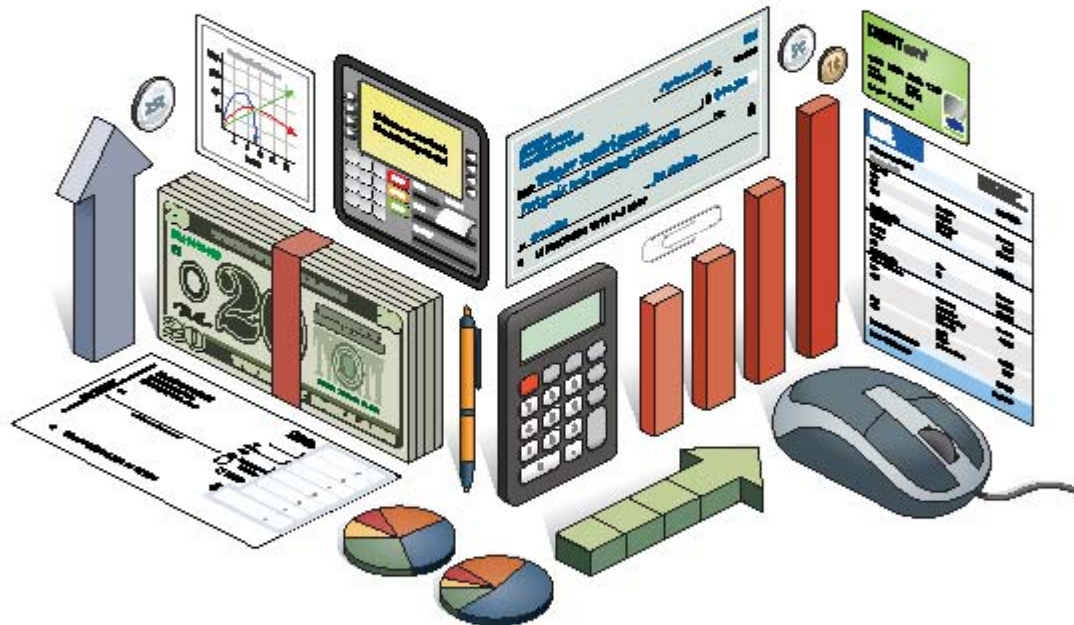




Hands on Banking[®]

YOUNG ADULTS INSTRUCTOR GUIDE



Money Skills You Need For Life

A program by



Version 4.0

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 classroom use. These Instructor Guides are designed to 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 *Hands on Banking* with others, you'll help them to take control of their finances and build a brighter financial future.

Program Overview

Hands on Banking 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).

Hands on Banking 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, applying for a credit card, or starting a small business, *Hands on Banking* provides real-world skills and knowledge everyone can use.

Educational Standards

It's easy to integrate *Hands on Banking* into the classroom: the lessons for school-aged students are aligned with national and state educational standards for economics, financial literacy, mathematics, and English language arts.

The segments in this program adhere to the following economics, financial literacy, mathematics, and English language arts standards:

- National Council of Economic Education, the National Association of Economics Educators, and the Foundation for Teaching Economics, *Voluntary National Content Standards in Economics* (1997). For details, see www.fte.org.
- JumpStart Coalition for Personal Financial Literacy, *National Standards in K-12 Personal Finance Education* (2007). For details, see www.jumpstartcoalition.org
- National Council of Teachers of Mathematics, *Principles and Standards for School Mathematics* (2000), Grades 9-12. For details, see www.standards.nctm.org.
- The National Council of Teachers of English (NCTE) and International Reading Association (IRA), *Standards for the English Language Arts* (1996); Grades K-12. For details, see www.ncte.org.

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 online program includes simulations, calculators and an extensive resource library to help supplement these guides—please take advantage of all these great resources.

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

1. Getting Started
2. Earning \$
3. Spending Smart
4. Save, Invest & Build Wealth
5. All About Credit
6. School & \$

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

The instructions for organizing your group for activities are recommendations only. You know what will work best when it comes to teaching and engaging your group.

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 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.



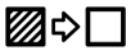
Handout

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, there are handouts that describe how to prepare for a job interview and how to apply for a credit card.



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 *Hands on Banking* 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 to use while teaching key concepts (look for the library icon as seen above). We encourage you to review the full library selection online or on the program CD-ROM. Feel free to enrich your classroom sessions with any 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 Adult course 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 emphasize 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

Hands on Banking is available free of charge in both English and Spanish.

- On the Web at www.handsonbanking.org and www.elfuturoentusmanos.org.
- Available for free on CD-ROM—all four age groups are included.
- You may order a CD at HOB CD@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.

TOPIC 3 – SPENDING SMART

SPENDING SMART

TOPIC OVERVIEW

This topic teaches participants how to create a strategy for making the most of the money they have. They learn how to become a savvy shopper and take advantage of tips for everyday shopping and major purchase. Finally, they are introduced to the ins and outs of shopping for a car and renting an apartment.

This topic has five lessons:

1. The value of \$
2. Have a plan?
3. Be a savvy shopper
4. Smart car buying
5. Renting an apartment

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.

TOPIC 3 – SPENDING SMART

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TOPIC 3 – SPENDING SMART

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.

TOPIC 3 – SPENDING SMART

GLOSSARY

Appreciation	The amount of value an item such as a car, home or stock, gains over time from the original purchase price.
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.
Cost of living	The cost of maintaining a standard of living based upon costs of goods and services.
Credit check	A lender, landlord, employer, or insurer's inquiry at a credit bureau for the purpose of evaluating the credit history of an applicant.
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.
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.
Gross income, gross salary	For an individual, the full amount of money earned during a specific time period. For a business, the pre-tax net sales minus the cost of goods sold.
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.
Landlord	The owner of a property that is leased or rented.

TOPIC 3 – SPENDING SMART

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.
Preapproval	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.
Security deposit	An amount that you may be required to pay the landlord for protection for any potential damage to rental property.
Spending plan	Also known as a budget, a method of tracking your monthly income and expenses.
Take-home pay	SEE "Net Income"
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.
Warranty	A written guarantee of the quality of the product that is issued by the seller and/or manufacturer.

TOPIC 3 – SPENDING SMART

LESSON 1: THE VALUE OF MONEY

This lesson gives participants the opportunity to pre-test their knowledge about key concepts introduced in this topic.

Learning Objectives

After completing this lesson, participants will be able to:

- Identify key phrases and definitions related to smart spending

The Basics

- Spending money is fun, but the important thing is getting the most you possibly can from what you spend.
- By shopping smart, you can not only save money, but also get things that are valuable to you that you really use and enjoy.

TOPIC 3 – SPENDING SMART



Are You a Smart Spender? (Instructor Copy)

Instructor note:

Write all the credit terms on a chalkboard/whiteboard or large piece of paper. Divide your class into groups. Tell your participants that you will read a partial definition of each term. Each group's spokesperson will have fifteen seconds to state the correct term once you stop reading the definition. Each correct answer earns one point. If a group cannot answer, another group can steal. Then, go through each term and mention the key points from the chart below.

Feel free to add other definitions and terms to this list.

Instructions:

Have participants state the correct term for the definition that's read.

Spending plan	Strategy for using your income to meet your goals <ul style="list-style-type: none">• A spending plan can help you pay your bills, save, and have money left over every month.
Warranty	Performance guarantee given to a buyer of goods or services. <ul style="list-style-type: none">• For big purchases, getting a warranty is a good idea.
Auto lease	Contract to use a car for a specific period of time. <ul style="list-style-type: none">• There are potential benefits and drawbacks to leasing a car.
Premium	The amount you pay for insurance. <ul style="list-style-type: none">• It's a good idea to understand the basics of insurance, including key terms like "premium."
Co-pay	Detractor
Deductible	Detractor
Car insurance	Detractor

TOPIC 3 – SPENDING SMART

LESSON SUMMARY

Instructor note:

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

Key points from the Value Of \$ lesson:

- Spending money is fun, but the important thing is getting the most you possibly can from what you spend.
- By shopping smart, you can get things that are valuable to you that you really use and enjoy.

TOPIC 3 – SPENDING SMART

LESSON 2: HAVE A PLAN?

In this lesson, participants learn how to create a one-page strategy for making the most of the money they have. The lesson also provides great tips for prioritizing their bill payment to make their monthly income last.

Learning Objectives

After completing this lesson, participants will be able to:

- Create a one-page strategy for making the most of their money
- Explain what to pay first to make their monthly income last

Start the Discussion

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

- Do any of you currently keep a monthly budget?
- Why do you think you should have a written plan for how you will spend your money?
- Do you see a plan or budget as a hindrance or a guide? Why?
- What things do you seem never to have enough money to purchase? How do you think a plan could help you with that?
- When you go shopping what are some of the ways you save money?

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, for example, have some savings for emergencies, and some money left over in your pocket every month.



Before you start the lesson, use the following scenario to get participants thinking.

TOPIC 3 – SPENDING SMART



What should Daneeka pay first? (Instructor Copy)

Instructor note:

Photocopy the activity handout on the following page. Instruct your participants to read Daneeka's story and choose the best decision for her. Instruct them to also write a few sentences about why they selected an answer. Then, ask participants to share their answers and opinions and lead a discussion.

Instructions:

Have your participants read Daneeka's situation and then choose the best decision for her. Then, in the space provided, have them explain why they think this is the best choice.

Daneeka's story:

Daneeka wants to pay for things in the right order so that her monthly income covers her needs.

- A. The first thing I'll do is set aside the money I need for everyday expenses, like groceries and bus fare.

- B. I know I have some big expenses coming, so I'd better set that money aside first.

- C. Before I do anything else, I'm going to pay my bills.

Key points:

- There are many potential penalties if she pays late – late fees, losing things she bought on credit, even being evicted from her apartment!

TOPIC 3 – SPENDING SMART



What should Daneeka pay first?

Instructions:

Read Daneeka's situation and then choose the best decision for her. Then, in the space provided, explain why you think this is the best choice.

Daneeka's story:

Daneeka wants to pay for things in the right order so that her monthly income covers her needs.

A. The first thing I'll do is set aside the money I need for everyday expenses, like groceries and bus fare.

B. I know I have some big expenses coming, so I'd better set that money aside first.

C. Before I do anything else, I'm going to pay my bills.

TOPIC 3 – SPENDING SMART



Spending Step-by-Step Activity (Instructor Copy)

Instructor note:

Photocopy the activity handout on the following page. Distribute the handout to participants, but ask them to keep it face down. Explain to participants that when you give the signal, they should flip over their activity handout and place the steps listed in the right order to help them make their monthly income last. The first person finished wins!

Then, lead a discussion focusing on the key points below. Ask participants if they use any other steps for their monthly budget or plan or ask them to consider what other steps might be beneficial.

Instructions:

To make your monthly income last, in what order should you pay for things? Have your participants place these items in the correct order.

Step 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!
Step 2 - Set aside the money you'll need for your weekly and day-to-day expenses Such as groceries and bus fare.
Step 3 - Put money into savings. Try to build two months of take-home pay for an unexpected financial emergency.
Step 4 - Set aside money for larger expenses. You will know these large expenses are coming—such as car repairs or appliances.
Step 5 - Set aside money for your major future goals. Such as a home, college education, a new car, or travel.
Step 6 - If you begin to earn more, increase the amount you save as much as you can.



Help participants take their money management skills to the next level by creating their own Spending Plan.

TOPIC 3 – SPENDING SMART



Spending Step-by-Step Activity

Instructions:

To make your monthly income last, in what order should you pay for things? Place these steps in the correct order.

_____ Pay your monthly bills.

_____ Set aside money for weekly and day-to-day expenses.

_____ Put money into savings.

_____ Set aside money for larger expenses.

_____ Set aside money for your major future goals.

_____ If you begin to earn more, increase the amount you save as much as you can.

TOPIC 3 – SPENDING SMART



What is a Spending Plan? (Instructor Copy)

Instructor note:

Photocopy the activity handouts on the following pages. Divide the class into small groups. Mention the key points of a Spending Plan, then distribute the first (blank) activity handout. Instruct participants to answer the questions in the space provided. When groups are finished have them share their responses and note those on a whiteboard/chalkboard or large piece of paper. Then distribute the completed activity handout and continue the discussion about the importance of a spending plan/budget.

Key points:

- It's simple to create a Spending Plan—write down how much money comes in during an average month and then decide how you're going to spend it.
- Putting it down on paper helps you see where you can make better money decisions.
- 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.
- Create a spending plan you can live with. Be realistic and flexible. The trick is to live within your income so you can pay expenses but still have some money left-over for your own flexibility.
- Review your plan every month. Adjust it as your income and expenses change.
- 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. Don't forget to "pay yourself" by saving!

What is the difference between income and take home pay?	<ul style="list-style-type: none"> • 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?	<ul style="list-style-type: none"> • To get a clear picture of your spending right now, keep a spending diary for a month or two. • Save your receipts. Write down items and amounts for what you spend.
List an example for each of these three types of expenses.	<p>There are three types of expenses.</p> <p>1. Fixed expenses:</p> <ul style="list-style-type: none"> • 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. <p>2. Flexible expenses:</p> <ul style="list-style-type: none"> • 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. <p>3. Discretionary expenses:</p> <ul style="list-style-type: none"> • Money you choose to spend, but don't necessarily have to spend. • Could include clothes, movies, and dining out.
What should you do if find there's not enough income to cover expenses?	<ul style="list-style-type: none"> • After writing your spending plan, you may find that there's not enough money to go around. • Fixed expenses may be difficult to change so look for ways to decrease your flexible/discretionary expenses – and/or, increase your income.

Continued on next page.

TOPIC 3 – SPENDING SMART

What is a Spending Plan? (Instructor Copy), Continued

What are trade-offs?	<ul style="list-style-type: none">• Most people can't afford everything they want, so they 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.
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A spending plan can help you live within your income. That means not spending money faster than you earn it and not borrowing more money than you can afford to repay.

TOPIC 3 – SPENDING SMART



What is a Spending Plan?

Instructions:

Answer the questions in the space provided.

What is the difference between income and take home pay?	
Why and how should you track your spending?	
List an example for each of these three types of expenses.	Fixed expenses: Flexible expenses Discretionary expenses:
What should you do if find there's not enough income to cover expenses?	
What are trade-offs?	



A spending plan can help you live within your income. That means not spending money faster than you earn it and not borrowing more money than you can afford to repay.

TOPIC 3 – SPENDING SMART



What is a Spending Plan?

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List an example for each of these three types of expenses.	<p>There are three types of expenses.</p> <p>1. Fixed expenses:</p> <ul style="list-style-type: none"> • 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. <p>2. Flexible expenses:</p> <ul style="list-style-type: none"> • 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. <p>3. Discretionary expenses:</p> <ul style="list-style-type: none"> • Money you choose to spend, but don't necessarily have to spend. • Could include clothes, movies, and dining out.
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What are trade-offs?	<ul style="list-style-type: none"> • Most people can't afford everything they want, so they 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.



A spending plan can help you live within your income. That means not spending money faster than you earn it and not borrowing more money than you can afford to repay.

TOPIC 3 – SPENDING SMART



Create Your Own Spending Plan Activity (Instructor Copy)

Instructor note:

Photocopy the activity handout on the following page and distribute to participants. Using the category examples below ask various participants which category each of these belong in. Then briefly review other items on the full plan to ensure they understand the three expense categories. Consider challenging your participants to track their expenses for a month using this form.

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

Housing (rent/mortgage)

Car insurance

Groceries

Telephone (including cell phones)

Dining out

MONTHLY INCOME	Estimate/Goal	Actual Earned
Salary from Job 1	\$	\$
Salary/Wages from Job 2	\$	\$
Other Income	\$	\$
Total Monthly Income	\$	\$
MONTHLY EXPENSES	Estimate/Goal	Actual Spent
Fixed Expenses		
Rent	\$	\$
Car loan payments	\$	\$
Car insurance	\$	\$
Other debt payments (credit cards/loans)	\$	\$
Other:	\$	\$
Flexible Expenses		
Groceries	\$	\$
Gas	\$	\$
Telephone (cell phones too)	\$	\$
Utilities	\$	\$
Household items	\$	\$
Other:	\$	\$
Discretionary Expenses		
Clothing	\$	\$
Dining out	\$	\$
Entertainment	\$	\$
Gifts	\$	\$
Savings	\$	\$
Other		
Total Monthly Expenses	\$	\$

Continued on next page.

TOPIC 3 – SPENDING SMART

Create Your Own Spending Plan Activity (Instructor Copy), Continued



To get the most for your money, put some quality time and thought into your plan. And remember to update it as your situation changes.

TOPIC 3 – SPENDING SMART



Create Your Own Spending Plan Activity

Instructions:

This is a sample spending plan. Write the correct category name in each blank field on the spending plan as part of the discussion

Categories:

Salary from Job 1

Housing (rent/mortgage)

Car insurance

Groceries

Telephone (including cell phones)

Dining out

MONTHLY INCOME	Estimate/Goal	Actual Earned
	\$	\$
Salary/Wages from Job 2	\$	\$
Other Income	\$	\$
Total Monthly Income	\$	\$
MONTHLY EXPENSES	Estimate/Goal	Actual Spent
Fixed Expenses		
	\$	\$
Car loan payments	\$	\$
	\$	\$
Other debt payments (credit cards/loans)	\$	\$
Other:	\$	\$
Flexible Expenses		
	\$	\$
Gas	\$	\$
	\$	\$
Utilities	\$	\$
Household items	\$	\$
Other:	\$	\$
Discretionary Expenses		
Clothing	\$	\$
	\$	\$
Entertainment	\$	\$
Gifts	\$	\$
Savings	\$	\$
Other		
Total Monthly Expenses	\$	\$



To get the most for your money, put some quality time and thought into your plan. And remember to update it as your situation changes.

TOPIC 3 – SPENDING SMART

LESSON SUMMARY

Instructor note:

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

Key points from the Have a 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, for example, have some savings for emergencies, and some money left over in your pocket every month.

ADDITIONAL ACTIVITIES

These activities are designed to extend the new concepts presented in the Have a Plan? Topic. Use these or similar activities to give participants an opportunity to apply what they have just learned to real-life scenarios.

- *Create a Spending Plan for yourself and commit to follow it for a month or two. When the time is up, record your savings or overages and then fine tune your plan for the next several months. If you do have extra money, decide what to do with it—put it in a savings account, a Certificate of Deposit, or earmark it for something special.*
- *Look at the resource handout that lists the five steps (such as pay your monthly bills or put money into savings) to help make your monthly income last. Then, try to follow these steps for a month or two to see how it works.*
- *Decide on an item, or trip, or something special that you'd like. Use your Spending Plan to define how you will save and when you think you'll be able to achieve your goal.*

TOPIC 3 – SPENDING SMART

LESSON 3: BE A SAVVY SHOPPER

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

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:

- What do you consider is a big purchase for you?
- How would you plan your spending to make this big purchase?
- Have you ever gone shopping and bought something impulsively and then asked yourself 'why did I buy this' when you got home or the next day?
- What kinds of situations make you want to shop more or shop less?
- How often do you shop? (for items other than necessities, like groceries)

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.



Before you start the lesson, use the following scenario to get participants thinking.

TOPIC 3 – SPENDING SMART



Rafael's Cell Bill is out of Control (Instructor Copy)

Instructor note:

Photocopy the activity handout on the following page. Instruct your participants to read Rafael's story and choose the best decision for him. Instruct them to also write a few sentences about why they selected an answer. Then, ask participants to share their answers and opinions and lead a discussion. Ask participants to share their own cell phone experiences that may be similar to Rafael's.

Instructions:

Have your participants read Rafael's situation and then choose the best decision for him. Then, in the space provided, have them explain why they think this is the best choice.

Rafael's story:

Rafael is ready to sign up with a new cell phone provider. He wants to reduce his cell phone expense -- and avoid the "surprise" of another huge bill.

- A. I'm going to look at how many minutes and messages I've been using, compare companies and plans online, and read the contract before I sign.

- B. I'm going to sign-up for the best "new customer" deal I can find. Those are always the cheapest.

- C. It's just confusing to compare companies and plans. I'm going to ask one experienced salesperson. If I trust them, I don't need to read the contract.

Key points:

- Rafael's best choice is to compare companies and plans and read the contract carefully before he signs.
- This will help him control his costs. Having a bill he can always pay on time and in full is an important step in building good credit.
- By doing online research, he can compare the websites of the different companies rather than base his decision on price alone. Some companies also let you review your account online or phone in for free to keep track of your cell phone usage. Try it.
- Whether you're buying products or services, comparison shopping and reading contracts are two keys to smart money management



Watch out! High text messaging charges can add up to hundreds of dollars a month! Exceeding the number on your plan may mean being charged \$.10 for each text you send and \$.02 – .10 for each you receive.

TOPIC 3 – SPENDING SMART



Are you a Smart Shopper? (Instructor Copy)

Instructor note:

Photocopy the activity handout on the following page. Divide the class into small groups and have them brainstorm tips to for each of the topics listed in the left had column of this chart. At least one tip must be something that one member of the group currently does to save money and shop smart. Then have each group report their tips. When they're finished, distribute the filled out chart on the page after next and discuss these key points.

Instructions:

Have your participants list several tips for each shopping situation.

At the store	<ul style="list-style-type: none"> • Resist impulse buying! • Ask: 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? • Limit the cash you carry; shop with a spending plan in mind; avoid ATM fees; watch for sales; wait for the right price; look for coupons & rebates.
Food shopping	<ul style="list-style-type: none"> • Save money by eating at home; make a shopping list for the grocery store; watch for sales and coupons; buy products you use frequently in large sizes or bulk quantities • Don't go food shopping when hungry.
Credit card tips	<ul style="list-style-type: none"> • Use a credit card to purchase larger, lasting items; limit the number of credit cards you have; avoid having a monthly credit card balance greater than 10% of your monthly net income. • Don't use credit cards to buy things you really can't afford—avoid debt!
Cell phone tips	<ul style="list-style-type: none"> • Shop for a package deal • Watch out for high text messaging and web access charges • Read the contract before you sign; ask questions; make sure you understand all features & fees • Deep track of your usage; pay your bill on time and in full.
Take advantage of discounts	<ul style="list-style-type: none"> • You may be eligible for discounts if you have a valid student or military, ID, or other organization memberships. • Research the benefits and ask stores what cards they honor for discounts. Some grocery and drug stores offer savings cards for customers. • Some stores and businesses offer their employees a special discount on merchandise. Consider getting a seasonal job at a store where you plan to do your holiday shopping, for example.
Skip the rest, save for best	<ul style="list-style-type: none"> • Consider skipping a few low-cost purchases you could do without in order to save for one item you really value. • Bypass small luxuries (like fancy coffees and movie rentals) for a few months. Use the money to help you afford one great travel experience.
Find a creative way	<ul style="list-style-type: none"> • How can you obtain something you want at a lower cost or even for free? For example, you could hear a concert by volunteering to usher. • Or you might get some friends together in order to qualify for a volume or group discount. • Share magazine subscription w/ a friend instead of buying single issues

Continued on next page.

TOPIC 3 – SPENDING SMART

Are you a Smart Shopper? (Instructor Copy), Continued



For more information about buying on credit, guide participants to the topic *All About Credit*. Next, they'll get advice about major purchases.



Not sure where your money's going? It's easy to keep track of your spending: keep your receipts and review your monthly statements. Check them both against your Spending Plan.

TOPIC 3 – SPENDING SMART



Are you a Smart Shopper?

Instructions:

List several tips for each shopping situation.

At the store	
Food shopping	
Credit card tips	
Cell phone tips	
Take advantage of discounts	
Skip the rest, save for best	
Find a creative way	

TOPIC 3 – SPENDING SMART



Are you a Smart Shopper?

Instructions:

Use the space provided to take notes or write down your questions.

<p>At the store</p>	<ul style="list-style-type: none"> • Resist impulse buying! • Ask: 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? • Limit the cash you carry; shop with a spending plan in mind; avoid ATM fees; watch for sales; wait for the right price; look for coupons & rebates.
<p>Food shopping</p>	<ul style="list-style-type: none"> • Save money by eating at home; make a shopping list for the grocery store; watch for sales and coupons; buy products you use frequently in large sizes or bulk quantities • Don't go food shopping when hungry.
<p>Credit card tips</p>	<ul style="list-style-type: none"> • Use a credit card to purchase larger, lasting items; limit the number of credit cards you have; avoid having a monthly credit card balance greater than 10% of your monthly net income. • Don't use credit cards to buy things you really can't afford—avoid debt!
<p>Cell phone tips</p>	<ul style="list-style-type: none"> • Shop for a package deal • Watch out for high text messaging and web access charges • Read the contract before you sign; ask questions; make sure you understand all features & fees • Deep track of your usage; pay your bill on time and in full.
<p>Take advantage of discounts</p>	<ul style="list-style-type: none"> • You may be eligible for discounts if you have a valid student or military, ID, or other organization memberships. • Research the benefits and ask stores what cards they honor for discounts. Some grocery and drug stores offer savings cards for customers. • Some stores and businesses offer their employees a special discount on merchandise. Consider getting a seasonal job at a store where you plan to do your holiday shopping, for example.
<p>Skip the rest, save for best</p>	<ul style="list-style-type: none"> • Consider skipping a few low-cost purchases you could do without in order to save for one item you really value. • Bypass small luxuries (like fancy coffees and movie rentals) for a few months. Use the money to help you afford one great travel experience.
<p>Find a creative way</p>	<ul style="list-style-type: none"> • How can you obtain something you want at a lower cost or even for free? For example, you could hear a concert by volunteering to usher. • Or you might get some friends together in order to qualify for a volume or group discount. • Share magazine subscription w/ a friend instead of buying single issues



Not sure where your money's going? It's easy to keep track of your spending: keep your receipts and review your monthly statements. Check them both against your Spending Plan.



TOPIC 3 – SPENDING SMART

Making Major Purchases (Instructor Copy)

Instructor note:

Photocopy the activity handout on the following page. Begin a discussion with your participants by asking questions such as:

- How do you select an item to purchase? Lowest price? Latest fad?
- What do you think should be a goal when you spend money?
- Who has recently bought something big? How did you decide which model/brand? Are you satisfied with your purchase?
- How can you safeguard yourself against problems when buying something big?

Then, distribute this activity handout and use it for your discussion.

Ever buy something big and then regret it later? Follow these steps to make sure you're always a satisfied buyer.

To be a highly satisfied buyer	
Consider your needs	Is this item something you want or truly need? Ask yourself what needs you're trying to fill by making this purchase.
Check your budget	Decide how much you can spend on this purchase and still cover your other expenses. Watch for sales and special offers. Depending on the item and the store, you may be able to negotiate the price.
Research first	Inspect and try before you buy. Research product claims. Ask others for advice. Determine when, how, and where to buy the item to get the most for your money. Check warranties carefully.
Comparison shop	Shop around by Internet to save you time, effort, and transportation costs. Compare ads in newspapers and catalogues. Call three stores to compare prices, models, and return policies.
Shop for value	Remember: your goal is best overall 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.



Save your receipts. Return unsatisfactory products. If there's a problem before or after you buy, speak to the store manager. They should be motivated to solve your problem and keep you as a customer.

TOPIC 3 – SPENDING SMART



Making Major Purchases

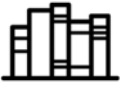
Ever buy something big and then regret it later? Follow these steps to make sure you're always a satisfied buyer.

To be a highly satisfied buyer	
Consider your needs	Is this item something you want or truly need? Ask yourself what needs you're trying to fill by making this purchase.
Check your budget	Decide how much you can spend on this purchase and still cover your other expenses. Watch for sales and special offers. Depending on the item and the store, you may be able to negotiate the price.
Research first	Inspect and try before you buy. Research product claims. Ask others for advice. Determine when, how, and where to buy the item to get the most for your money. Check warranties carefully.
Comparison shop	Shop around by Internet to save you time, effort, and transportation costs. Compare ads in newspapers and catalogues. Call three stores to compare prices, models, and return policies.
Shop for value	Remember: your goal is best overall 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.



Save your receipts. Return unsatisfactory products. If there's a problem before or after you buy, speak to the store manager. They should be motivated to solve your problem and keep you as a customer.

TOPIC 3 – SPENDING SMART



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: Shopping and Spending 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.

TOPIC 3 – SPENDING SMART

LESSON SUMMARY

Instructor note:

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

Key points from the Be a Savvy 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.

ADDITIONAL ACTIVITIES

These activities are designed to extend the new concepts presented in the Be a Savvy Shopper lesson. Use these or similar activities to give participants an opportunity to apply what they have just learned to real-life scenarios.

- *Write down everything you bought last week. Consider your list—were they any impulse items? Did you comparison shop for any large ticket items? Is everything on your list something you needed or just wanted?*
- *Think about a large ticket item that you're planning to buy in the future. Begin doing your research following the tips you learned in this lesson. Find at least three different brands and research their features and prices online and in store. Create a chart of the likenesses, differences, capabilities, pricing and warranty options. You'll be well on your way to making an informed purchase!*
- *Think about different things you currently do or buy, that with a little creativity, you can get for a lower cost or even free. Do you buy magazines off the shelf? Consider buying a subscription with a friend. Do you want to see more plays or concerts? Volunteer to help with the production. Think about changing your cell phone service to a pay as you go so you don't have to pay penalties for going over your minutes.*

TOPIC 3 – SPENDING SMART

LESSON 4: SMART CAR BUYING

This lesson provides a realistic look at the costs of car ownership. Participants will consider whether they really need a car and how to afford one if they do. They'll learn the pros and cons of owning vs. leasing and gain useful tips for car shopping.

Learning Objectives

After completing this lesson, participants will be able to:

- Consider all the costs involved when they determine what they can afford while car shopping
- List the potential benefits and drawbacks of leasing a car
- List the pros and cons of buying a new or used car
- Explain good tips to use while car shopping
- Understand basic car insurance terms and concepts

Start the Discussion

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

- How many of you currently own a car?
- What things were important to you when you went to buy this car?
- How did you prepare to cover the cost of the car?
- What is important to consider when you shop for a new car?
- What are some options to owning a car? Is there a positive impact on your financial situation?
- Does car shopping seem intimidating to anyone here? Why?
- 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 one of the millions of people who decide to get a car, the main thing is just be realistic about what it's going to cost you.
- Owning a car is definitely fun but it's a major responsibility and expense too.
- There's more to consider than just the cost of the car—extra expenses such as gas, parking, maintenance, repairs, insurance, taxes, and fees.
- The value of your car goes down the more you put miles on it.
- Leasing a car is an option and has potential benefits, but consider the drawbacks as well.
- Deciding between buying a new and used car may be a difficult decision—weigh the pros and cons of both options.
- Car insurance is critical to your protecting yourself financially. Consult with professionals before you buy.



Before you start the lesson, use the following scenario to get participants thinking.

TOPIC 3 – SPENDING SMART



Should Megan Buy a Car? (Instructor Copy)

Instructor note:

Photocopy the activity handout on the following page. Instruct your participants to read Megan's story and choose the best decision for her. Instruct them to also write a few sentences about why they selected an answer. Then, ask participants to share their answers and opinions and lead a discussion.

Instructions:

Have your participants read Megan's situation and then choose the best decision for her. Then, in the space provided, have them explain why they think this is the best choice.

Megan's story:

Megan's new job starts in three weeks. She's trying to figure out the best way to commute that's convenient but economical, too.

- A. Now that I have a full-time job, I should invest in a new car. I'll get to work on time and do my errands faster. Plus I can go away on weekends!

- B. I'll try public transportation first and then ask around at the office about ride sharing.

- C. Maybe I won't even need a car. I think I'll buy a really inexpensive used car. That will give me all three things I want – convenience, flexibility, and low cost.

Key points:

- Megan's best choice is to try public transportation first and ask around at the office about ride sharing.
- She may find she can get by just fine without a car. If so, she'll save lots of money – not to mention help the environment.
- She'll save the cost of a down payment, monthly loan payments, and expenses such as insurance, gas, maintenance, and repairs.
- She may not always be able to travel exactly where, when, and how quickly she wants to, but she may avoid a major expense.
- She may realize she does not like her job. Not having car payments will give her the flexibility to look for another job without the pressure of having to make monthly car payments.
- If you can walk or bike, you'll save money, get free exercise, and help reduce traffic and pollution.



Depending on the state, some car rental companies will not rent to younger customers or charge much higher rates. Do some research and shop around.



Next, your participants will get a reality check on car ownership costs.

TOPIC 3 – SPENDING SMART



What Can You Afford? (Instructor Copy)

Instructor note:

Photocopy the activity handout on the following page. Ask your participants to give their opinion on what things they should consider before buying a car. Write each one on a chalkboard/whiteboard or large piece of paper. Then distribute the activity handout and lead a discussion starting with these key points.

Your needs	Based on your situation, what type of vehicle will fill your transportation needs now and in the next few years? Will a 2-door compact do the job, or do you need a 4-door car or maybe a pick-up truck? Are safety and fuel economy important to you? Options such as a sunroof, leather seats, fancy wheels, and a sound system can be great, but they can add a lot to the price of the car.
Consider value	Reference guides such as Kelly Blue Book and Edmunds can help you determine the value of a vehicle. Some features, such as sunroofs and leather seats, may add to a car's resale value. Safety features are typically not very expensive for the benefits they offer, but might not add much to the resale value. Visit Web sites such as autotrader.com or vehix.com to compare models/features. Talk with a loan officer to get more info about car values.
New vs. used	Remember, almost all cars depreciate (go down in value) 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. 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 make all 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'll probably need some significant cash up front to acquire the car to begin with. This is known as the down payment. Have you set aside the amount you'll need?
Loan term	If you get a car loan, you'll have a monthly payment to the lender. Keep in mind that the longer the term of your loan (that is, the longer you have to pay the money back) the lower your monthly payment will be. But this will also mean that you'll pay more interest over the life of the loan and will 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 such as fuel, insurance, maintenance, registration, parking, and other expenses? Remember, 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.



How much -- and how quickly -- your car will depreciate (go down in value) will depend on factors including the make, model, year, where you live and how much you drive it.



If your participants are considering a car loan, guide them to the topic *All About Credit*. Next, they'll learn about leasing a car.

TOPIC 3 – SPENDING SMART



What Can You Afford?

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

Your needs	Based on your situation, what type of vehicle will fill your transportation needs now and in the next few years? Will a 2-door compact do the job, or do you need a 4-door car or maybe a pick-up truck? Are safety and fuel economy important to you? Options such as a sunroof, leather seats, fancy wheels, and a sound system can be great, but they can add a lot to the price of the car.
Consider value	Reference guides such as Kelly Blue Book and Edmunds can help you determine the value of a vehicle. Some features, such as sunroofs and leather seats, may add to a car's resale value. Safety features are typically not very expensive for the benefits they offer, but might not add much to the resale value. Visit Web sites such as autotrader.com or vehix.com to compare models/features. Talk with a loan officer to get more info about car values.
New vs. used	Remember, almost all cars depreciate (go down in value) 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. 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 make all 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'll probably need some significant cash up front to acquire the car to begin with. This is known as the down payment. Have you set aside the amount you'll need?
Loan term	If you get a car loan, you'll have a monthly payment to the lender. Keep in mind that the longer the term of your loan (that is, the longer you have to pay the money back) the lower your monthly payment will be. But this will also mean that you'll pay more interest over the life of the loan and will 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 such as fuel, insurance, maintenance, registration, parking, and other expenses? Remember, 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.



How much -- and how quickly -- your car will depreciate (go down in value) will depend on factors including the make, model, year, where you live and how much you drive it.

TOPIC 3 – SPENDING SMART



Leasing: Benefits & Drawbacks (Instructor Copy)

Instructor note:

Bring examples of car leasing ads and information (from newspapers, magazines, etc.) to share with participants to begin this discussion. Discuss what makes lease options appealing to consumers. Then, on the whiteboard/chalkboard or large piece of paper, write two headings: Benefits and Drawbacks

Divide the class into two teams. Alternate between teams asking them to provide a potential benefit or drawback for leasing a car (make sure to change it up so each team has to come up with drawbacks and benefits). Each team earns one point for a correct answer. After all the points are made, use this chart to add these key points.

Potential Benefits	Potential Drawbacks
<p>A new car</p> <p>Consider leasing if you enjoy having a new car with the latest features every few years – even though you won’t actually own it.</p>	<p>Fees for damage</p> <p>If you lease, it pays to maintain your vehicle in top condition. You may have to pay the dealer extra for even minor damage.</p>
<p>Lower monthly payments</p> <p>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.</p>	<p>Excess mileage charges</p> <p>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.</p>
<p>Easy transition</p> <p>You’ll avoid any trade-in or selling hassles when it’s time for another car.</p>	<p>Fixed term, early termination fee</p> <p>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.</p>
	<p>No trade-in value</p> <p>Similar to renting an apartment, leasing a car means that you’re paying to use it. Because you do not own the vehicle, you can’t sell or trade-in the vehicle as a down payment on your next vehicle.</p>



Next, your participants will decide whether they should go with a new or used car.

TOPIC 3 – SPENDING SMART



New vs. Used Activity (Instructor Copy)

Instructor note:

Photocopy the activity handout on the following page. Distribute the activity handout and tell your participants they will be matching features and benefits of new and used cars.

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. Then use this activity and participants’ comments to lead a discussion on car buying options.

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		Used Cars	
Features	Plus or minus?	Features	Plus or minus?
<i>Example. new car smell</i>	+		
Higher price <i>The purchase price of a new car is higher than a used car.</i>	-	Lower price <i>Used cars cost less & 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</i>	+
Instant depreciation <i>A new car depreciates by 15% or more the minute you buy it.</i>	-	Declining depreciation <i>Used cars continue to depreciate but typically depreciate the most during the first three years.</i>	+
Higher insurance/taxes/fees <i>These are generally higher than for a used car.</i>	-	Higher loan interest rate <i>A loan for a used car may carry a higher interest rate. Cars more than 7 yrs. old might not qualify for loans</i>	-
Warranty <i>New cars come with a warranty of up to 10 years or 100,000 miles.</i>	+	Limited or no warranty <i>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.</i>	-
Latest features and options <i>You'll have flexibility to order a new car with the features and options you want.</i>	+	Fewer feature choices <i>You can't "order" a used car with specific features. But you may get more features for the money.</i>	+/-
Top condition <i>A new car should have no previous wear, mechanical problems or body damage.</i>	+	Higher maintenance <i>Before buying, review maintenance documentation and check the car during the day. Test drive & consult a service to see if it has been damaged. Hire a mechanic for inspection.</i>	-

TOPIC 3 – SPENDING SMART

New vs. Used Activity (Instructor Copy), Continued



A good middle ground between new and used is a “certified pre-owned” car. These have been checked out by a dealer and come with a warranty.

TOPIC 3 – SPENDING SMART



New vs. Used Activity

Instructions:

Read the list of new and used car features. Write each feature in the Features 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		Used Cars	
Features	Plus or minus?	Features	Plus or minus?
<i>Example. new car smell</i>	<i>+</i>		



A good middle ground between new and used is a “certified pre-owned” car. These have been checked out by a dealer and come with a warranty.

TOPIC 3 – SPENDING SMART



Are you a Smart Car Shopper? (Instructor Copy)

Begin a discussion with your participants by asking questions such as:

- If you own a car, what tips or techniques did you use when you went car shopping?
- Did someone go with you when you went car shopping? Did they offer any advice? What was it and did it help you?
- Other than researching prices and types of cars, did you do any other research to prepare for car shopping?

Instructor note:

Use this quick true and false quiz to test participants' knowledge. Divide the class into two teams. Read each statement. The first team spokesperson that calls out the correct answer earns 25 points. If a team answers incorrectly, they'll be penalized 25 points. The team with the most points wins.

Shop for your car loan before you shop for your car.	TRUE
Try to get pre-approved for your loan.	TRUE
Stay firm about the exact make, model, year, and color you want.	FALSE
Purchase all dealer options such as undercoating, fabric protection, and paint sealant.	FALSE
Once you've made the deal, never cancel it.	FALSE
Work with the seller to determine how you could afford higher monthly payments.	FALSE
Decide on your top price, with monthly payments you can afford.	TRUE
Never sign a contract with any blank spaces.	TRUE



A pre-approval is a written commitment from a lender that confirms the price of car you can purchase. It lets you and others see, in writing, that you qualify for a specific car loan amount

TOPIC 3 – SPENDING SMART



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.

TOPIC 3 – SPENDING SMART



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. Then have them share similar experiences they may have had.

Instructions:

Have participants read Carl's story. Based on his 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 Carl's situation.

Carl's Story

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

1. Buy the used truck for cash and save the fees and interest expense of a loan.

Consequences:

Even though Carl owns the truck and isn't paying loan interest, he may not have any money left at all! He may not be able to buy plants and paying his bills late could hurt his business and his credit rating.

Feedback:

If Carl had plenty of cash to spare, he could own the truck right away, and he'd save on loan fees and interest. But if this purchase requires so much cash that he can't pay his 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:

Carl should feel good about his decision. He saved money by buying used and the down payment he made allowed him to get a loan with payments he can afford. When he makes his last loan payment three years from now, he'll own the truck and can give it to his brother

Feedback:

Both new and used cars can have high price tags, so most people get loans. It's a good strategy for Carl. But remember: he'll have to pay interest and fees for the loan, and he won't own the truck until he makes his 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, Carl may end up paying extra because of the number of miles he drives. When the lease is up, he won't own the truck and will have to buy it from the dealer so he can then give it to his brother.

Feedback:

Leasing may enable Carl 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.

TOPIC 3 – SPENDING SMART



Scenario Activity: What's the Best Choice?

Instructions:

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

Carl's Story

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

1. Buy the used truck for cash and save the fees and interest expense of a loan.

Should Carl choose this option? Why or why not?

2. Make a down payment for the used truck and get a loan for the rest.

Should Carl choose this option? Why or why not?

3. Lease the new truck.

Should Carl choose this option? Why or why not?

TOPIC 3 – SPENDING SMART



Car Insurance Basics (Instructor Copy)

Instructor note:

Consider inviting an insurance agent in to talk with your participants.

Photocopy the activity handout on the following page. Begin a discussion with your participants by asking questions such as:

- What are some basic car insurance terms (give an example: deductible)? What does that term mean?
- If you're in a car accident at you're not at fault, who pays what?
- What is a deductible and how does it affect the premium?
- Name some different types of coverage

Then, distribute the handout and lead a discussion using these key points.

Key points:

- Car insurance is critical for protecting yourself financially.
- Buying car insurance can protect you from major expenses that otherwise you couldn't afford.
- Consult with insurance professionals, consider the advice, and comparison shop before buying.

Basic insurance terminology	When you buy insurance, you receive an <i>insurance policy</i> , a document that spells out exactly what is and isn't covered. The covered items are called your <i>benefits</i> . The amount you pay for insurance is called the <i>premium</i> . When you have costs and submit bills to your insurance company, this is known as filing a <i>claim</i> . Your <i>deductible</i> is the amount you must pay toward repairs or expenses before the insurance company pays.
Who pays what	When you file a claim, typically your insurance company will pay only a portion of your costs, according to what is outlined in the insurance policy. The amount of a claim that you must pay before the insurance company will pay is called the <i>deductible</i> ; the amount you pay toward each medical bill is called the <i>co-pay</i> .
How deductible impacts premium	Typically, the higher the deductible amount, the less expensive the insurance premium. So it's a good strategy 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.
Your credit score	Your credit score could impact how much insurance companies charge you in premiums. To learn more, see the topic <i>All About Credit</i> .
Auto coverage types	Car insurance can include different types of insurance on one policy. For example: <i>collision</i> insures you against damage to your vehicle caused in an accident; <i>comprehensive</i> protects you against other forms of damage to your car, such as fire, theft, flood, and vandalism; <i>liability</i> pays for injuries and property damage you cause to other people's property with your car if you're at fault; <i>medical payments</i> covers medical care for you and your passengers if injured in an accident in your car.
How much coverage?	Ask insurance professionals to determine how much coverage you need. In terms of your vehicle itself, the amount depends on how much money you could spare 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.

This is provided for informational purposes only and should not be construed as legal or financial advice. Please consult your legal or financial advisor for more information.



Some types of auto insurance may be required to register a car in your state; others might be optional.

TOPIC 3 – SPENDING SMART



Car Insurance Basics

Key points:

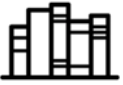
- Car insurance is critical for protecting yourself financially.
- Buying car insurance can protect you from major expenses that otherwise you couldn't afford.
- Consult with insurance professionals, consider the advice, and comparison shop before buying.

Basic insurance terminology	When you buy insurance, you receive an <i>insurance policy</i> , a document that spells out exactly what is and isn't covered. The covered items are called your <i>benefits</i> . The amount you pay for insurance is called the <i>premium</i> . When you have costs and submit bills to your insurance company, this is known as filing a <i>claim</i> . Your <i>deductible</i> is the amount you must pay toward repairs or expenses before the insurance company pays.
Who pays what	When you file a claim, typically your insurance company will pay only a portion of your costs, according to what is outlined in the insurance policy. The amount of a claim that you must pay before the insurance company will pay is called the <i>deductible</i> ; the amount you pay toward each medical bill is called the <i>co-pay</i> .
How deductible impacts premium	Typically, the higher the deductible amount, the less expensive the insurance premium. So it's a good strategy 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.
Your credit score	Your credit score could impact how much insurance companies charge you in premiums. To learn more, see the topic <i>All About Credit</i> .
Auto coverage types	Car insurance can include different types of insurance on one policy. For example: <i>collision</i> insures you against damage to your vehicle caused in an accident; <i>comprehensive</i> protects you against other forms of damage to your car, such as fire, theft, flood, and vandalism; <i>liability</i> pays for injuries and property damage you cause to other people's property with your car if you're at fault; <i>medical payments</i> covers medical care for you and your passengers if injured in an accident in your car.
How much coverage?	Ask insurance professionals to determine how much coverage you need. In terms of your vehicle itself, the amount depends on how much money you could spare 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.
<i>This is provided for informational purposes only and should not be construed as legal or financial advice. Please consult your legal or financial advisor for more information.</i>	



Some types of auto insurance may be required to register a car in your state; others might be optional.

TOPIC 3 – SPENDING SMART



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: Auto Insurance—Read this before you get behind the wheel!

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.

TOPIC 3 – SPENDING SMART

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 one of the millions of people who decide to get a car, the main thing is just be realistic about what it's going to cost you.
- Owning a car is definitely fun but it's a major responsibility and expense too.
- There's more to consider than just the cost of the car—extra expenses such as gas, parking, maintenance, repairs, insurance, taxes, and fees.
- The value of your car goes down the more you put miles on it.
- Leasing a car is an option and has potential benefits, but consider the drawbacks as well.
- Deciding between buying a new and used car may be a difficult decision—weigh the pros and cons of both options.
- Car insurance is critical to your protecting yourself financially. Consult with professionals before you buy.

ADDITIONAL ACTIVITIES

These activities are designed to extend the new concepts presented in the Smart Car Buying lesson. Use these or similar activities to give participants an opportunity to apply what they have just learned to real-life scenarios.

- *Write down your dream car (within reason—Lamborghinis, Ferraris and Porsche's, for example, won't work!). List out all the features you want.*
- *Go online and find out the cost of the same or similar car that is brand new. Then, use your local Auto Trader or visit a used car location to find the same/similar car that might not have all the features. What's the difference in cost?*
- *Call an insurance professional and find out what insurance costs are for your dream car.*
- *For one week, try to use only public transportation. What did you save in gas? How did you feel during this week?*
- *Choose a car model, year (not this year) and make—for example a 2005 Ford Mustang. Then, look up the car's Kelly Blue Book value to find out what this particular car cost brand new and what it sells for now. Where you surprised at the depreciation?*
- *List three other ways that you can get to work or school other than driving your own car. Do a cost analysis on each (e.g. gas savings, time savings, environmental savings, etc.)*

LESSON 5: RENTING AN APARTMENT

In this lesson, participants gain valuable info to find what they're looking for in an apartment and learn how to make it work financially. They also learn how to calculate a target rent amount based on their income.

Learning Objectives

After completing this lesson, participants will be able to:

- Explain the available options when they are considering where to live
- Define steps that can result in success for renting an apartment
- Explain how to calculate a target rent amount based on their income

Start the Discussion

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

- Who has their own apartment? Describe your apartment hunting experience.
- What were your criteria when you went looking for an apartment?
- How much of your monthly gross pay should you spend on a place to live?

The Basics

- There are no right or wrong answers when deciding where to live.
- Everyone's goals and circumstances, financial and otherwise, are a little different. It's up to you to think through what works best for you, your job, your lifestyle, and your budget.
- You may have a few options: living with your family, student housing, or an apartment on your own or with roommates. Someday you may buy a home of your own.
- Housing is a major expense...for a lot of people it's their number one expense.
- Some places are generally more or less expensive to live in than others.
- The "cost of living" factor is important to keep in mind as you explore options for where and how you want to live.

TOPIC 3 – SPENDING SMART



Consider Your Options (Instructor Copy)

Instructor note:

Begin a discussion with your participants by asking questions such as:

- *What things do you think are important to consider when deciding where want to live?*
- *What are some options for your living situation if you do not live at home?*
- *For those of you who live on your own (roommates, etc.) Where does housing fall in the list of your major expenses? Highest? Midrange?*

Then discuss these key points:

Key points:

- There are no right or wrong answers when deciding where to live.
- Everyone's goals and circumstances, financial and otherwise, are a little different. It's up to you to think through what works best for you, your job, your lifestyle, and your budget.
- You may have a few options: living with your family, student housing, or an apartment on your own or with roommates. Someday you may buy a home of your own.
- Housing is a major expense...for a lot of people it's their number one expense.
- Some places are generally more or less expensive to live in than others.
- The "cost of living" factor is important to keep in mind as you explore options for where and how you want to live.



Is there a move in your future? The most recent U.S. Census shows that about a third of all people in their twenties move every year.

TOPIC 3 – SPENDING SMART



A Place of Your Own (Instructor Copy)

Instructor note:

Photocopy the activity handout on the following page. Divide the class into groups. Give them five minutes to come up with five steps they think are important when they begin the process to rent an apartment. Have each group share their thoughts and note the items on the whiteboard/chalkboard or large piece of paper. Then distribute the activity handout. See which group came up with the most points listed below—they win! Continue the discussion until all the points are covered.

You may want to consider inviting a property management representative or residential landlord from the community to come in and talk to your class.

If you want to rent an apartment by yourself or with roommates, here are the steps to success.

Set a rent maximum	<ul style="list-style-type: none"> • Know how much you can afford to spend on rent. • A general guideline is that housing shouldn't exceed 32% of your gross salary (the total amount of your paycheck before taxes and other deductions).
Target neighborhoods	<ul style="list-style-type: none"> • Consider how close the location is to your job or school, access to transportation, shopping, and entertainment, and neighborhood safety and livability – while keeping your rent within your budget.
Shop around	<ul style="list-style-type: none"> • Read apartment ads. Visit the neighborhoods that interest you. • Look for "For Rent" signs. • See as many apartments as you can. Make comparisons.
Qualify credit-wise	<ul style="list-style-type: none"> • Almost all landlords will do what's called a credit check to see what your history has been as a money manager and decide if they can trust you to pay your rent on a steady basis.
Read the lease	<ul style="list-style-type: none"> • In almost all cases, the owner or the apartment manager will ask you to sign a written contract called a lease. • It's extremely important to read and understand the lease before you sign.



See the topic All About Credit to learn a lot more about what credit is and how to establish and maintain good credit.



How much can your participants afford to spend on rent? Find out next.

TOPIC 3 – SPENDING SMART



A Place of Your Own

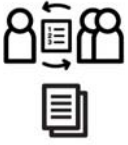
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See the topic *All About Credit* to learn a lot more about what credit is and how to establish and maintain good credit.

TOPIC 3 – SPENDING SMART



What Can You Afford? (Instructor Copy)

Instructor note:

Photocopy the activity handout on the following page. Begin the activity by instructing participants to plug numbers into the equations. Instruct them to calculate the formula for \$950, \$1200 and \$1500 as their gross monthly income. Then, give them example numbers for the rent of an apartment--\$650, \$800 and \$950. Then lead a discussion using the key points below.

Instructions:

First, tell your participants that a good general guideline is that housing should not exceed 32% of their gross salary, or gross income. (Your gross salary is the total amount of your paycheck before taxes and other deductions.)

For the first formula, have your participants calculate their suggested maximum rent by using \$950, \$1200 and \$1500 as their gross monthly income. Then, for the second formula, have them calculate their gross monthly income they'll need to rent an apartment that costs \$650, \$800 or \$950 per month.

Want to know how much you can afford to spend on rent? Use this formula:

$$\begin{array}{l} \$ \underline{\hspace{2cm}} \\ \text{Your gross monthly income} \end{array} \times .32 = \$ \underline{\hspace{2cm}} \begin{array}{l} \\ \text{Your suggested maximum rent} \end{array}$$

Answers:

Gross monthly income of \$950:	\$304
Gross monthly income of \$1200:	\$384
Gross monthly income of \$1500:	\$480

Want to know how much gross income you'll need to afford a particular apartment? Use this formula:

$$\begin{array}{l} \$ \underline{\hspace{2cm}} \\ \text{The rent of the apartment you want} \end{array} / .32 = \begin{array}{l} \$ \underline{\hspace{2cm}} \\ \text{Your suggested gross monthly income} \end{array}$$

Answers:

Apartment rent: \$650:	\$2031
Apartment rent: \$800	\$2500
Apartment rent: \$950	\$2969

Key points:

- In addition to your monthly rent, you may have to pay for some or all of your utilities.
- Many landlords also require tenants to pay a security deposit.
- If the tenant damages the property or leaves owing rent, the landlord can use these funds to cover what the tenant owes.



Consider getting renters insurance. Even though you're a renter and don't own your apartment, this insurance may cover your costs if your belongings are damaged or stolen.



Next, test your participants about the terms of a lease.

TOPIC 3 – SPENDING SMART



What Can You Afford?

Instructions:

A good general guideline is that housing should not exceed 32% of their gross salary, or gross income. (Your gross salary is the total amount of your paycheck before taxes and other deductions.)

For the first formula, calculate the suggested maximum rent by using \$950, \$1200 and \$1500 as your gross monthly income. Then, for the second formula, calculate your gross monthly income you'll need to rent an apartment that costs \$600, \$850 and \$1000 per month.

Want to know how much you can afford to spend on rent? Use this formula:

$$\begin{array}{l} \$ \underline{\hspace{2cm}} \\ \text{Your gross monthly income} \end{array} \times .32 = \$ \underline{\hspace{2cm}} \\ \text{Your suggested maximum rent}$$

Answers:

If your gross monthly income is \$950: = _____ maximum rent
If your gross monthly income is \$1200: = _____ maximum rent
If your gross monthly income is \$1500: = _____ maximum rent

Want to know how much gross income you'll need to afford a particular apartment? Use this formula:

$$\begin{array}{l} \$ \underline{\hspace{2cm}} \\ \text{The rent of the apartment you want} \end{array} / .32 = \$ \underline{\hspace{2cm}} \\ \text{Your suggested gross monthly income}$$

Answers:

You want an apartment that rents for \$650: _____ gross salary needed
You want an apartment that rents for \$800: _____ gross salary needed
You want an apartment that rents for \$950: _____ gross salary needed



Consider getting renters insurance. Even though you're a renter and don't own your apartment, this insurance may cover your costs if your belongings are damaged or stolen.

TOPIC 3 – SPENDING SMART



A Lease You Can Live With (Instructor Copy)

Instructor note:

Use this quick true and false quiz to test participants' knowledge. Divide the class into two teams. Read each statement. The first team spokesperson that calls out the correct answer earns 25 points. If a team answers incorrectly, they are penalized 25 points. The team with the most points wins. Then use the information and the participants' comments to further discuss what they need to know before they sign a lease.

If there's anything you don't understand, don't sign; take it home and think it over.	TRUE
Ask the landlord if your roommates can co-sign the lease, making them equally responsible.	TRUE
If utilities won't be covered by your rent, don't include them in your monthly spending plan.	FALSE
Ask someone familiar with leases to help you understand the "lawyer language."	TRUE
Avoid a written lease if you can. Make a "handshake" deal with the landlord instead.	FALSE
If you have roommates, never let them read the lease.	FALSE
See how much notice is needed before moving out and the penalty if you break your lease.	TRUE
If the rent's affordable now, don't worry how often the landlord's allowed to increase it.	FALSE



Interested in becoming a homeowner? See the topic Buying a Home in the Hands on Banking Adults course.

TOPIC 3 – SPENDING SMART

LESSON SUMMARY

Instructor note:

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

Key points from the Renting an Apartment lesson:

- There are no right or wrong answers when deciding where to live.
- Everyone’s goals and circumstances, financial and otherwise, are a little different. It’s up to you to think through what works best for you, your job, your lifestyle, and your budget.
- You may have a few options: living with your family, student housing, or an apartment on your own or with roommates. Someday you may buy a home of your own.
- Housing is a major expense...for a lot of people it's their number one expense.
- Some places are generally more or less expensive to live in than others.
- The "cost of living" factor is important to keep in mind as you explore options for where and how you want to live.

ADDITIONAL ACTIVITIES

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

- *Look online or in the newspaper for available apartments in two or three areas you'd like to live. Is there a difference in price based on location (if all other factors—square footage, number of bedrooms, etc.) are the same?*
- *Create a list of all the things you want in an apartment—number of bedrooms, location, etc. Use your list to find apartments that fit the criteria.*
- *Collect two or three apartment rental applications. Begin filling one out. Is there information on the application that surprises you? Why?*

TOPIC 3 – SPENDING SMART

TOPIC SUMMARY

Instructor note:

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

Key points from the Spending Smart topic.

- Take control where your money is going. Create a Spending Plan to help live within your means and avoid running short.
- If there's not enough money to go around, look for ways to *decrease* your flexible and discretionary expenses and/or *increase* your income.
- Make it a priority to pay your bills on time. There are lots of potential penalties for paying late.
- When you shop, always consider whether it's something you really need. Get creative about making trade-offs.
- Before you sign *any* kind of contract, whether it's for cell phone service or an apartment lease, make sure you understand exactly what you're getting into.
- Spending is fun, but don't spend everything you earn. Save as much as you can. Start by building up at least two months of take-home pay in savings for an unexpected emergency.



Next, test your participants on what they've learned about Spending Smart.

TOPIC 3 – SPENDING SMART



Test Yourself (Instructor Copy)

Instructor note:

This short quiz can be used as a pre or post test with your participants to gauge their current knowledge on spending.

Photocopy the quiz on the next page. Distribute it to participants to test what they've learned about Spending Smart.

Instructions:

Have your participants answer these questions to test their knowledge.

1. Your take-home pay, or net income, is _____.
 - A. the amount you receive after benefits, such as vacation pay and health insurance, have been added
 - B. the amount you receive after taxes, insurance, or other costs have been subtracted**
 - C. The total amount you earn
 - D. The amount of cash needed to fill one basketball net

2. Which of the following is a good example of a making a financial “trade-off”?
 - A. skipping a few classes at school in order to go shopping at the mall
 - B. skipping a few dinners out in order to save for a weekend trip**
 - C. skipping a few days of work in order to look for a new job
 - D. trading your U.S. dollars for Euros

3. Typically, the higher the deductible amount, the less expensive the _____.
 - A. car
 - B. insurance benefits
 - C. insurance premium**
 - D. cost of a double cheeseburger

4. If your roommates co-sign your apartment lease, they are _____.
 - A. smarter than you thought they were
 - B. not responsible for any damage that may occur
 - C. equally responsible for paying moving expenses
 - D. equally responsible for honoring its terms**

TOPIC 3 – SPENDING SMART



Test Yourself

Instructions:

Answer these questions to test your knowledge.

1. Your take-home pay, or net income, is _____.
 - A. the amount you receive after benefits, such as vacation pay and health insurance, have been added
 - B. the amount you receive after taxes, insurance, or other costs have been subtracted
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TOPIC 3 – SPENDING SMART

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.



Money skills you need for life.

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SHOPPING AND SPENDING TIPS

Here are some shopping tips to help you get the most from the money you spend:

At the store

- Resist impulse buying! 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?
- Limit the cash you carry.
- Shop with your budget in mind
- Avoid ATM fees
- Watch for sales
- Wait for the right price
- Look for coupons and rebates
- Shop for value!

Food shopping

- Save money by eating at home
- Make a shopping list for the grocery store
- Watch for sales and coupons
- Buy products you use frequently in large sizes or bulk quantities

Credit card tips

- Get a credit card with a low annual fee and low interest rate
- Don't use a credit card if you can't afford the price
- Pay your credit card bills on time
- Avoid cash advances

Keep track of your spending

- Keep your receipts
- Check receipts against statements
- Check statements against your budget

Shopping and spending tips (continued)

Cell phone tips

- Shop for a package deal
- Ask questions
- Read the contract before you sign
- Understand the features and prices
- Watch out for high text messaging charges!
- Keep track of your usage
- Pay your bill on time and in full

When making major purchases

- Consider your needs
- Determine your budget
- Research before you buy
- Comparison shop
- Research product claims
- Try before you buy
- Ask family and friends
- Confirm the full price
- Watch for sales, coupons and rebates
- Consider negotiating
- Find the best overall value – quality, service and price
- Inspect products before you buy
- Understand the warranty
- Know the return policy
- Save your receipt
- Speak to the manager if you have a problem

Take advantage of membership discounts

You may be eligible for discounts if you have a valid student, military, or insurance ID, or other organization memberships. Research the benefits and ask stores what cards they honor for discounts. Some grocery and drug stores offer savings cards for customers.

Ask about employee discounts

Some stores and businesses offer their employees a special discount on merchandise. You might consider getting a seasonal job at a store where you plan to do your holiday shopping, for example.

Shopping and spending tips (continued)

Comparison shop online

Doing your research on the Web can save you time, effort, and transportation costs.

Skip the rest to save for the best

Consider skipping a few low-cost purchases you could do without in order to save for one item you really value. For example, trade-off your next few purchases of jeans and t-shirts to save for one nice work outfit, or skip your visits to fast food restaurants in order to afford one dinner at a top restaurant. Bypass small luxuries (like fancy coffees and movie rentals) for a few months and use the money to help you afford one great travel experience.

Find a creative way

Think about ways you might be able to obtain something you want at a lower cost or even for free. For example, you might be able to see a play or hear a concert by volunteering to usher. Or you might get some friends together in order to qualify for a volume or group discount. Share a magazine subscription with a friend rather than buying single issues off the rack.

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.

Smart car shopping (continued)

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.

Smart car shopping (continued)

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.



AUTO INSURANCE

Read this before you get behind the wheel

Nothing puts the brakes on fun like a car accident. And no matter how careful you are on the road, chances are you may be involved in an accident at some point in your life. So if you own, lease or drive a car, you need to have auto insurance.

Auto insurance protects you, your passengers and your vehicle in the event of an accident, storm, vandalism or theft. What must be or can be covered by auto insurance is usually determined by state laws. Although laws vary from state to state, these types of protection are commonly included in an auto insurance policy:

- **Liability** coverage pays for injuries and property damage if you are found at fault in a car accident
- **Medical payments** protection covers the cost of medical care (up to an amount set by the policy) for you and your passengers after an accident
- **Personal injury protection** covers your lost income if you are unable to work as a result of injuries related to an accident, and pays for medical expenses, replacement services and funeral costs
- **Collision** protection covers damage to your car caused by an accident
- **Comprehensive** coverage pays for repairing damage to your car due to a fire, theft, flood or vandalism
- **Uninsured motorist or underinsured motorist protection** pays for your medical expenses if you are hurt by a hit-and-run driver or a motorist who does not have any — or enough — insurance

Optional protection for roadside assistance after an accident and reimbursement if you need to rent a car while yours is being repaired may also be available in your state.

Check Your State's Limits

Driving without auto insurance is illegal. However, required coverage limits vary from state to state, so it is essential that you verify your state's requirements and get the required insurance before you get behind the wheel.

Never drive without auto insurance. If you get into an accident as an uninsured motorist, you may have to pay for legal fees, medical bills and repair charges. These expenses add up fast, and would likely cost a lot more money than the price of that auto insurance policy you should have purchased in the first place.

Auto Insurance (continued)

Review, Renew, Repeat

If you only review your auto insurance annually, you're not alone — but you could be missing out on discounts that could reduce your premiums. To ensure you have the right amount of coverage and get the best rates, you should review your policy with an independent insurance agent every time you:

- **Buy a new or pre-owned vehicle**
You'll need to provide the year, make and model of the car you plan on purchasing. Note: Some insurance companies now offer discounts to hybrid-vehicle owners.
- **Move, or if your dependent child relocates to another city or state for college**
A simple ZIP code change can dramatically impact your rates.
- **Change your daily commute**
Traveling shorter distances each day (i.e., if you start working out of your home or your company moves) could decrease your rates.
- **Install anti-theft equipment**
Adding an after-market security system could boost your savings on monthly premiums.
- **Receive grade reports for your dependent child**
Some insurance companies offer "good-student" discounts.

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