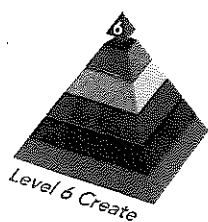


Figure 11.6 Economic Readiness Assessment

In the spaces below, please read the question carefully, respond with Yes or No, and then answer the question based on your financial research for **next term**. Be specific. You may have to visit the financial aid office, bookstore, or other campus resource center to answer the questions.

Question	Answer	Response
I know exactly how much my tuition will cost next term.	YES NO	Answer: \$_____
I know the additional cost of lab fees, technology fees, and other fees associated with my courses (if any).	YES NO	Answer: \$_____
I know how much my textbooks will cost next semester.	YES NO	Answer: \$_____
I know how much my transportation will cost next semester (car payment, gas, insurance, bus passes, etc.).	YES NO	Answer: \$_____
I know how much I need to spend on supplies for next semester.	YES NO	Answer: \$_____
I know how much childcare will cost next semester.	YES NO	Answer: \$_____
I know where my GPA must remain to keep my financial aid.	YES NO	Answer: _____
I know how much money I can borrow through financial aid in one academic year.	YES NO	Answer: \$_____
I know how much money I need to manage my personal budget in a single term.	YES NO	Answer: \$_____
I have estimated miscellaneous and unexpected costs that might occur during the semester.	YES NO	Answer: \$_____
I know what a FAFSA is and how and when to apply.	YES NO	Answer: _____
I know how a drug arrest could affect my financial aid.	YES NO	Answer: _____
I know the scholarships available to me, and how, when, and where to apply for them.	YES NO	Answer: _____
I know how and where to apply for work study.	YES NO	Answer: _____
I know how a felony charge affects my ability to get a job after graduation.	YES NO	Answer: _____

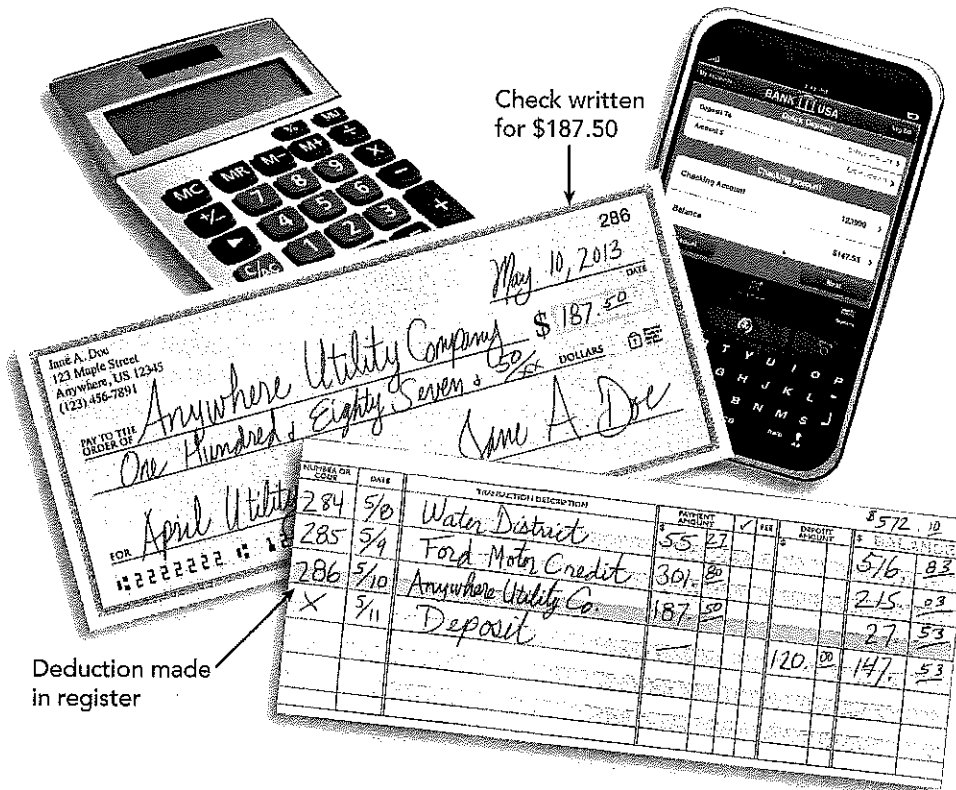


After completing your budget list, evaluating ways to cut spending, and taking a careful look at your college expenses, outline what you need to do to cut or control your expenses and develop a budget plan that includes your living expenses, unexpected items, college costs, and a moderate savings plan. You will probably need to also consider your **Spending Habits Chart** at the end of this chapter to give more informed responses.

Figure 11.7 Balancing Your Checkbook— A Quick Guide

Keeping a balance of your daily, weekly, and monthly expenditures is an important step in getting a handle on your finances. One way to do this is to balance your checkbook or bank account after every purchase.

Notice Check 286 and how it was recorded in the check register. You might also consider downloading your bank's check register app or use Excel to electronically balance your checkbook. Whatever method you use, work hard to keep your balances up to date to avoid overdraft charges, which are sometimes over \$30 to \$50 per check.



CREDIT CARDS

Why Is Living on Borrowed Money the Worst Kind of Debt?

Credit card debt—one of the worst kinds of debt—is rising rapidly among college students as they struggle to pay tuition, buy books, and cover day-to-day living expenses. According to a Nellie Mae study (2010), 76 percent of all undergraduate college students have at least one credit card and carry an average balance of almost \$2,500. As a result of over-the-top credit card marketing, terrible credit card terms and conditions, and an economy that no longer provides as many well-paying jobs with good benefits as it once did, graduates are facing overwhelming odds to achieve financial health, in large part as a result of the credit card debt from their undergraduate years (Williams, 2008).

*"If you can eat it, wear it, or
drink it, it is not an emergency."*

—Kim Rebel



Can you imagine paying for a piece of pizza for 12 years?

Studies show that credit card shoppers, in general, are less price sensitive and more extravagant. When you pay with plastic, you lose track of how much you are spending. According to the article, "Live Without Plastic" (Rosato, 2008), after McDonald's started accepting credit and debit cards in 2004, diners who paid with plastic spent \$7.00 a visit on average, compared to \$4.50 when they paid in cash. The article also suggests that you are less aware of what you spend if you use plastic. For example, 68 percent of students who paid cash for their books knew how much they spent. Conversely, only 35 percent of students using plastic knew what they spent. Rosato also reports that you are willing to pay more for the same stuff if you are using credit cards instead of cash money.

Imagine being 30 years old and still paying off a slice of pizza you bought when you were 18 and in college. Sounds crazy, but for plenty of people, problems with credit card debt can lead to that very situation (College Board, 2008). If you borrow excessively and only pay the minimum each month, it will be very easy to find yourself over your head

with credit card problems. Take the case of Joe. Joe's average unpaid credit card bill over a year is \$500, and his finance charge is 20 percent. He pays a \$20 annual fee, plus a \$25 late fee (he was up late studying and forgot to mail in his check). Joe ends up owing \$145 to his credit card company, and he still hasn't paid for any of his purchases (College Board, 2008).

Most credit card companies charge a very high rate of interest—18 to 21 percent or higher. If you are late with a payment, the interest rate can go even higher. For every \$1000 you charge, you will pay from \$180 to \$210 each year (Konowalow, 2003). Don't be fooled by the advertising ploy of "1.5 percent interest." This means 1.5 percent each month, which equates to 18 percent per year. The best practice is to charge no more than you can pay off each month while avoiding high interest rates. Consider the tips in the chart in Figure 11.8.

THE PITFALLS OF PAYDAY LOANS, CAR TITLE LOANS, AND RENT-TO-OWN CONTRACTS

Did You Know There's Someone Lurking on Every Corner to Take Your Money?

Many unsuspecting consumers have been duped into signing car title loans, payday loans, or rent-to-own contracts that result in very high monthly payments and penalties. Some were told by their title loan broker before they signed the contract that they could make a partial payment if they needed to and this would be OK. Unfortunately, the unsuspecting victims find out too late that their car will be repossessed due to one late or partial payment. Others realize too late that on a loan of \$400, they must pay back over \$500 that month. According to some reports, payday and title loan lenders have been charging as much as 250 to 350 percent interest on an annualized basis. In some instances, interest rates as high as 900 percent have been charged due to poor government regulatory policies. Some states have recently enacted laws to prevent this.

Payday loans are extremely expensive compared to other cash loans. For example, a \$300 cash advance on the average credit card, repaid in one month, would cost \$13.99 in finance charges at an annual interest rate of almost 57 percent, which is very high. By comparison,

Figure 11.8 Important Facts You Need to Know about Credit Cards

What You Don't Know Can Wreck Your Credit Rating and Ruin Your Life

Listed below are some of the most important things you can learn about managing credit card debt. Some of them will make you angry, while others don't seem legal, but they happen all the time.

- ✓ Understand that credit cards are nothing more than high interest loans—in some cases, very high! The system is designed to keep you in debt.
- ✓ Be aware that companies often add on new fees and change policies after customers have already signed up.
- ✓ If you fall behind on payments to one creditor or if your credit score drops for any reason, your rates can be raised on all your credit cards.
- ✓ Banks can and will abruptly switch your due date, so pay attention. Always check your bill to see if any fees or charges have been added.
- ✓ Avoid cards that charge an annual just for the privilege of carrying the card. This fee can be as high as \$100–\$400 per year. If you charge this fee, it will be automatically added to your card and then you begin paying interest on the fee.
- ✓ Be sure your card allows for a grace period before interest is charged.
- ✓ Carry only one or two credit cards so you can manage your debt and not get in over your head. Do not accept or sign up for cards that you don't need.
- ✓ When you accept a card, sign it right away and keep records of your credit card numbers (in a secure location) and the phone number to contact in case they are lost or stolen. If you lose your card, report it immediately to avoid charges.
- ✓ Avoid the temptation to charge. You should use credit cards only when you absolutely must and only when you can pay the full amount before interest is added. "Buy now, pay later" is a dangerous game.
- ✓ When you pay off a card, celebrate and don't use that as a reason to charge again. Lock that card in a safe place and leave it there.
- ✓ Each month, always try to pay more than the minimum payment due.
- ✓ Send the payment at least five days in advance. Late fees now represent the third-largest revenue stream for banks.
- ✓ Call the credit card company and negotiate a better rate. If they won't give you a better rate, tell them you are going to transfer the debt.
- ✓ If you have several credit card debts, consolidate all the amounts on the card where you have the lowest balance. Don't cancel your cards, because it helps your credit score if you have cards on which you have no debt. Just don't use them again!
- ✓ Do not leave any personal information (credit cards, Social Security numbers, checking accounts) in places where roommates or other students have access to them. Purchase a metal file box with a lock and keep it in a secure place.
- ✓ Consider using a debit card. Money is deducted directly from your bank account and you cannot spend more than you actually have.
- ✓ If you have already gotten into credit card trouble, get **reputable** counseling. One of the best agencies is the National Foundation for Credit Counseling (NFCC).
- ✓ Be aware that using a credit card carelessly is similar to a drug addiction. Credit card use is habit forming and addictive!
- ✓ Ask yourself these questions: "If I can't pay this credit card in full this month, what is going to change next month? Will I have extra income or will I reduce my spending enough to pay for this purchase?" If the answers are "No," you don't need to make the purchase.
- ✓ Realize that you are building your future credit rating even though you are a student.

Once you get a credit card, immediately write, "CHECK ID" across the back in red, permanent ink.

Successful Decisions

AN ACTIVITY FOR CRITICAL REFLECTION



Jonathon enjoys school. He has made new friends, has great relationships with his instructors, and is managing to keep his grades up. But he's already got a major problem—keeping up with his expenses. He is spending much more money than he has coming in. He has one part-time job where he works 25 hours per week. It would be very difficult to work more because of his schedule at school, his family commitments, and the amount of time he has to study for his math class.

To compound these problems, he has met a great girl, and he has tried hard to impress her by taking her to expensive clubs and dinners. Their first date cost him a bundle. He didn't have the funds, so he charged everything on his new credit card. Jonathon is getting very stressed about his money situation. He's having trouble sleeping well. To top it off, his new girlfriend is talking about taking a weekend trip together. He knows that he will have to pay the majority of the bills on the trip. He is very worried because he has already maxed

out one credit card and has heavy charges on the other one. Jonathon has learned that if he charges \$1000 on his card and only makes the minimum payments, it will take 15.5 years to pay it off. He doesn't want to disappoint his girlfriend and fears losing her if he doesn't go on the trip, but, clearly, he has to make some changes.

What are two things you would advise Jonathon to do right away?

List two other suggestions for Jonathon to help him get control of his expenses.

however, a payday loan that costs \$17.50 per \$100 for the same \$300 would cost \$105 if renewed one time, or 426 percent annual interest (Payday Loan: Consumer Information, 2008). As bad as credit card debt is, it pales in comparison to the pitfalls of payday loans.

SMALL COSTS ADD UP!

How Much Money Will You Throw down the Drain in 10 Years?

Many people pay more money for convenience. If you are on a tight budget, you might want to give up some of the conveniences so you can hold onto more of your money. Although we want you to really live and enjoy life, we also want you to take a hard look at where your money goes. Those dimes, quarters, and dollars add up quickly. In fact, small-amount money drains for the typical person can add up to \$175,000 over a 10-year period (Digerati Life, 2008). What if you could hold onto some of that money and invest it? What would that money be worth to you when you are 65 and want to retire? Is having sausage biscuits and orange juice from a fast-food restaurant really worth \$3.50 a day, or \$1277.50 if you have one *every day for one year*? Did you ever stop to think that if you spend \$3.50 every day on fast food, or coffee, or whatever, for **10 years**, that you would be spending \$12,775?

The 10-Year Plan

According to the website, The Digerati Life (2008), prime causes of money drain are:

- **Gum**—a pack a day will cost you \$5488 in 10 years.
- **Bottled water**—One bottle a day will cost you almost \$5500 in 10 years. (Most bottled water comes from no special source and is no better than tap water.)

- **Eating lunch out daily**—If you only spend \$9, this will cost you over \$35,000 in 10 years. If you can eat lunch at home, you will save thousands of dollars.
- **Junk food, vending machine snacks**—This will cost you at least \$4000 in 10 years if you are a light snacker, and they are empty calories.
- **Unused memberships**—Those gym memberships that look so enticing and, for many people, go unused will total over \$7500 in 10 years.
- **Expensive salon visits**—Fake nails, along with the cost of the salon visit, can cost over \$30,000 in 10 years. Is that really how you want to spend your money?
- **Cigarettes**—Not only will this terrible habit kill you and make people want to avoid you, it will cost you over \$25,000 in 10 years if you smoke a pack a day.

These are just a few of the drains that take our money and keep us from being wealthy when we are older. Maybe you want to splurge at times and go for the convenience, but day in and day out, you can really save a lot of money if you budget your time and do some of these things for yourself.

Examine the information about *The Latte Factor*™ in Figure 11.9 and apply it to your own spending habits.

Figure 11.9 The Latte Factor

In his book, *The Finish Rich Notebook* (2003), Bach states, "How much you earn has no bearing on whether or not you will build wealth." As a rule, the more we make, the more we spend. Many people spend far more than they make and subject themselves to stress, exorbitant debt, fear, and an ultimate future of poverty.

Bach uses the Latte Factor to call people's attention to how much money we carelessly throw away when we should be saving and investing for the future. He uses the story of a young woman who said she could not invest because she had no money. Yet, almost every day she bought a large latte for \$3.50 and a muffin for \$1.50. If you add a candy bar here, a drink there, a shake at the gym, you could easily be spending \$10 a day that could be invested.

If you take that \$10 per day and invest it faithfully until retirement, you would have enough money to pay cash for a home and a new car, and have money left over. This is the power of compound interest! If you are a relatively young person, you will probably work many years more, so you could retire with an extra \$1 million in addition to any other savings you might have accumulated.

The point is that most of us have the ability to become rich, but we either lack the knowledge or the discipline to do so. Remember the Latte Factor as you begin your college career and practice it, along with other sound financial strategies, if you want to become a millionaire.

Calculate your own Latte Factor. For example, if you buy one diet soda each morning at \$1.81, then your Latte Factor is \$685.84 per year. ($\$1.81 \times 7 \text{ days/week} \times 52 \text{ weeks/year}$).

My daily "have to have it" is _____.

It costs \$_____ per day.

My Latte Factor is \$_____.

PROTECT YOURSELF FROM IDENTITY THEFT

Why Might Your College Be Ground Zero?

"Amid all the back-to-school activities and tasks that students face, one of the most important is to protect their identities. You have such busy schedules that you may unknowingly expose yourself to identity theft and fraud, particularly when you're making online purchases or engaging

DID YOU *Know?*



CAN YOU imagine being worth over \$62 billion and still living in the same home that you bought in 1958 for \$31,500? Well, **Warren**

Buffett, one of the world's wealthiest people, does just that in Omaha.

Born in 1930, Mr. Buffett, a native Nebraskan, is not only one of the world's wealthiest people, a savvy investor, a successful businessman, and a financial intellectual, but also one of the most philanthropic. He recently announced that he was leaving 83 percent of his wealth to the Bill and Melinda Gates Foundation.

Having always been "financially smart," he filed his first income tax return at the age of 13 so that he could deduct the cost of his bicycle as a business expense. At age 15, he and his friend spent \$25 to purchase a pinball machine, which they placed in a barber shop. A few months later, they owned three machines in different locations.

He applied to Harvard in 1950, but was denied entrance. He attended and graduated from Columbia University and began working as a stockbroker. His first real business venture, the purchase of a Texaco gas station, did not work out very well. He decided to enroll in a public speaking course and began teaching an investment class at the University of Nebraska.

He later became a major shareholder in the firm Berkshire Hathaway, which purchased major shares in The Washington Post Company, ABC, Geico, Dairy Queen, and Coca-Cola. The most he has ever taken as an actual salary from all of his ventures and investments is \$100,000 per year. It was reported in 2006 that Mr. Buffett does not carry a cell phone, does not have a computer at his desk, and drives his own car.

Upon his death, his children will not inherit much of his wealth. He has been quoted as saying, "I want to give my kids just enough so that they would feel that they could do anything, but not so much that they would feel like doing nothing." (Adapted from Forbes, Wikipedia, and About.com)

in social-networking web sites. We're all living in an extremely open environment where free flow of information is the norm, as opposed to the exception," said Adam Levin, co-founder of Identity Theft 911 (Yip, 2008). Because students tend to move often, their mail service may be interrupted if they don't follow through with change-of-address cards. By the time their information catches up to them, they may have already suffered from identity theft. "All these things make this group vulnerable," said Thomas Harkins, chief strategy officer of Secure Identity Systems (Yip, 2008).

People who may steal your identity are roommates, relatives, friends, estranged spouses, restaurant servers, and others who have ready access to information about you. They may steal your wallet, go through your trash, or take your mail. They can even legally photocopy your vital information at the courthouse if, for example, you have been divorced. The Internet provides thieves many other opportunities to use official-looking e-mail messages designed to obtain your personal information. Do not provide personal information over the Internet no matter how official the website might look. Reputable businesses will not inquire about your personal information in this manner.

It is very difficult, if not impossible, to catch identity thieves. While you may not be liable, you still have to spend your time filing expensive legal affidavits, writing letters, and making telephone calls to clear your good name.

How to Minimize Identity Theft Risk

Criminals are very clever, and many are adept at using electronic means to steal your information. According to a variety of financial sources, there are a number of ways to avoid having your identity stolen:

- Carry only the ID and cards you need at any given time.
- Do not make Internet purchases from sites that are unsecured (check for a padlock icon to ensure safety).
- Do not write your PIN number, Social Security number, or passcode on any information that can be stolen or that you are discarding. Do not keep this information in your wallet or exposed in your living space.
- Try to memorize your passwords instead of recording them on paper or in the computer.
- Buy a shredder and use it.
- Avoid providing your Social Security number to any organization until you have verified its legitimacy.
- Check your credit file periodically by requesting a copy of your report.
- Do not complete credit card applications at displays set up on campus. This exposes your personal information to people you don't know.
- Use your home address as your permanent mailing address, rather than a temporary address while in school.
- Do not provide personal information on a social network that can be used by an identity thief. You don't know these people!
- Carry your wallet in your front pocket instead of your back pocket.
- Place security freezes on your credit scores. This prevents anyone from looking at your credit report except for companies that already have a financial relationship with you.

Lenders who can't pull your credit report are unlikely to grant new credit to someone else in your name.

- Opt out of pre-approved credit offers, which are easy for identity thieves to steal. This stops credit bureaus from selling your name to lenders.
- Don't use obvious passwords like your birthday, your mother's maiden name, or the last four digits of your Social Security number.

(Adapted from; Consumer Report, 2012; Consumer Response Center brochure, 2003; Identity Theft and Fraud, Yip, P. (2008).

BATTLING THE BIG "IFS"

Do You Know What to Do When You Need Something?

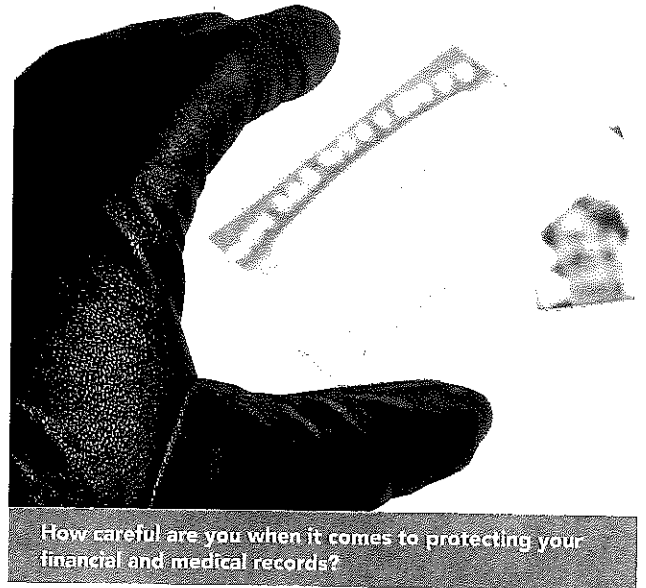
Below, you will find some helpful tips for managing some important financial decisions in your life and protecting yourself when things get tough.

If You Need to Purchase a Car:

- Do not purchase a new car. We know it is tempting, but the value will plummet 20 to 40 percent the moment you drive off the lot. It is just not worth it! Purchase a two- to three-year-old car from a reputable dealer.
- *Don't* fall in love with a car before you know everything about it. Love is blind when it comes to people . . . and cars, too!
- Purchase an extended warranty, *but* read the terms carefully.
- Always ask for a "Car-fax" and a title search, and make the dealer pay for them.
- Check to see if your state has a "lemon law," and if so, read it carefully.
- Don't be pressured into a sale by lines, such as: "this is our last one like this," or "I've got several people interested in this car." Let the other people have it.
- Make sure the vehicle has passed the smog test if one is required in your state.

If You Need to Save on Fuel:

- Consider carpooling.
- Make sure your car is in good running condition and that your tires are inflated properly. Get your car tuned up often.
- Drive slower and at a constant speed, when possible. Driving 74 mph instead of 55 mph increases fuel consumption by as much as 20 percent.
- Check your car's air filter and fuel filter and replace them if they are dirty.
- Do not use "Jack Rabbit" starts. Accelerate easily after red lights and stop signs. "Flooring it" costs money.
- When stuck in traffic, try to drive at a steady pace and not stop and start. Watch how the large trucks do this—they seldom come to a complete stop.
- Plan your trip so that you can make the most number of right turns, thus saving time at traffic lights. Also, combine your errands so that you can make fewer trips.



How careful are you when it comes to protecting your financial and medical records?

from ORDINARY to Extraordinary



Leo G. Borges Founder and Former CEO, Borges and Mahoney, San Francisco, CA

Tulare, California, is still a farming community today. In 1928, when I was born, it was totally agricultural and an exceptionally rural, detached part of the world. My parents had immigrated to California from the Azore Islands years earlier in search of a better life—the American dream. My father died when I was three years old, and when I was 11, my mother passed away. Even though I lived with and was raised by my sisters, aloneness and isolation were the two primary feelings I had growing up. We were orphans. We were poor. We were farm kids. We were considered Portuguese, not Americans. Every day, someone reminded us of these realities. However, one positive thing remained: My mother always told us that we could be anything or have anything if we believed in it and worked hard for it.

I left home at 17 to attend a program in advertising in San Francisco. Later that year, I moved to Los Angeles and began working for a major advertising firm. From there I enlisted in the Coast Guard, and when my duty was over, I worked for an oil company and then a major leasing firm. In each position, I worked my way up the ladder, always tried to do my very best, and proved that I was capable of doing anything, regardless of my background.

When I was in my early forties, my best friend, Cliff, and I decided to start our own business. We were tired of working in "middle management" and knew that we could be successful if we worked hard. After much research and consulting with companies across the country, we determined that we would start a company in the water treatment business.

You may be asking yourself, "What experience did an advertising agency, an oil company, and a leasing firm give me to start a business in water treatment?" The answer is

none. However, Cliff was an excellent accountant, and I was an excellent salesman. We found a third partner who was one of the leading water treatment experts in the world and we were off. It was not easy, and we had to eat beans for many meals, but Borges and Mahoney, Inc., was born.

Our first office was a small storefront in San Francisco. Through the development of superior products, expert advice to clients, and outstanding customer service, we grew and grew, finally moving to our largest location in San Rafael, California. By the time we sold our business some 20 years later, we had 15 full-time employees and annual revenues in the millions of dollars.

To this day, I attribute my success to the fact that I was determined to show everyone—my sisters, cousins, aunts and uncles, former coworkers, friends and foes—that I would never let my past, my heritage, my economic background, or my history hold me back. I knew that I could be a success. Through hard work, determination, and surrounding myself

with supportive, brilliant people, I proved that the American dream my parents sought years earlier is truly possible for anyone who works hard, believes in him- or herself, and doesn't give up. It is possible for you, too

We were orphans. We were poor. We were farm kids. We were considered Portuguese, not Americans.

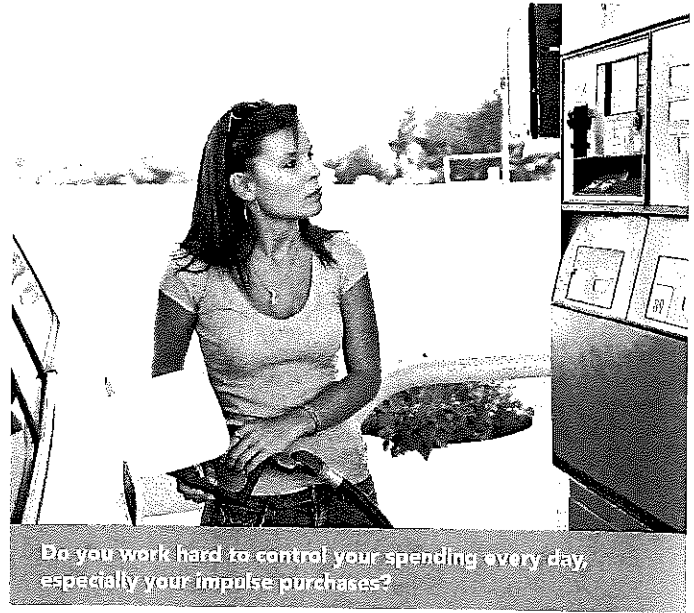
EXTRAORDINARY REFLECTION

Mr. Borges states that through hard work, determination, and surrounding himself with supportive, brilliant people, he and his partner, Cliff, were able to become very successful in business and beyond. Whom can you call upon in your life to offer you support and provide you solid, smart advice? What questions do you need to ask them?

- Clean out your car. Carrying around just a few extra pounds in the trunk or back seat costs fuel. For every 100 extra pounds of weight in your car, fuel efficiency is decreased by two percent.
- Stick with the wheels and tires that came with your car. If you are using larger wheels and tires than recommended, this creates more drag and weight on your car and costs you more fuel.
- Use the telephone. Often, many things can be accomplished without personal visits.

If You Feel the Urge to Make an Impulse Purchase:

- Use the 72-hour rule. Wait 72 hours to make any purchase over \$50.
- If you still feel the need to purchase the item after 72 hours, consider your budget and how you are going to pay for it.
- Consider waiting until you can pay cash for the item, or consider putting the item on layaway. Do not charge it!
- Purchase the item later as a reward to yourself for getting all A's in your classes.
- Think about how purchasing this item will affect your family's budget.
- Make as few trips out shopping as possible to lower your temptation to purchase things you can't afford and don't need.



Do you work hard to control your spending every day, especially your impulse purchases?

If Your Grocery Bill Is Out of Control:

- Shop with a calculator or your smart phone's calculator app and enter each item as you place it into your cart. This will give you a great idea of what you're spending.
- Create a menu for each day of the week and shop only for the items on your list. Do not shop when you are in a hurry, tired, or after working all day.
- Consider purchasing generic brands—often they are the same product with a different label.
- Clip coupons. They actually work. Go online to your favorite product's website and print off their online coupons. Try to shop where stores double or triple the coupon's value.
- Consider cooking in bulk and then freezing leftovers for later in the week.
- Look for placement of the product in the store. Items at chest level are the most expensive. Look up and down on the shelves to find less expensive items.
- Do not shop for convenience items, such as pre-made meals, bakery items, or boneless chicken breasts. Purchase an entire chicken and cut it up. You'll save a lot of money this way.
- Buy in bulk at one of the major warehouse stores. Often this can save a lot of money if you are buying for a large family.

If Your Child Wants Something That Other Children Have:

- Use Freecycle. Log onto www.freecycle.org, a non-profit organization made up of over 4600 groups with nearly six million members who give things away in many towns.
- Consider giving your children a small allowance and have them save for the items they want to buy.

- Make the purchase a reward when your child passes a test or does something productive.
- Try to shop “out of season” when things are cheaper, for example, buy coats in the summer time.
- Keep an eye out for bargains all year long, such as school supplies—don’t wait until school is about to start and things are more expensive.
- Consider shopping at thrift stores or yard sales. Often, items can be purchased at a fraction of the original price and they are in great condition.
- Trade with other parents. Perhaps they have an item that their child has outgrown and is still in great shape.
- Ask others to purchase certain items for your child’s birthday or other holidays. Directed gift giving is a great way to save money.

If Your Credit Cards Are Lost or Stolen:

- Contact your local police immediately.
- Notify your creditors immediately and request that your accounts be closed.
- Ask the card company to furnish copies of documents that show any fraudulent transactions.
- Refuse to pay any bill or portion of any bill that is a result of identity theft.
- Report the theft or fraud to the credit reporting agencies.



REFLECTIONS ON FINANCIAL RESPONSIBILITY

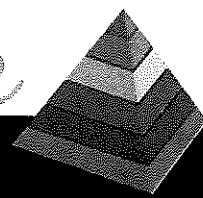
Although many young people fail in the management of their personal finances, there is no reason that you cannot manage your financial business well. You should think about personal finance and the management of money and investments as basic survival skills that are very important to you now, as well as for the rest of your life.

Since only 10 percent of high school students graduate from high school with any kind of instruction in personal finance, learning to budget your money, make wise investments, and avoid credit card debt are priority needs of all students. As you move toward establishing yourself in a career, it is important to remember that to get what you want out of life, a significant part of your success will depend on your ability to make sound money decisions. We hope you will learn to make money work for you instead of you having to work so hard for money because of poor decisions made early in life. As you become a good money manager, the following tips will assist you:

- Protect your credit rating by using wise money-management strategies.
- Learn all you can about scholarships and grants.
- Understand the regulations about repaying student loans.
- Don’t borrow any more money than you absolutely have to.
- Ask for your credit score at least once a year and be sure you have a good one.
- Use only one or two credit cards.
- Try to pay off your credit card each month before any interest is charged.
- Write down your credit card numbers and keep them in a safe place in case your cards are lost or stolen.
- If you get into credit card trouble, get counseling.
- Learn everything you can about investments and retirement plans.

- Don’t get caught in the credit card trap.
- Know exactly how you are spending your money.

Knowledge in Bloom



IDENTIFYING, ANALYZING AND IMPROVING YOUR MONEY MANAGEMENT SKILLS

Utilizes Levels 1–6 of the Taxonomy (See Bloom's Taxonomy at the front of this text)

PROCESS: It is never too early to study and evaluate your financial habits and map out your financial future. In this exercise, you will be asked track every cent that you spend over a three-day period. This includes things as large as a house payment and as small as a bottle of water. At the end of three

days, you will be asked to evaluate and critique your spending habits and develop a plan to improve your financial future. You will need to be honest with yourself and identify current financial practices and concerns.

TRACKING EXPENDITURES AND SPENDING HABITS CHART

Over the course of the **next three days**, write down **every cent you spend**, including fuel, food, bottled water, childcare, newspapers, etc.—every cent. After three days, analyze your spending habits and determine at least five ways that you can cut expenses.

DAY #1	DAY #2	DAY #3
Total for Day #1 \$ _____	Total for Day #2 \$ _____	Total for Day #3 \$ _____

SQ3R MASTERY STUDY SHEET

EXAMPLE QUESTION (FROM PAGE 254)

What are the types of financial aid?

ANSWER:**EXAMPLE QUESTION (FROM PAGE 254)**

How does a grant differ from a loan?

ANSWER:**AUTHOR QUESTION (FROM PAGE 252)**

What is the difference between standard of living and quality of life?

ANSWER:**AUTHOR QUESTION (FROM PAGE 259)**

What is a FICO score and why is it important to your future?

ANSWER:**AUTHOR QUESTION (FROM PAGE 263)**

What are some of the dangers of credit card debt?

ANSWER:**AUTHOR QUESTION (FROM PAGE 267)**

How can you avoid identity theft?

ANSWER:**AUTHOR QUESTION (FROM PAGE 267)**

What is the Latte Factor and how can you use it to manage your finances more effectively?

ANSWER:**YOUR QUESTION (FROM PAGE ____)****ANSWER:****YOUR QUESTION (FROM PAGE ____)****ANSWER:****YOUR QUESTION (FROM PAGE ____)****ANSWER:****YOUR QUESTION (FROM PAGE ____)****ANSWER:****YOUR QUESTION (FROM PAGE ____)****ANSWER:**

Finally, after answering these questions, recite this chapter's major points in your mind. Consider the following general questions to help you master this material.

- What is it about?
- What does it mean?
- What is the most important thing you learned? Why?
- What are the key points to remember?