
LESSON A

Goals, Values, and Finances

FOCUS: Understand goals and values about money, in order to evaluate how they influence financial management decisions.

ACTIVITIES:

1. Introduce the unit on finances by playing the "Financial Survival" game (Source: USAA). Use Student Handout, "Financial Survival." Another good introduction is the video: "Winning the Money Game" (Available from MMI, Household International, 2700 Sanders Road, Prospect Heights, IL 60070, Cost: \$12). Or, have students take "Financial Fitness Quiz."
2. Students will analyze their financial needs and wants. This is the first step toward sound financial management. Use Student Handouts, "Needs and Wants Influence Money Decisions."
3. Students will set priorities by examining goals and values about money. When needs and wants exceed income, priorities must be established. Use Student Handout, "Financial Priorities."
4. Students will learn that some items require long-term financial goals while others are short-term. Use Student Handout, "Short-term and Long-term goals."
5. Students will evaluate how their personal values about money are learned in the family. Use Student Handout, "Personal Values."
6. Students will recognize that their values about money affect their behavior in money management and also that their behavior may or may not match their values and goals. Use Teacher Information, "Values About Money."
7. Students will learn that being clear about personal money values and goals help them make better decisions about spending. It also contributes to an overall feeling of well-being. Use Student Handout, "Focus Group."
8. Students will identify how family financial goal attainment is more involved than individual goal attainment. Use Teacher Information, "The Complexities of Goal Attainment."

"Financial Survival"

You're on your own now—renting an apartment, working part time and taking two college classes. You want to buy a mountain bike and you have \$100 in savings. Track your decisions over the next two pages by marking your path with a colored pencil.

Start Here

Your job pays you \$5.50/hr for 20 hours/week your pay check is \$98.00 weekly.

You still depend on your parents for some help every now and then- \$50.00 every month.

List weekly expenses:
 Rent ____/week
 Meals ____/week
 Savings ____/week
 Clothes ____/week
 Dates ____/week

Do you save regularly?

Week 1

Is it reflected in your expenses?

Will you put it in savings for your bike?

Surprise! Your rich aunt sends you \$125 for your H. S. graduation present.

Week 2

Subtract \$12 from \$18 if you took a date.

Will you put this in savings for that bike?

It's Saturday night. Your roommates invite you to a movie and out to eat. Cost: about \$12

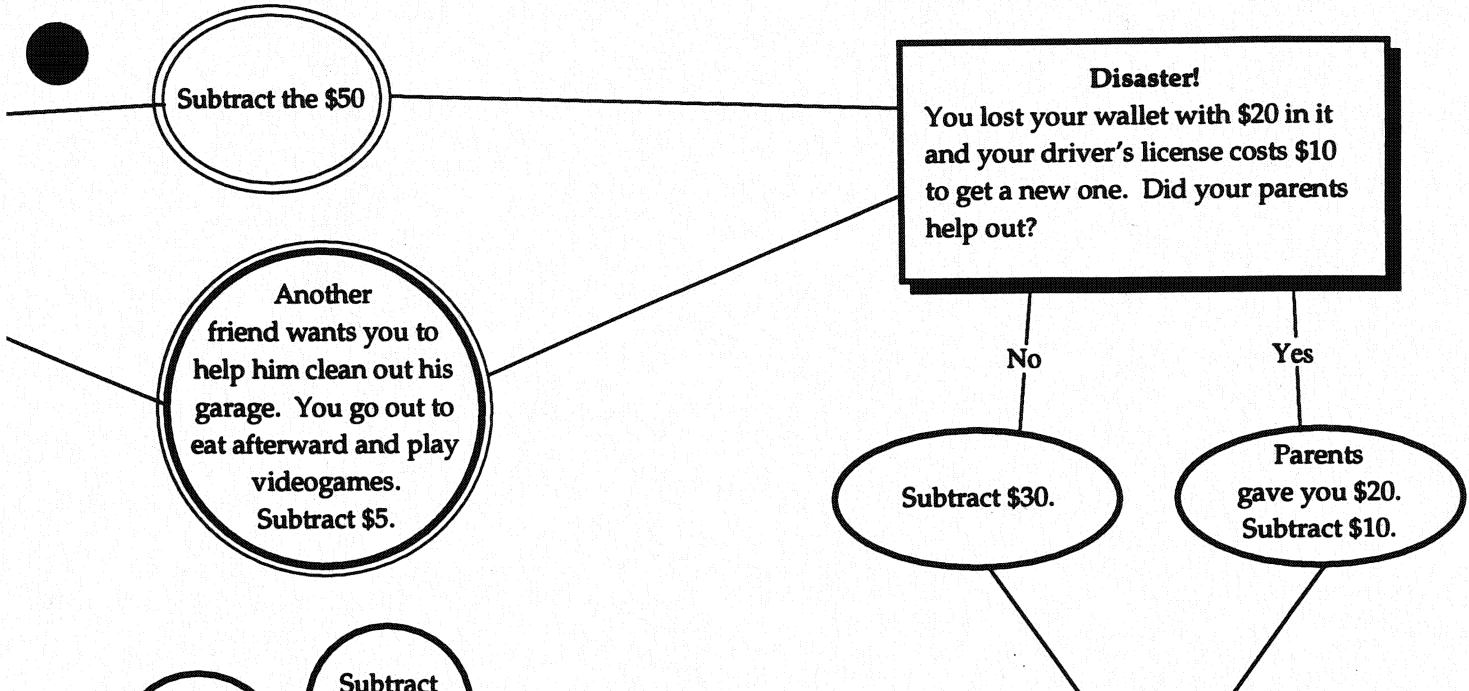
Ski trip with friends lift ticket \$20 need new ski pants \$30.

Of course

No

Yes No

Week 3



Week 6

STOP

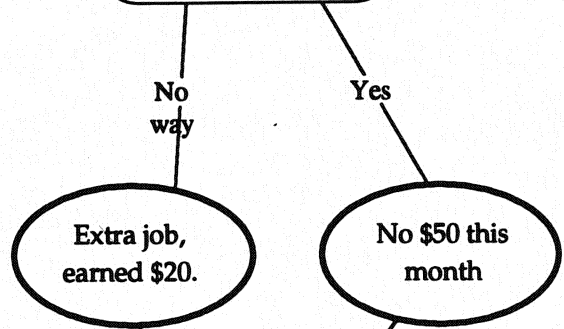
What is your balance?
\$ _____

How long will it take you to get your new bike at this rate?

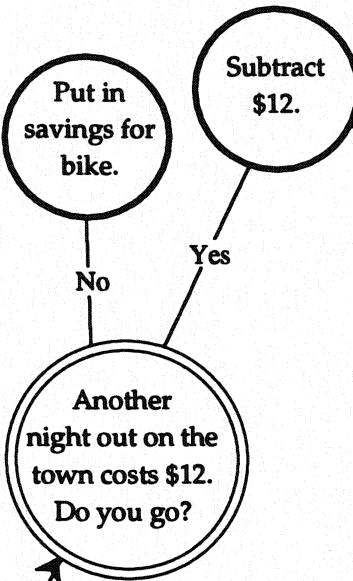
What could you do differently?

Week 4

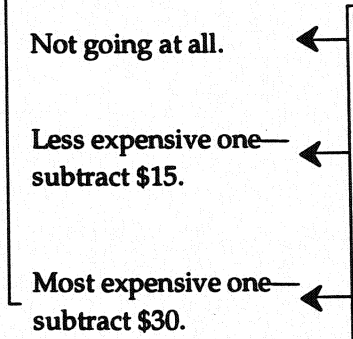
If you are still depending on your parents, they had to cover major home repairs and couldn't give you \$50 this month.



Week 5



Big Decision
Your roommates want you to go in with them on an answering machine for the apartment. They are looking at one for \$75 and another for \$150. Which will you choose?



Stop and check how much you have in savings for your bike.

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25. A bank will lend you \$2,000 at 8% for two years to buy a car. The dealer will lend you the money at 7% for three years. If you want to pay as little interest as possible, from which should you borrow the money?
a. bank b. dealer _____
26. Two can live as cheaply as one.
a. true b. false _____
27. For every dollar earned by men, women earn:
a. less than 70 cents. b. 70-80 cents c. 85 cents to 1\$d. more than \$1 _____
28. If you make a \$2,000 Individual Retirement Account contribution drawing 7% interest, in 30 years it will be worth approximately:
a. \$5,000 b. \$10,000 c. \$15,000 d. \$20,000 _____
29. In families headed by high school dropouts, the median family income is approximately two-thirds that of families headed by college graduates.
a. true b. false _____
30. If you drop out of school halfway through your senior year, you can get a job paying \$140 a week. If you stay in school and graduate, you can get a job paying \$180 a week. In two years, would you earn more working at \$140 a week for 104 weeks (starting immediately) or at \$180 a week for 86 weeks (starting after graduation)?
a. \$140 for 104 weeks b. \$180 for 86 weeks _____

ANSWER KEY For "Financial Fitness Quiz"

1. (a) National surveys indicate 8 out of 10 seniors have held jobs during their high school years. (see *When Teenagers Work: The Psychological and Social Cost of Adolescent Employment*, by Ellen Greenberger and Laurence Steinberg, Basic Books, 1986).
2. (a) National surveys indicate retail and restaurant jobs are the most common types of jobs held by teenagers (see reference above).
3. (d) A high school graduate will earn an estimated \$1 million in a lifetime.
4. (\$3.35 in mid-1987) From 1981 until late 1987, the minimum wage has been \$3.35. Check with your local employment office for current figures.
5. (a) Jill's hours (15) multiplied by her hourly wage (\$3.60) equals \$54 a week. Jack's hours (12) multiplied by his hourly wage (\$4.20) equals \$50.40, a weekly income \$3.60 lower than Jill's.
6. (b) One of the purposes of a financial plan is to help make the best possible use of money, whether large or small amounts.
7. (b) These figures are based on statistics reported by Teen-Age Research Unlimited in the December 1986 issue of *American Demographics*.
8. (b) You should count all sources of regular or expected income including your take-home pay, allowance, payment for odd jobs, gifts of money you receive on your birthday or other holidays, interest on savings or investments, profits from your business.
9. (b) No textbook gives a detailed spending plan that fits everyone's needs.
10. (a) Jack's savings (\$4) divided by his take-home pay (\$40) show he is saving 10%. Bob is saving approximately 8.5% of his take-home pay.
11. (b) Price does not always determine quality. Many factors, including the cost of advertising, freight and overhead, are used in setting prices.
12. (a) Many products have sale seasons, and prices generally go down as new models-of cars, computers, clothing, etc. -enter the market.
13. (c) A 1985/86 Teen-Age Research Institute survey indicates that 12-15 year olds spend approximately \$20 for the family and 16-17 year olds approximately \$31.
14. (b) A dozen is not the best buy if some would be wasted.
15. (a) Store A will take off 20% ($.20 \times \$35 = \7 ; $\$35 - \$7 = \$28$). Store B will take off 25% ($.25 \times \$40 = \10 ; $\$40 - \$10 = \$30$). Store A's price is \$2 lower than Store B's.

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16. (a) The figures come from a study reported in "Premature Affluence: Do High School Students Earn Too Much?" by Jerald G. Bachman, Survey Research Center, University of Michigan, *Economic Outlook USA*, Summer 1983.
 17. (b) Many banks charge no fees or minimal fees for checks. Money orders have a fee attached, and it's usually higher than checking account fees.
 18. (b) Many local businesses, particularly department stores and gas stations, issue charge cards to minors, but usually only if their parents sign a statement taking responsibility.
 19. (b) Bank credit cards usually carry very high interest rates - sometimes more than 20%. Bank loan rates usually are 5% to %10 lower than credit card rates.
 20. (b) The monthly compounding of interest (adding the interest earned that month to the amount deposited so you draw interest on interest) increases the amount earned.
 21. (a) In 1986, the personal savings rate was 3.8% of after-tax income. The rate in 1982 was 6.8%.
 22. (b) A 1985-86 Teen-Age Research Institute survey reports that 74% have savings accounts. 17% have checking accounts and 12% have credit cards available to them.
 23. (b) Rates may vary among all three and within any of the three.
 24. (b) Age does not exempt anyone from paying taxes on dividends and interest, but teenagers usually pay lower rates because their total income is less than that of adults.
 25. (a) Lenders figure interest in different ways for cars, but generally the shorter period will keep your total interest lower.
 26. (b) Two people living together can live more cheaply than two people living independently, but not as cheaply as one.
 27. (a) The Bureau of Labor Statistics reported women's earnings have risen from 61 to 62 cents of every dollar earned by men in the 1970s to 69 cents in the mid-1980s.
 28. (c) If the interest rate remained constant at 7%, the interest added on each year would bring the total to approximately \$15,000.
 29. (a) The 1986 *Statistical Abstract of the United States* gives a median income of \$14,849 for those who dropped out of high school after one to three years, \$22,418 for high school graduates and \$37,147 for college graduates.
 30. (b) The graduate would earn ($86 \times \$180 = \$15,480$). \$720 more than the dropout ($104 \times \$140 = \$14,560$).

How did you do?

Count one point for each correct answer.

Financially fit -26-30

In fair shape -21-25

Need to work out - 16-20

Financially flabby - 11-15

Help! - 1-10

CORE ISSUE 8

What do I need to know regarding financial management?

"Needs and Wants Influence Money Decisions"

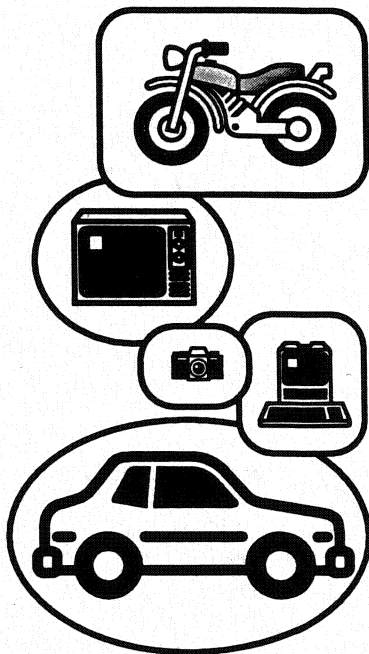
We live in a nation of abundance. When people visit the U. S. from other countries, they are astounded at the variety of choice in department stores and grocery stores. Families often have 2 cars, a stereo or CD player, a color TV (even more than one TV), microwaves, VCR's, video recorders, cameras, skis, telephone answering machine, a computer, tennis racket.... At times it may be difficult to determine the difference between what you actually need and what you really want. On the lines below write your needs. Do the same thing with wants.



Compare your answers with classmates.

What's alike?

What's different?



Use the following to further determine your needs and wants. Circle either want or need, then the item you'd choose.

When on my own:

I want/need money for a car

- Dad's old one
- Used car
- New car

I want/need money for movies

- Newfeature
- \$1 movie
- Video rental

I want/need money for meals

- Eating out
- Eat at Home

I want/need money for clothes

- K-Mart Discount store
- Dept. Store
- Boutique/Specialty shop

I want/need money for apartment

- Live at home
- Apt with roommates
- Apt of own

I want/need money to

- Save for trip
- Save for emergencies
- Save for schooling

I want/need money for job

- Full-time
- Part-time
- Training/internship

I want/need money for school

- Scholarship
- Loan
- Work part time during school

Journal Entry # 1



What's my biggest concern about money?

What's the thing I enjoy most about money?

"Financial Priorities"

Close your eyes and picture someone squeezing lemon juice in your mouth. Now picture yourself riding a bicycle down a hill into the wind on a hot day. These concepts are easy to imagine because you can experience them. The trouble with prioritizing financial choices is that we often do not define them in concrete terms—they are vague, cloudy ideas in our minds.

In the space below, write as specific a description as possible of your financial situation. Include: 1) your source of money, 2) major expenses.

Identify as specifically as possible your:

Financial values

- 1.
- 2.
- 3.
- 4.

Financial goals (Rank order these)

- 1.
- 2.
- 3.
- 4.

"Short-term and Long-term Goals"

Financial goals can be short-term or long-term. Using credit has become an American pasttime—it often becomes an unanticipated long-term debt. Credit has bolstered our standard of living and the American economy. If not used wisely, it can bring serious financial difficulties. Categorize the items below as either short-term or long-term goals and include your own financial goals if they are not listed. Then consider whether you would go into debt or not and the dollar amount of cost.

	Long term or short term?	In debt or not?	How much \$?
Education			
Car			
Home			
Furniture			
Stereo			
Camera			
Business venture			
Food			
TV			
Clothing			
Travel			

Journal Entry #2



How are my money values similar to or different from this family member's money values?

"Values About Money"

Review the following situation and determine if Stan's behavior matches his values and goals.

Stan wants a college education and knows the only way he can attain this is to work and save his money. He has decided to save \$100 each month. All of his friends have purchased cars recently and Stan reasons he will need a car for college. He finds a good buy which will take \$50 from his savings each month. This means that he will only be able to save \$50 a month for college. He may need to wait an extra year before he can begin school.

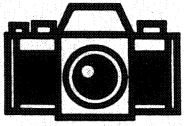
Can you think of a time when your behavior about money didn't match your values about money? Describe:

Journal Entry #3



What are some sacrifices I am willing to make to realize financial goals?

"Focus Group"



Divide the class up into groups of 4-6 people. Choose a "focus" person and a monitor—everyone else helps. As the focus person, give a choice in your life which involves a monetary decision. Questions will be asked by the helpers to assist you. Use the steps in the practical reasoning process to ask questions (goals/values? circumstances? alternatives? consequences? decision?) Use the focus group to help you make a decision.

Answer these questions after you were the focus person:

1. How do you feel about your decision?
2. Did you make sacrifices in reaching your decision?
3. Does your decision reflect your values?
4. Did you group help or hinder the decision-making process?

"The Complexities of Goal Attainment"

While there are similarities between individual and family financial objectives, the individual objectives are often more complex. For instance, a family goal may be to provide clothing, where as the individual has to decide according to this own tastes and preferences and budget constraints— influenced not only specifically by the peer group, but also by advertising.

Develop a case study in which a family must decide on a financial goal. Then answer the questions below.

Example: A family decides to plan a summer trip to Disneyland. In order to have money for the trip, the mom will have to work all summer and the 15 year old daughter, Julie, will have to tend the 3 younger children and be in charge of the housework. How will the summer really be? for Mom? for Julie? for the other family members? Is the trip worth the sacrifices? Should the family reconsider its goal?

1. Did values affect the goal choices? How?
2. Is the same process used (as for an individual)?
3. Were risks taken and sacrifices made? In what way?
4. Is it more difficult for a family to make goal decisions than an individual? If yes, why? If no, why not?