

Life Skills Literacy

Things to Know About Spending and Saving Money

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Lesson 1: Spending Limits



Themes

- Controlling expenditures
- Getting financial advice

Background notes: Economists sometimes debate whether the huge consumer debts run up in some Western countries are benign or not. But few doubt the consequences of large debts for individuals and families. They are often devastating. So this *Things to Know* package opens with pages you can use to help learners consider why they should hold spending within the limits imposed by income, and how they should do it. As most of us know from personal experience, that task is not easy. It can be especially tough for young consumers living on their own and filling entry-level jobs. Most of us do somehow survive even the lean periods, and in the process develop strategies and skills that can also work for others. So be sure and allow time in your classroom discussions for students to share the ideas that work well for them.

Preparation possibilities

- Think about: financial planning courses and other resources available in your area
- Bring to class: appropriate books and articles on basic personal finances

Technology resources

- Search topic: *personal finance* (for commercial sites, college courses by Web, etc.)
- Web pages to try: Consumer Information Center

Student pages

- Page 2 includes: an introduction to spending limits and a dialogue in which two friends discuss personal spending problems

- Page 3 includes: a word list you may adjust for your class and student activities

Especially for ESL: Students new to American and Canadian cultures may need help knowing how much personal information most westerners are comfortable sharing. Tell them: Many people are willing to talk in general terms but not to share personal financial information. Ask: Was the same thing true in your first countries? What kind of financial advice could you get in those countries?

Extra idioms and slang to introduce

- *Rolling in money/dough/it:* wealthy
- *Tight:* stingy; unwilling to spend money

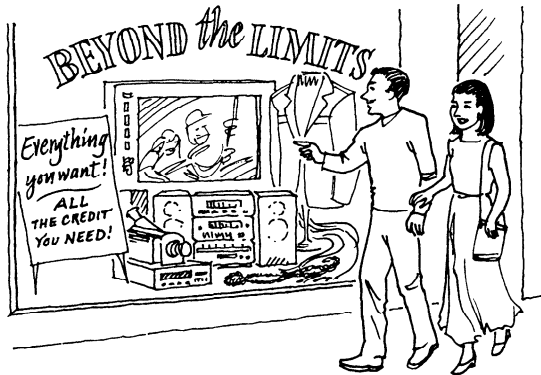
Thoughts to share with learners: Some people define *maturity* as “the ability to postpone pleasure.” Other terms for *financial counselors* include *financial planners*, *financial advisors*, and *financial planning consultants*.

Questions to ask learners: Who in the class sometimes feels broke? Who has some ideas for saving money? What do you do when you really want something you can’t afford? Do you find that if you wait a few days you won’t want it as much? Has anybody taken a local personal finance course? Was it good?

Projects to assign learners: Find the names of local financial consultants. Try the yellow pages, and share what you find with the class. Find out about personal finance classes. Do local schools offer them?

A fascinating fact to share: In 1997, the average American household spent 92.5 percent of its income.

Lesson 1: Spending Limits



Are you very rich? So rich you have trouble just counting your money? Then you don't need to worry much about spending **limits**. The rest of us do. We have limited **resources**. We need to limit what we spend to what we have. If we don't, we use **credit** and get **in debt**. Then we need more money, and we spend more in the long run. Good spending is limited spending. That might sound simple, but it's a hard lesson for a lot of us to learn.



Dialogue: A second job

First Friend: You look happy this morning. What's up?

Second Friend: I made a decision last night. I decided to get a second job.

FF: That makes you happy? It makes me tired just to think about.

SF: I'm broke. I need more money.

FF: What for? You've got all the **essentials** now.

SF: I want more than essentials. I want nicer clothes and a faster car. I want to buy a house.

FF: Maybe you need to spend less, not get into **real estate**.

SF: You want me to be some sort of **miser**?

FF: Fat chance! I just don't think you should be a **spendthrift**.

SF: But I want more stuff. Maybe I can win the **lottery**.

FF: It might rain money tomorrow, too. I don't think you need more money. I think you need better money **management**.

SF: I manage my money okay. I get it and I spend it.

FF: Maybe you should take a course in **personal finance**.

SF: I won't have time if I get a second job.

FF: Maybe you won't need the job if you take the course.

SF: What about you? I suppose you have all the money you want.

FF: Don't I wish. I'm in debt up to my ears.

SF: Then how come you're handing out advice?

FF: It's from an **expert**. I'm seeing a financial **counselor**.

SF: So what have you learned?

FF: She says I need to give up my **charge cards** and **take charge** of my money instead.

SF: Are you doing it?

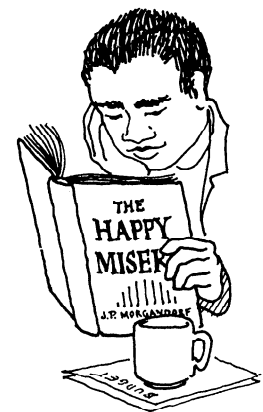
FF: I'm trying. But it's not so easy.

SF: Maybe you need another job.

FF: Not that. But I do need a cup of coffee. Join me?

SF: I can't. I'm broke.

FF: That's okay. I've still got one charge card.



Lesson 1: Spending Limits



Word list

limit(s)	in debt	miser	management	counselor
resource(s)	essential(s)	spendthrift	personal finance	charge card(s)
credit	real estate	lottery	expert	take charge

Increasing your understanding

1. Look at the word list. If you don't know a word, find out what it means. Try to figure it out from the way it is used on page 2. Or look it up in a dictionary.
2. Supply the missing words from the word list:
 - (a) Many of us have limited _____ so we can't buy too much.
 - (b) If we use too much credit, we get _____.
 - (c) The second friend in the story wants to win the _____ and get more money.
 - (d) The counselor says people should give up _____, and _____ of their money instead.
 - (e) The second friend doesn't think the first friend should be a miser or a _____.

Questions to discuss

1. Does one friend in the story need more financial advice than the other? Give reasons for your answer.
2. What are the "essentials" that the first friend talks about? Brainstorm a list of things that most people need to have.
3. What can you do if you don't have enough money to pay your bills?

Things to write about

1. What if you won the lottery? What would you do first? Write a paragraph giving your answer.
2. Is buying lottery tickets a good idea? Write a letter giving advice to a friend who spends \$25 a week on tickets.

Things to do

1. Act out the story on page 2 with a partner. Use your own words if you want. Decide what the friends might say when they go for coffee.
2. How can people cut their costs? Make a list of at least five ideas.
3. Who needs a financial counselor? Make an illustrated newspaper ad for a counselor named Rich Saver. It should tell people how they can know if they need help.
4. Do most people think they have enough money? Ask five or more people outside class. Share what you find with your classmates.



Lesson 2: Budget Basics



Themes

- Balancing income and expenses
- Getting financial advice

Background notes: Lacking a plan, too many people spend until the last paycheck is gone, then struggle through to the next, hoping fervently that no forgotten bills will arrive in the interim. Help your students to see that a more reasonable course is to budget. That means putting their plans on paper, not simply holding them in their heads and then adapting to the most pressing need of the moment. If you are presenting these pages in a school offering a full program, ask other teachers if they have presented your learners any information on budgeting, and adjust your presentations accordingly.

Preparation possibilities

- Think about: the apparent spending needs of your students
- Bring to class: inexpensive budgeting guides and aids

Technology resources

- Search topic: *budget* (for government, business information), *financial planning*
- Web pages to try: *Amazon.com* (and similar bookstore pages for print resources)

Student pages

- Page 5 includes: an introduction to budgeting and a story about a group of friends budgeting for a shared rental apartment
- Page 6 includes: a word list you may adjust for your class and student activities

Especially for ESL: People new to western cultures may welcome information and reminders

about matters most natives take for granted — allowing for sales tax, for example, and remembering April 15 as a tax deadline in the United States. Ask: Did schools teach about budgets in your first country? In the story, Sun talks about “essentials.” What are they? Are “essentials” the same for everybody?

Extra idioms and slang to introduce

- *Fork out:* pay money for something
- *Blow your money:* spend your money unwisely

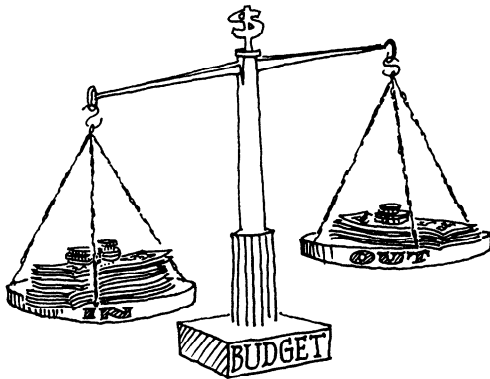
Thoughts to share with learners: Budgets work only if they are both written and read. You can buy inexpensive books on budgeting at most bookstores.

Questions to ask learners: Who in the class has a written budget? Does it help you? Who has worked on a budget for a business or another organization, like a club? Is that a difficult job? Is it useful? What sorts of things can people share to save money? (In the story on page 5, some friends share an apartment.)

Projects to assign learners: Visit a library and look for books about budgeting. Begin some work on your own budget. Decide how much money you took in and how much you spent last week. Discuss the process with the class (but don't think you need to share private information about your own finances). Is it easy to do? Can you remember everything you spent?

A fascinating fact to share: Researchers say that disagreements about money are a major cause of divorce.

Lesson 2: Budget Basics



Some people don't like **budgets**. They think budgets keep you from spending money. But budgets don't do that. Budgets are spending plans. They tell you what you can spend. They also help you **balance income and expenses**. And they can keep you out of debt. People who make spending plans are usually glad. Complicated plans are hard to follow. So if you make a plan, keep it simple. Then you will probably use it.



Story: A balancing act

Sun and seven friends wanted to share their expenses. They rented an apartment together and called it a **cooperative**.

They also wanted to share the work in their **co-op**. Sun was studying **accounting** in school, so he agreed to handle finances.

Sun called a meeting about money. He talked about **assets** and **liabilities**. He talked about accounting **principles**. "Do you have any questions?" he asked.

"Yes," said Tom. "What are you talking about?"

Sun's other friends were confused, too. After the meeting Sun asked Mara what to do.

"Think about the **KISS** principle," she said.

"What does kissing have to do with this?" said Sun.

"Nothing. This is a different KISS. It usually means 'Keep It Simple, Stupid.' But you aren't stupid. So this time it means 'Keep It Simple, Sun.' And explain the words you use."

Sun called another meeting. "Let's talk about a budget," he said. "That's a spending plan."

On a large sheet of paper he wrote "Money In" and "Money Out."

"To run our house we need to spend money," he said. "That's money that goes out. We use it for our liabilities or **expenditures**. I mean 'expenses.' That's the simpler word. If we have money going out, we need money coming in. That's our income. And that's what I meant by 'assets.'"

"The money in needs to equal the money out," said Sun. "They need to balance. If we spend too much, we go broke. We have to have **discipline** and we can't spend too much. We should have a little extra in case of trouble. That's our **reserve**."

"That sounds simple enough," somebody said.

"Yes, it is," said Sun. "Just like a kiss."

"What?" said Tom.

"Mara can explain in a minute," said Sun. "But first let's talk about our expenses."



Lesson 2: Budget Basics



Word list

budget(s)	expense(s)	accounting	principle(s)	discipline
balance	cooperative	asset(s)	KISS	reserve
income	co-op	liabilities	expenditure(s)	

Increasing your understanding

1. Look at the word list. If you don't know a word, find out what it means. Try to figure it out from the way it is used on page 5. Or look it up in a dictionary.
2. Supply the missing words from the word list:
 - (a) In the story on page 5, Sun and his friends called their apartment a "cooperative," or _____.
 - (b) "You should think about the _____ principle," Mara said.
 - (c) The group needed to have _____ and not spend too much, according to Sun.
 - (d) Sun talked about assets and _____ and accounting principles at the first meeting.
 - (e) Budgets help _____ income and expenses, according to the paragraph at the top of page 5.

Questions to discuss

1. Is Sun a good person to handle the money in the story on page 5? Why or why not? What are some of the jobs his friends might do?
2. What do you think about co-ops? Brainstorm the good and bad points of living in one.
3. How would a co-op's budget compare to one person's budget? To the budget for a small business?

Things to write about

1. Why should people make budgets? Write a paragraph giving your reasons.
2. What could go wrong in a co-op? What might the budget reserve in the story be used for? Describe one possible problem.

Things to do

1. Act out the story on page 5. Play the parts of Sun and Mara, but use your own names if you want. Decide what job the person taking Mara's part will do in the co-op.
2. Make a chart like the one Sun started in the story. List some of the items that might go under "Money In" and "Money Out."
3. What's another word like KISS? With two or three classmates, make up another budget saying. Use words with first letters that make another short word.
4. Do most people have written budgets? Ask at least four people outside the class. Share your findings in class.



Lesson 3: Budget Categories



Themes

- Building budget plans
- Tracking where the money goes

Background notes: “Where has our money gone?” is an all too common question. Complete answers are all too uncommon. Many people have little idea where their money goes, according to financial planners. Finding out is a reasonable starting point in financial counseling sessions for clients at every economic level and of every educational background. These pages are designed to give your students a head start in the process while also considering the budget categories they could use.

Preparation possibilities

- Think about: budgeting categories that might be appropriate for your learners
- Bring to class: appropriate books or other sources with full personal or organizational budgets

Technology resources

- Search topic: *consumer spending statistics*
- Web pages to try: U. S. Commerce Department, Census Bureau; Statistics Canada
- Software to consider: *Money*, CD-ROM for managing personal finances, from Microsoft; *Quicken*, CD-ROM for managing personal finances, from Intuit

Student pages

- Page 8 includes: an introduction to budget categories and line items, and a challenge story about keeping track of expenses
- Page 9 includes: a word list you may adjust for your class and student activities; for

Activity 2 under “Things to Do” you might have students share their budget outlines but not financial data

Especially for ESL: Ask: Did you have a budget in your own country? What categories did you need? Are they different than the ones you need now?

Extra idioms and slang to introduce

- *private eye*: detective
- *bread*: money

Thoughts to share with learners: Budgeting information needs to be kept safe and organized. A disorganized system can mean a disorganized budget.

Questions to ask learners: What might be in a personal budget in addition to what is in the box on page 8? (For one thing, it would show both income and expenses. This list of spending categories is based on one compiled by the American Financial Services Association and included in the *Consumer Adviser* published by Reader’s Digest: Housing, Food, Transportation, Clothing, Health Care, Personal Care, Recreation, Gifts and Contributions, Savings, Obligations, and Education.)

Projects to assign learners: Keep a notebook or a calendar with you for one week. Write down every cent you spend. Are you surprised by how much you spend?

A fascinating fact to share: Governments spend about one third of all the money spent in the United States. The federal government’s budget for 1999 added up to about 1.7 trillion dollars.