; got a gift from family to make a down payment on a house; has saved a little at the bank; and has paid bills, a student loan and a charge card on time.

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**What Credit Gets You:**

1. Ability to borrow money when you need it
2. Lower interest rates on loans
3. Ability to more easily rent an apartment, get a cell phone, get utilities turned on, or get cable
4. Better chance of getting a job if an employer checks your credit
5. Better terms on credit cards (if you shop around)

**What Credit Costs You:**

Same as above.

(A history of not paying bills can result in the loss of the benefits above.)

**✓ Major Point:**

Paying bills on time helps build a good credit report and a higher score.

## Lesson 8:

# How People Get What They Want From Their Resources

### **Getting Smart With Your Finances Can Get You a Home of Your Own:**

#### **Words to Know:**

**Mortgage loan:** A loan backed by your home.

**Down payment:** The amount of money you pay to make up the difference between the purchase price of your home and the amount of your home loan.

#### **Story:**

**Shirley:** I knew I wanted to own a home near my family. I wanted a home in good shape that might go up in value over time. I saved money from every paycheck from my office job and looked at a lot of homes to learn prices and quality. Finally I found a good price on a home that I liked. I used \$10,000 to buy that first home. Five years later I sold it and walked away with \$25,000. My \$10,000 grew to \$25,000 in five years. I used that money for a down payment on the larger home I have now.

### **Saving Smart Gets You More Money and More Choices:**

#### **Words to Know:**

**Mutual fund:** A place to put your money if you can leave it there for a few years. You own a piece of the fund. The fund owns pieces of companies. If the companies make money you make money.

**Stock market:** A place to buy and sell stocks (shares of companies) at different prices every day. You make money if stock prices go up and you lose money if stock prices go down.

**Story:**

**Alex:** When I got my first real job, I started putting money in a stock mutual fund. I didn't have any big plans, but I knew I'd need money later and that savings would get me better choices. So, I saved \$100 from every pay check. By the end of two years I'd put in \$4,800 and by the end of three years I'd put in \$7,200. Sometimes the value of my stock fund went down but over time I made money because the stock market went up. Now it's four years later and my stock is worth about \$12,000.

**When You Get Training You May Get A Better Salary and More Choices:**

**Story:**

**Teresa:** I've spent the last four years working and going to night school. I'm still living with my family, am busy most of the time and I have no money. Actually, I have less than no money because I have student loans. Now I'm almost done with night school and I'm going on job interviews. It looks like my training may get me twice as much pay as my old job. Plus I'll get to travel, get on-the-job training and move up to better assignments if I do well.

 **Assignment:**

What patterns can you find in the stories above?

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**✓ Major Point:**

Sound choices can get you what you want.

# Quiz

Think about each of these questions and use your answers to help start your own Money Management Plan.

**Question #1: List three things it is smart to know before you put your cash somewhere.**

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**Question #2: If you want to buy something big, list four things that can help you get it.**

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**Question #3: List five things you should know before you use any advice.**

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**Question #4: List four reasons why some people get less for their money than they could get.**

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**Question #5: Name four things you can get if you have savings.**

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**Question #6: Describe two things that may happen if you try to get everything you want now and in the future at the same time.**

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