Did You Know?

Foundations has been taught in **ONE** in every **THREE** high schools in the U.S.!
WE APPRECIATE YOU taking the time to review Dave Ramsey’s Foundations in Personal Finance curriculum. This is a comprehensive, turn-key curriculum designed to fully equip you with everything you need for a dynamic classroom experience. Foundations in Personal Finance will change the financial future of your students and set them on a path to win with money, allowing you to change the way your students look at money forever.

This review copy is designed to give you, the educator, an in-depth look into our curriculum. The contents include curriculum highlights, information about the curriculum’s adherence to standards and benchmarks, sample teacher resources, the entire Chapter 1 student text, testimonials and information on how to reach our team of Curriculum Advisors. In addition, the enclosed DVD features three videos we hope you will find very informative: Curriculum Highlights, Chapter 1: Introduction to Personal Finance, and Drive Free, Retire Rich. Please take time to review the Chapter 1 video while you are reviewing the corresponding student text pages for that chapter.

Thank you again for taking the time to review our curriculum. Our Curriculum Advisors are passionate about serving teachers and schools with questions and needs related to the curriculum, so please let us know how we may assist you.

— The Ramsey Education Solutions Team
800.781.8914 / youth@daveramsey.com
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Meet the Experts

**Dave Ramsey**
Dave Ramsey is America’s trusted voice on money and business. He’s authored four *New York Times* best-selling books: *Financial Peace, More Than Enough, The Total Money Makeover* and *EntreLeadership*. *The Dave Ramsey Show* is heard by more than 6 million listeners each week on more than 500 radio stations. By age twenty-six he had established a four-million-dollar real estate portfolio, only to lose it by age thirty. Using the wisdom he gained, Ramsey rebuilt his financial life and now teaches others how to be responsible with their money, so they can acquire enough wealth to take care of loved ones, retire with dignity, and give generously to others.

**Rachel Cruze**
Rachel Cruze is a seasoned communicator and presenter, who has been speaking to groups as large as 10,000 for more than a decade. The daughter of Dave Ramsey, today she uses the knowledge and experiences from growing up in the Ramsey household to educate America’s students and young adults on the proper ways to handle money and stay out of debt.

**Chris Hogan**
A popular and dynamic speaker on the topics of financial education and leadership, Chris Hogan also works with businesses and high-profile clients across the country, helping them develop strategies to increase revenues, protect wealth and secure their financial futures. Chris is also the host of the popular *EntreLeadership* podcast, one of the leading podcasts on business and leadership.
Curriculum Information

**THIS SECTION INCLUDES** general information about the curriculum. Foundations in Personal Finance is a video-based curriculum that can be taught as a stand-alone, comprehensive course or as a supplemental resource, utilizing individual chapters and activities. The curriculum meets all state and national standards for personal finance/financial literacy. In addition, it includes more than 100 activities that focus on providing 21st century personal finance knowledge and skills in a student-centered, competency-based approach to learning.
Curriculum Highlights

Dave Ramsey’s Foundations in Personal Finance is the premier curriculum for teaching financial literacy. The curriculum is easy to use and completely turnkey. The 12-chapter curriculum is taught on DVD by nationally known financial expert Dave Ramsey and his team of experts. Each chapter is stand-alone and can be utilized as either a primary or secondary resource. The curriculum has enough material to cover a semester-long course. The best part of the curriculum is that since Dave is the expert, you don’t have to be!

foundationsU.com
Blended Learning Site

foundationsU.com is a simple to use but dynamic set of tools, activities and resources designed to engage students where they are. It immerses them in real-world problem-solving activities such as budgeting, investing and cost-of-living scenarios using calculators and audio recordings from The Dave Ramsey Show. Students will also find more than 40 relevant articles that will reinforce their understanding in each area of the curriculum. Take it for a test drive at foundationsU.com.

Digital Teacher’s Edition

Found on a disc in the front cover of the print teacher’s edition, this teacher resource contains lesson plans, student activities, pre- and post-test, case studies, The Dave Ramsey Show radio calls, three syllabus options, other printable resources and financial forms and our newly added Test Gen® test bank. Within the print and digital teacher’s editions, we offer more than 100 student activities to ignite student learning.

TestGen® Test Bank

TestGen® Test Bank is a test generator program designed to help you customize and create your own tests and quizzes. With this software, you can view and select a variety of questions from the 504-question test bank, edit test bank questions, add your own questions to tests, and generate multiple versions of tests.
Print Teacher’s Edition
You asked, and we provided! This new curriculum feature contains the entire student text and includes answer keys, national standards, blended learning opportunities and case studies. It also includes prompts for pre-teaching, teaching, reflection, application, review, learning extension and assessment. Our goal is to make your job easier while enhancing student learning.

Five-Disc Media Library
Packaged in a travel-sized case, the disc library includes five DVDs that contain your Getting Started video and more than 12 hours of relevant and engaging instructional content.

Student Text
The 288-page student text is loaded with entertaining and engaging information that will both educate and empower students. Each chapter is formatted to include opportunities for pre-teaching, teaching, reflection, application, review, learning extension and both formative and summative assessments. The 12 chapters are aligned with the National Standards for Financial Literacy.
Delivery Options

We understand that 21st century classrooms can vary greatly both in availability of technology and blended-teaching approaches. Regardless of your specific resources, Foundations offers a delivery option that is customized to meet your needs.

**STUDENT TEXT OPTIONS**

**Print**
This 288-page student text provides learning, practice, and application opportunities throughout. Its student-centered design will engage teens with easy-to-understand, relevant, written and visual content that will help them master personal finance knowledge and skills. Blackline master options are available for unlimited printing.

**eText**
For use with tablets, laptops, and smartphones, our new eText version provides the same student-centered design, features, and relevant content as the print student text. The eText allows students to type, then save their answers to the cloud for accessibility anytime, anywhere. Site license options are available.

**VIDEO INSTRUCTION OPTIONS**

**DVD**
The Foundations curriculum offers more than 12 hours of video instruction divided across five DVDs. This is an excellent choice for in-class viewing.

**On-Demand/Streaming**
Unlock the flexibility of video anywhere, anytime, on any device for you and your students with the on demand/streaming option. Flip your classroom, offer self-pacing, or allow students with absences to make up missed instruction with ease.

**ALL IN ONE ONLINE**

**Learning Management System**
We’ve collaborated with Florida Virtual School, the industry leader in online course development, to offer our Foundations in Personal Finance curriculum in a fully online format. This option offers a full complement of features, including embedded video, assessments, grading, progress viewing, and even accredited instruction. The Foundations online course is compatible with all the leading learning management systems on the market today.
Chapter Summaries

Foundations in Personal Finance videos are divided into four distinct units, each containing three chapters taught by Dave Ramsey and his team of experts. There are several video segments within each chapter, each segment no more than 15 minutes. Instructors weave humor into real-life stories that educate and reinforce sound principles for managing money.

UNIT 1: Saving and Budgeting

» Chapter 1: Introduction to Personal Finance
  Introduces the topic of personal finance, explores the evolution of the American credit industry, and highlights the importance of both knowledge and behavior when it comes to managing money.

» Chapter 2: Saving
  Emphasizes the importance of saving and explains the three reasons to save: emergencies, large purchases and wealth building.

» Chapter 3: Budgeting
  Explores the purpose and process of writing a budget and the basics of banking, including balancing and reconciling a checking account.

UNIT 2: Credit and Debt

» Chapter 4: Debt
  Identifies the devastating costs of using debt as a financial tool, debunks credit myths, explains the elements of a credit score, identifies organizations that maintain consumer credit records, and summarizes major consumer credit laws.

» Chapter 5: Life After High School
  Explores 21st century post-secondary education and career options, highlights the importance of avoiding debt as a young adult, and explains how to cash flow a college education.

» Chapter 6: Consumer Awareness
  Identifies factors that influence consumer behavior and the effect of inflation on buying power.

UNIT 3: Financial Planning and Insurance

» Chapter 7: Bargain Shopping
  Highlights the importance of bargain shopping as part of a healthy financial plan and identifies important negotiation strategies.

» Chapter 8: Investing and Retirement
  Establishes basic investing guidelines, describes and compares various types of investments, and identifies elements of employer benefits and retirement plans.

» Chapter 9: Insurance
  Identifies the purpose of financial risk management as well as the appropriate and most cost-effective risk management strategies.

UNIT 4: Income, Taxes and Giving

» Chapter 10: Money and Relationships
  Identifies the differences among people’s values and attitudes as they relate to money and highlights communication strategies for discussing financial issues.

» Chapter 11: Careers and Taxes
  Examines the importance of pursuing a career in line with your strengths, the elements of effective goal setting, the best practices of successful people, and types of income and taxes.

» Chapter 12: Giving
  Highlights the importance of giving of your time, talents and money in order to serve others and leave a lasting legacy.
Standards and Benchmarks

Foundations in Personal Finance was developed with purposeful and effective instructional design, and comprehensively structured upon the National Standards for Financial Literacy provided by the JumpStart Coalition for Personal Financial Literacy (see below). Individual State Standards and Benchmarks are met as well. Go to daveramsey.com/school to compare our curriculum to your state’s requirements.

Financial Responsibility and Decision Making:
Apply reliable information and systematic decision making to personal financial decisions.
- **Standard 1:** Take responsibility for personal financial decisions.
- **Standard 2:** Find and evaluate financial information from a variety of sources.
- **Standard 3:** Summarize major consumer protection laws.
- **Standard 4:** Make financial decisions by systematically considering alternatives and consequences.
- **Standard 5:** Develop communication strategies for discussing financial issues.
- **Standard 6:** Control personal information.

Credit and Debt:
Maintain creditworthiness, borrow at favorable terms, and manage debt.
- **Standard 1:** Identify the costs and benefits of various types of credit.
- **Standard 2:** Explain the purpose of a credit record and identify borrowers’ credit report rights.
- **Standard 3:** Describe ways to avoid or correct debt problems.
- **Standard 4:** Summarize major consumer credit laws.

Risk Management and Insurance:
Use appropriate and cost-effective risk management strategies.
- **Standard 1:** Identify common types of risks and basic risk management methods.
- **Standard 2:** Explain the purpose and importance of property and liability insurance protection.
- **Standard 3:** Explain the purpose and importance of health, disability and life insurance protection.

Income and Careers:
Use a career plan to develop personal income potential.
- **Standard 1:** Explore career options.
- **Standard 2:** Identify sources of personal income.
- **Standard 3:** Describe factors affecting take-home pay.

Planning and Money Management:
Organize personal finances and use a budget to manage cash flow.
- **Standard 1:** Develop a plan for spending and saving.
- **Standard 2:** Develop a system for keeping and using financial records.
- **Standard 3:** Describe how to use different payment methods.
- **Standard 4:** Apply consumer skills to purchase decisions.
- **Standard 5:** Consider charitable giving.
- **Standard 6:** Develop a personal financial plan.
- **Standard 7:** Examine the purpose and importance of a will.

Saving and Investing:
Implement a diversified investment strategy that is compatible with personal goals.
- **Standard 1:** Discuss how saving contributes to financial well-being.
- **Standard 2:** Explain how investing builds wealth and helps meet financial goals.
- **Standard 3:** Evaluate investment alternatives.
- **Standard 4:** Describe how to buy and sell investments.
- **Standard 5:** Explain how taxes affect the rate of return on investments.
- **Standard 6:** Investigate how agencies that regulate financial markets protect investors.
Sample Teacher Resources

This section includes sample teacher resources for Chapter 1. Each of the 12 chapters comes with a lesson plan, case studies, activities that utilize research-based learning strategies, pre- and post-assessment activities, sample pages from our teacher’s edition and sample test questions.
## Lesson Plan (1/2)

### Chapter Overview

This chapter introduces the topic of personal finance, explores the evolution of the American credit industry, and highlights the importance of both knowledge and behavior when it comes to managing money.

### Getting Started

- Administer pre-test.
- Show Getting Started video located on the Unit 1 disc.
- Complete **BEFORE YOU BEGIN** prior to watching the video.
- Review **KEY TERMS**.
- Complete the “Before” column of **MEASURE YOUR PROGRESS**.

### Video

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### Chapter Summary

#### Student Text

- **CHECK FOR UNDERSTANDING**
- **BUILD ON WHAT YOU’VE LEARNED**
- **BIG IDEAS**
- **TAKE ACTION CHALLENGE**
- **MONEY IN REVIEW**

#### foundationsU.com

- Live From Financial Peace Plaza
- Budget Builder
- Your Money Personality Survey

#### Summative Assessment

- Test
Lesson Plan [2/2]

Learning Outcomes

Section 1: What Is Personal Finance?
- Describe what personal finance is.
- Outline the components of effective financial planning.
- Identify focuses of study throughout this course.

Section 2: Money, the American Way
- Understand the evolution of America’s dependence on credit.
- Observe and analyze the “normal” American family as it relates to personal finance.

Section 3: You and Money
- Develop communication strategies for managing money and discussing financial issues.
- Evaluate your own money personality; identify your money strengths and weaknesses.

Discussion Questions

1. What would you most like to learn about managing money? Answers will vary.
2. What do you think is the biggest struggle when it comes to managing money? Answers will vary.
3. What is one thing you learned about the American credit industry? Answers will vary.
4. Why do you think Dave Ramsey is so passionate about teaching people how to manage money? Answers will vary.
5. What does winning with money look like? Answers will vary.
Case Studies

1. What was the most important piece of information or concept you learned from this lesson? How will you apply it to your life?

   Answers will vary.

2. Candace and Mike just inherited $25,000 from a relative and are really excited about investing it and watching it grow. However, they still have $10,000 worth of credit card debt to pay off. If you were to give them financial advice, what would it be?

   First and foremost, you should advise them to get rid of their credit cards and cut them up. If they haven't changed their behavior, they will go into debt again. Your advice should be to use the inheritance money to pay off the debt, fully fund an emergency fund, and then open a Roth IRA with any remaining money.

3. Laurel is a high school student who is taking a class in personal finance. She has learned about the dangers of debt and that debt should not be used as a financial tool. She recently went with her mom to open up her first checking account at the bank. The man at the bank told them that Laurel should consider getting a credit card to cover overdrafts and to help her build credit. Laurel has already decided that she does not want to use credit cards. Since she has seen her parents struggle with debt, she prefers to live debt free. Her mom somewhat agrees with the banker since the use of credit has been a normal part of her and Laurel’s dad’s finances. What can Laurel say that would politely convey to her mom that she is making the choice to remain debt-free?

   Laurel can simply tell her mom that she does not want to have any debt and that she also plans to live on a budget and manage her finances in a way that will ensure she does not overdraft her account.

4. Brittany is a high school junior who worries about her money habits. Her parents have always worked hard, but they’ve never had enough money to buy her trendy clothes. Brittany recently landed a job at a clothing store in the mall. Now that she has her own money, all she wants to do is buy clothes. It’s hard to resist spending her entire paycheck on all the latest styles she sees coming into the store. She’s even begun setting aside the clothes she wants to buy prior to getting paid—in a sense, spending her paycheck before she even gets it. Brittany feels guilty about spending all of her money, but she definitely seems to be more comfortable with spending than saving. What advice would you give her to change her spending behavior?

   Brittany knows she should be saving some of her income, but she needs a plan to control her behavior. That plan is a monthly budget that includes both spending and saving. If she knows how much of her money is for spending before the month begins, it will stop slipping through her fingers. Brittany will then have the joy of spending without guilt because she will know the exact amount of money she has specifically set aside for that purpose. Being intentional about her spending and saving will help her win with money.
CHAPTER 1

What Is Personal Finance?

Answer Key

1. What is personal finance?

*Personal finance refers to all of the decisions and activities of an individual or family regarding their money, including spending, saving, budgeting, etc.*

2. Identify: What were the four themes that emerged as a result of the StageofLife.com writing contest that asked teens to identify their “relationship with money”? Describe each theme. (Note: Refer to Chapter 1, Section 2)

   **A Frustration:** Many teens expressed negative emotions about money including anger, frustration, stress, distrust and even hatred.

   **B Role Models:** Teens are watching how their parents treat money. Many even criticized how their parents handle money and vowed not to be like them.

   **C Pragmatic:** There was a minority voice that did approach the topic with a more pragmatic, even positive, point of view.

   **D Money Isn’t Everything:** A good percentage of the essays addressed a more universal truth: that money isn’t everything. It is needed to survive, but it is not a requirement for being happy.

3. Reflect: Which of those four themes is most representative of your own relationship with money? Explain your answer.

   Answers will vary. Remember to be sensitive during class discussion since many students are facing the negative effects of money problems in their homes.

4. Explain: Why do you need to learn about managing money while you’re young?

   Learning how to manage money is one of the most important skills you can have. Because your financial decisions will have long-term consequences, having the knowledge and skills to make the right decisions while you’re young will help you win with money now and in the future.

5. Summarize: Write a brief (one paragraph) summary describing the financial reality of the American family.

   Most Americans are struggling with debt in the form of mortgages, car loans and credit cards. Based on statistics, Americans have very little savings and are not preparing financially for retirement. Many Americans do not have an emergency fund and do not keep a monthly budget.

6. Predict: In what ways could studying personal finance now benefit you in the future?

   Answers will vary but may include the following predictions: I will learn how to manage, save and invest money; I will learn about taxes, insurance, retirement planning, how to pay off/stay out of debt, how to go to college without debt, how to build wealth, etc.
What Is Personal Finance? (1/2)

Directions

Use your course materials to answer the following questions.

1. What is personal finance?

2. Identify: What were the four themes that emerged as a result of the StageofLife.com writing contest that asked teens to identify their “relationship with money”? Describe each theme. (Note: Refer to Chapter 1, Section 2.)

   a
   b
   c
   d

3. Reflect: Which of those four themes is most representative of your own relationship with money? Explain your answer.

4. Explain: Why do you need to learn about managing money while you’re young?
What Is Personal Finance?

3 Summarize: Write a brief (one paragraph) summary describing the financial reality of the American family.

4 Predict: In what ways could studying personal finance now benefit you in the future?
**Foundations in Personal Finance - Chapter 1 Test**

Name___________________________________     Date ________________

**MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.**

1) Which of the following best explains why students should learn about personal finance?  
   A) Learning to manage money at this stage can eliminate financial mistakes and promote huge financial benefits for the future.  
   B) Personal finance skills are better learned through trial and error.  
   C) Personal finance skills are highly complex and require a great deal of time to learn.  
   D) Learning to manage money will help you achieve a profitable career.

2) Which of the following is a consequence of spending more than you make?  
   A) Missed opportunity to save and invest  
   B) Stress  
   C) A cycle of debt  
   D) All of the above

**TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.**

3) True financial security is achieved when your money begins to generate an income—your money starts working for you.

4) Since you are a teenager, what you do now with money will have little effect on your financial future.

**SHORT ANSWER. Write the word or phrase that best completes each statement or answers the question.**

5) Explain why understanding your money personality is important when it comes to developing a money plan that's right for you.

**VOCABULARY. Select the word that is described in the statement.**

6) A person or business that offers loans at extremely high interest rates (loan shark, creditor)

7) A person or organization that uses a product or service (borrower, consumer)

8) All of the decisions and activities of an individual or family regarding their money, including spending.
THE FOUNDATIONS IN PERSONAL FINANCE student text provides students an opportunity to learn, practice, and apply important personal finance knowledge and skills. The 12 chapters were developed with purposeful and effective instructional design and comprehensively structured upon the National Standards for Financial Literacy provided by the Jump$tart Coalition for Personal Financial Literacy. Our student-centered approach helps students develop informed money-management strategies and inspires students from all backgrounds to achieve financial well-being.
What do other high school students know about spending?

We asked other high school students if they or someone they know has ever bought something they could not afford.

“I haven’t, but my younger sister always seems to need the latest and greatest technology, and she spends her college money on it!”
Sophomore, Louisiana

“No. But I have a family member who once bought a house that they ended up not being able to afford.”
Junior, New Jersey

“My dad bought a car that he could not afford, and he ended up getting it repossessed.”
Junior, Wyoming

“Yes. My parents buy things they can’t afford all the time. That’s why we’re in debt. That’s why I need this course.”
Senior, Utah
Introduction to Personal Finance

**WELCOME TO A CLASS** that is going to give you a head start on your future! Learning how to manage your money is one of the most important skills you can have. Why? Because your financial decisions will have long-term consequences, either good or bad. We’ll give you the tools and knowledge that will help you win with money right from the start. When it comes to your financial future, we want you to aim high and dream big. There’s a lot to learn, so let’s get started!

*National Foundation for Credit Counseling, Inc.*

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81% of parents feel it is their responsibility to teach their kids about money and savings.*

85% of American parents surveyed thought that a course in personal finance should be a high school graduation requirement.*
Before You Begin

Learning Outcomes

Once you've completed this chapter's videos, you will be asked to return to this list and place a checkmark next to the items you've mastered.

Section 1: What Is Personal Finance?
- Describe what personal finance is.
- Outline the components of effective financial planning.
- Identify focuses of study throughout this course.

Section 2: Money, the American Way
- Understand the evolution of America’s dependence on credit.
- Observe and analyze the “normal” American family as it relates to personal finance.

Section 3: You and Money
- Develop communication strategies for managing money and discussing financial issues.
- Evaluate your own money personality; identify your money strengths and weaknesses.

Key Terms

Get to know the language of money.

- Consumer: A person or organization that uses a product or service
- Credit: The granting of a loan and the creation of debt; any form of deferred payment
- Debt: An obligation of repayment owed by one party (the debtor/borrower) to a second party (the creditor/lender); in most cases this includes repayment of the original loan amount plus interest
- Economy: A system by which goods and services are produced and distributed
- Financial literacy: The knowledge and skillset necessary to be an informed consumer and manage finances effectively
- Interest: A fee paid by a borrower to the lender for the use of borrowed money; typically interest is calculated as a percentage of the principal (original loan amount)
- Loan: A debt evidenced by a “note,” which specifies the principal amount, interest rate and date of repayment
- Personal finance: All of the decisions and activities of an individual or family regarding their money, including spending, saving, budgeting, etc.
# Measure Your Progress

Before watching the video, read each statement below and mark whether you agree or disagree in the “Before” column. Then, after watching the video, do it again using the “After” column to see if you changed your mind on any statement.

<table>
<thead>
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<th>BEFORE</th>
<th>AFTER</th>
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<tbody>
<tr>
<td>Agree</td>
<td>Disagree</td>
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1. I already have a strong working knowledge of personal finance.
2. I think I have a lot to learn when it comes to managing money.
3. Because I am a teenager, what I do now with my money will have little effect on my financial future.
4. My parents have taught me a lot about how to manage money.
5. Most Americans are very wealthy and will have financial security when they retire.

---

**JOURNAL QUESTION: INTRODUCTION**

*Can you think of a financial goal you have at this moment? Is this a long-term or a short-term goal? Describe how you plan to achieve this financial goal.*

______________________________________________________________

______________________________________________________________

______________________________________________________________
55% of teens surveyed say that they want to learn more about how to manage their money—particularly learning about: investing (88%), saving (87%), budgeting (82%), checking accounts (80%), and financing for big purchases like a car or a home (79%).

National Foundation for Credit Counseling, Inc.

Section 1:
What Is Personal Finance?

MOST HIGH SCHOOL students don’t spend their time worrying about mortgages and investments, but they are at an age when smaller financial responsibilities start creeping into their lives. Many of you are earning allowances or have already begun working a part-time job. So what do you do with your money? If you’re just putting it in your pocket and spending without a plan, living payday to payday could become your normal. You need to make decisions about what to do with your money.

Have a money plan. Set money goals. Learning to manage money at this stage can eliminate financial mistakes and promote huge financial benefits for the future.

What is personal finance? Personal finance refers to all the financial decisions an individual or family must make in order to earn, budget, save and spend money over time. These decisions are generally based on a variety of financial risks and planning for the future.
Key Components of Financial Planning

Directions: As you see words pop up on the left side of the video screen, write them into the workbook blanks.

Assess your _______ situation (your income, assets and liabilities).

Set money ______! Make sure you have a mix of both short-term and long-term goals.

You must write out a detailed ________ for accomplishing your goals. This begins with your budget.

__________, your plan! This involves discipline and perseverance.

Know your money ____________.

Regularly _________ and reassess your financial plan.

Replace money ________ with money truths.

In what ways could you do better when it comes to managing your money?

______________________________________________

______________________________________________

______________________________________________

JOURNAL QUESTION: VIDEO 1.1

“Wealth building isn’t rocket science, which is a good thing for me (and probably you). Winning at money is 80% behavior and 20% head knowledge. What to do isn’t the problem; doing it is. Most of us know what to do, but we just don’t do it. If I can control the guy in the mirror, I can be rich. Find a mirror!”

DAVE RAMSEY
Section 2: Money, the American Way

VIDEO 2.1

A History of Credit and Consumerism

It is impossible to discuss the history of personal finance in America without highlighting the evolution of the credit industry. Think, for a moment, about the most recent commercial you’ve seen advertising a big ticket item like a new car or new furniture. Do those ads target people who have “budgeted,

Prior to 1917

1. Credit Prior to 1917
   » Before 1917, buying things on credit was not common. Why? Because it had never been legal for lenders to charge interest rates high enough to turn a profit.
   » Lending money to others was not a money-making business. Only wealthy people could get personal loans. Without the possibility of profit, lending money to the middle and lower class was not worth the risk.
   » Small-time loan sharks (people who offered loans at extremely high interest rates, which was an illegal activity at the time) existed for people in desperate financial positions, but they were shady operations on the fringes of society.
   » The highly evolved, highly accepted consumer credit as we know it today did not exist.

2. Credit Takes Root
   » After 1920, consumer demand for big-ticket manufactured products was on the rise.
   » Credit laws were relaxed in an attempt to create a mainstream, profitable alternative to loan sharks for the working class.
   » Installment credit (type of credit that has a fixed number of payments, also known as revolving credit) and legalized personal loans became big business.
   » This era made consumer credit legal and more socially accepted.

Leveraging Credit to Escape the Great Depression

» In an attempt to help Americans regain their financial footing, New Deal policymakers came up with mortgage (home loans) and consumer lending policies that convinced commercial banks that consumer credit could be profitable despite bankers’ long-held reluctance to lend to the working class.

“In 1917, one popular historian described debt as ‘semi-slavery’ . . . (which) existed before the dawn of history, and it exists today.”

Debtor Nation: The History of America in Red Ink

The New Deal was the legislative and administrative program of President F. D. Roosevelt designed to promote economic recovery and social reform during the 1930s.
saved, and are ready to go make that large purchase”? Or are they more likely to suggest that you “Buy NOW, pay LATER”? Which phrase is more familiar? Sadly, borrowing money is so ingrained in our culture that we can’t imagine life without it. So how did we get here? Let’s take a look.

**WWII Fuels an Economic Recovery**

> After the Great Depression, WWII proved to be the most important economic event of the 20th century. The war ended the Great Depression by reviving American industry through government spending and consumption. In short, the economy improved because the war created a ton of new jobs. These jobs provided considerable increase in personal income and led Americans to predict permanent improvements to their standard of living.

“Americans left government-mortgaged homes in installment-financed cars to shop on revolving credit at shopping centers.”

*Debtor Nation*  

**Post World War II Consumerism**

> Ah, the birth of the suburbs! The post-war middle class bought the American Dream with consumer credit. Americans “learned” to borrow in the midst of prosperity.

> They borrowed because they believed their incomes would continue to grow into the future . . . and they were right. Incomes rose steadily from 1945 to 1970.

> Financial institutions lent more money, and borrowers paid it back. Borrowing became a post-war normalcy.

“If you will happen to your money, then you will have some. If you just let all your money happen to you, you’ll never win.”

*Dave Ramsey*

**The Decline Into Debt: 1970–Present**

> After 1970, consumer debt skyrocketed not because people were borrowing more, but because they continued to borrow as their parents had done since WWII. The difference was they didn’t have the postwar period’s well-paying jobs.

> Banks were willing to lend even more because they were now making huge profits off consumer debt. The credit industry had become smarter than borrowers.

> As consumers borrowed to deal with unexpected job losses and medical expenses, as well as to live “the good life,” banks were willing to continue lending.

> Due to the clever structuring of financial institutions, the credit world now resembles the pre-1920s loan sharks more than the 1950s banks.

> In short, an old credit system premised on rising wages and stable employment (low-risk borrower) was reformed to accommodate uncertain employment and income instability (high-risk borrower).
Today’s American Reality

Unfortunately, many American families only have the appearance of being financially secure. If you drive through a middle-class neighborhood, you might look at the manicured lawns, nice houses and new vehicles in the driveways and think, Wow, they’re doing all right. I want to live like that when I’m an adult.

The sad reality is that most of the people in those houses are struggling with debt in the form of mortgages, car loans, student loans and credit cards. Based on statistics, Americans are horrible at saving money and planning for retirement. They are so conditioned to think debt is normal, they can’t envision paying cash for a car or even a dining room table! Americans often spend more money than they make. Most Americans don’t have an emergency fund. Saving, budgeting, retirement planning and staying out of debt are all basic money principles, not complex economics.

So why aren’t Americans better at managing money? They were never taught the right way. As you go through this course, we will focus on teaching you what to do with money and then show you how to do it. Money math is easy. It’s controlling your money behavior that’s the challenge.

As you evaluate the “normal” American family, consider your own financial future.

The fact is, this doesn’t have to be your future reality.

» You don’t have to spend more ____________ than you make just to look good in front of your friends. You can learn basic money principles and put them into practice.

» When you manage money well, you’ll experience deeper ____________.

» It’s really simple! Personal finance is 80% ____________ and 20% head knowledge.

» Money ____________ is easy—it’s controlling your behavior that’s the real challenge.

» As you think about the “__________” American family, remember that normal is broke. You don’t have to be normal!
Dave’s Story

With more than 20 years of experience counseling people on how to manage their money, Dave knows what it takes to get control of your cash.

More than 20 years ago, my wife, Sharon, and I went broke. We lost everything due to my stupidity in handling money, or not handling it, as the case may be. Hitting bottom and hitting it hard was the worst thing that ever happened to me and the best thing that ever happened to me.

We started with nothing, but by the time I was 26 years old, we held real estate worth more than $4 million. I was good at real estate, but I was better at borrowing money. Even though I had become a millionaire, I had built a house of cards. The short version of the story is that debt caused us, over the course of two and a half years of fighting it, to lose everything. We were sued, foreclosed on, and, finally, with a brand-new baby and a toddler, we were bankrupt. Scared doesn’t begin to cover it. Crushed comes close, but we held on to each other and decided we needed a change.
Dave’s Story (Continued)

After losing everything, I went on a quest to find out how money really works, how I could get control of it, and how I could have confidence in handling it. I read everything I could get my hands on. I interviewed older rich people, people who made money and kept it. That quest led me to a really, really uncomfortable place: my mirror. I came to realize that my money problems, worries and shortages largely began and ended with the person in my mirror. I also realized that if I could learn to manage the character I shaved with every morning, I would win with money.

The stuff we teach in this class represents everything I’ve learned about money since then, from savings and debt, to insurance and investing. And I’m excited that my daughter Rachel has joined me to get this information to you before you graduate high school. Trust me, knowing this stuff then would have saved me a whole lot of trouble!

What’s Your Money Personality?

StageofLife.com conducted a writing contest to evaluate students’ attitudes toward money and the role of money in their lives. The following was the contest writing prompt:

“What is your relationship with money? How do you spend (or save) and why?”

More than 3,335 students from all 50 U.S. states contributed a 500-word essay response. From the essay submissions, several themes emerged:

1. FRUSTRATION: Many teens expressed negative emotions about money: anger, frustration, stress, distrust and even hatred.

2. ROLE MODELS: Teens are watching how their parents treat money. In several of the essays, the teens made a point to criticize how their parents handle money and vowed not to “be like them.”

3. PRAGMATIC: There was a minority voice that did approach the topic with a more pragmatic point of view and in some rarer cases, even positivity. Students shared their personal saving tips, budgeting experience and more.

4. MONEY ISN’T EVERYTHING: A good percentage of the essays address a more universal truth: that money isn’t everything. Yes, it’s needed to survive, but it’s not a requirement in making people happy.
Americans Are Being Outsmarted

Ultimately, what made our current indebtedness possible was that it became profitable. Yes, a debt system that keeps Americans from achieving wealth and makes us “slaves” to the lender exists because it became a profitable industry. Today, with Americans charging more than a trillion dollars each year on their credit cards, one can understand why the credit card companies are so profitable. There is nothing wrong with a business turning a profit; what’s wrong is that these companies are outsmarting Americans. That should bother you!

Why do we allow ourselves to be outsmarted when it comes to our own money?

» We like _________—lots of stuff!

» We are told that debt is ___________. It has become acceptable in our culture to use credit to buy things.

» We are taught that we can _______ ____________. This is simply not true!

» Our debt system keeps us from building ____________ because we are constantly giving our money away to pay for things we bought years ago.

» In America, we are bombarded with marketing ads that push us to buy things. “You can buy it today with no money down and no interest for 90 days!” Sound familiar?

» We want you to be _________ of the financial condition of our country—and we want you to _____________ it!

We will talk more about consumerism and debt in later chapters. Right now, our focus is to be aware of the financial “condition” of America and begin to question it.
Section 3: You and Money

Learn the Language of Money

No one is born financially smart! Learning the language of personal finance is the first step in becoming money smart. The language of money is spoken in the vocabulary of accounting: understanding what credits, debits, assets and liabilities are. You’ve got to learn enough to understand your personal financial statements and communicate effectively about your finances. How smart you are with your money will determine your financial well-being in life.

» Knowing the _____________ of money allows you to tell your money what to do.

» That means deciding where your money is going to go _____________ you get your paycheck.

» You’ll be able to communicate effectively with _____________, financial planners and insurance agents.

» Focus on understanding the _____________ as you move through this course.

» You’ll become the _____________ on your money. Winning with money is not complicated, but it does involve some basic knowledge.
Learning the language is the key to the game.

Learning the language of money is a little bit like learning the language of sports. You can’t really follow— much less enjoy—a football game if you don’t know what the ref is talking about when he uses words like “blitz,” “option” or “stunt.” But once those terms are explained to you and you grasp their meaning in the context of the game, you can easily get into it and shout for your team.

It’s the same way with money. Being financially literate allows you to participate in the game. And if you really put what you learn into practice, you can even become a coach—and tell your money what to do! Of course, that doesn’t mean talking to your Benjamins. It’s about effectively communicating with bankers, financial planners and insurance agents—people who provide the money services you need in order to grow wealth. It’s also about knowing how to budget and what to budget for.

Understanding the language of money will allow you to manage your own finances effectively. You don’t want to be dependent on outside influences to control, shape or coerce your financial behavior. Instead, you will determine which level of financial well-being you will achieve. It’s simple. If you’re going to tell your money what to do, you need to first speak the language!

Become Money Smart

You don’t have to be a financial or accounting genius to win with money. Financial success isn’t reserved just for the select few who actually enjoy running spreadsheets or earn accounting degrees. But you do need to be what we call “money smart.” That just means you need to understand some basic principles.

» First, you need to be comfortable with ________ ________.

» Second, you must start learning the ____________ of money.

» Third, and this is the hardest part, you need to learn how to manage your ____________ with money.
What Does Winning With Money Look Like?

We can divide financial well-being into three levels.

* NOTE: These levels are not determined by income, but rather by how you manage your income.

1. **Survival**: At this level there are simply income, bills and hope that there is enough money to get you to the end of the month. Sounds like fun, right? You work for every dollar you earn and spend everything you earn. This is the living “paycheck to paycheck” level of financial well-being.

2. **Comfort**: At this level, you have a basic understanding of money management. There are still income and bills, however, you pay yourself first! You have a small monthly surplus that you use to save and invest. You are slowly building wealth and moving toward being financially secure.

3. **Secure**: Instead of saving and investing a small surplus, you arrange your finances in such a way that your wealth now generates your income. That’s right! At this level, your money actually works for you.

On which level would you like your financial future to rest?

How You View Money Matters

The way we view money is unique and largely dependent on our current financial state. Even though you are still dependent on your parents, you are already developing a “money personality.” Some people are really good at saving while others are talented at finding bargains. The fact is we all have strengths and weaknesses; we all have a money personality. How much money a person has, unfortunately, does not always dictate his or her spending behavior. Some millionaires hate spending while some people who are broke can’t seem to stop buying things. Money—or the lack of money—can affect the way we feel about ourselves and the way we interact with others. Your relationship with money is complex and dynamic.
» Winning with money isn’t just about understanding how it works—it’s about putting your ________ into it. That’s the 80% behavior we’ve talked about.

» Money is a _______. It’s up to you to manage it.

» The best way to manage money is to learn how to manage ________

» You need to know your natural __________ when it comes to money. For instance, are you more likely to spend or save?

» Once you know your money __________, you develop a financial plan that works for you.

» It’s in recognizing who you really are that allows you the __________ to grow and learn.

During this course, as you develop your knowledge and skills in areas like budgeting and saving, consider your money personality. Think about how your parents and other adults in your life spend and save. Reflect on your own spending habits. Understanding the way you think about money will help you manage your money and make good decisions for your financial future.

JOURNAL QUESTION: VIDEO 3.1

How do you want your financial future to look?

__________________________________________

__________________________________________

__________________________________________
Chapter Summary

Check for Understanding

Now it’s time to check your learning! Go back to the Before You Begin section for this chapter. Place a checkmark next to the learning outcomes you’ve mastered and complete the “after” column of the Measure Your Progress section.

Build On What You’ve Learned

Fill in the graphic organizer below.

1. ______________
2. ______________
3. ______________
4. ______________
5. ______________
6. ______________
7. ______________

Key Components of Financial Planning

Big Ideas

The following Big Ideas are intended to provide clear focus and purpose to the lessons. Read each statement and think about how what you’ve learned will affect your current and future decisions. Then, in the space provided, write an “I believe” statement for each of the Big Ideas.

» Personal finance is 80% behavior and 20% head knowledge.

» Many Americans are buried in debt.

» Learn the language of money!
Take Action Challenge

The first key component of financial planning is to assess your current financial situation. This should be pretty easy at your age. It’s important to have a clear picture of your income (money in) and expenses (money out) before you move on to the next phases of financial planning. Complete the student financial assessment form below.

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Money in Review

Matching
Match the following terms to the correct definition below.

1. _____ A fee paid by a borrower to the lender for the use of borrowed money
2. _____ An obligation of repayment owed by one party (debtor/borrower) to a second party (creditor/lender)
3. _____ A person or organization that buys/uses goods or services
4. _____ A debt evidenced by a “note,” which specifies the principal amount, interest rate and date of repayment (example: house mortgage)
5. _____ The granting of a loan and the creation of a debt; any form of deferred payment
6. _____ A system by which goods and services are produced and distributed
7. _____ The knowledge and skillset necessary to be an informed consumer and manage finances effectively
8. _____ All of the decisions and activities of an individual or family regarding their money, including spending, saving, budgeting, etc.

Illustration
Draw a picture representation of each of the following terms.

Money personality

Consumerism
Multiple Choice
Circle the correct answer.

9. Learning the language of money is not that important because you will be able to depend on financial planners to manage your money.
   A True  B False

10. Which of the following is NOT a reason credit is marketed so heavily to consumers in the United States?
    A There is strong consumer demand for big ticket items.
    B The credit industry has become extremely profitable.
    C The use of credit is not socially accepted in the United States.
    D After World War I, credit laws in the United States were relaxed in an attempt to create a mainstream alternative to loan sharks for the working class.

11. During the Great Depression, New Deal policy makers came up with mortgage (home loans) and consumer lending policies that convinced commercial banks that:
    A Consumer credit was not a profitable industry.
    B Consumer credit could be profitable.
    C Consumers would not be willing to use credit, since borrowing money for large purchases had not previously been an option for the middle class.
    D They would not be able to compete with loan sharks in the industry of consumer lending.

12. When it comes to managing money, success is about _____% head knowledge and _____% behavior.
    A 50, 50  B 60, 40  C 80, 20  D 20, 80

Short Answer
Respond in the space provided.

13. Describe some of the mistakes Americans often make when it comes to money.

14. Explain why understanding your money personality is important when it comes to developing a money plan that’s right for you.

15. Does the History of Credit and Consumerism segment make you view the use of credit differently than you did before? Explain your answer.

16. Explain how marketing can affect your decisions when it comes to spending money.

17. Does managing your money well mean that you can’t have fun with your money? Explain your answer.
Success Stories

“Foundations in Personal Finance has gone above my expectations. Dave does a tremendous job conveying his ideas to the students. I believe we are establishing a mindset where these young people will go into their post-high school lives better prepared to face the financial challenges than any group of students I have ever taught. The workbooks and supplemental materials are excellent.”

TEACHER, Thurmont, Maryland

“I learned a lot about saving and how it’s an important concept of life, and that eventually I have to become an adult and put it into practice.”

JUNIOR, Tampa, Florida

“My students are fully engaged. They’re having fun while they learn! Instead of sitting, reading, doing worksheets, or sleeping, they’re watching and laughing. The program truly teaches students in a language they understand and has made learning fun again!”

TEACHER, New Buffalo, Michigan

“When I was in the class I was able to find something I could connect to—something that was relevant to my future.”

SENIOR, Nashville, Tennessee

“I want you to know that [this] curriculum is one of the most valuable teaching tools that I have ever used in my 36 years of teaching! I have some students who will watch these videos when they won’t show an interest in anything else that is presented to them.”

TEACHER, Ringgold, Georgia

“My parents are definitely excited about the class because they weren’t given the same opportunity so they think I can put it to good use.”

JUNIOR, Tampa, Florida

“I am currently using Foundations in Personal Finance, and my students really enjoy the class. I have gotten so many emails and phone calls from parents telling me that their kids are showing an interest in finances and retirement for the first time. I love the curriculum.”

TEACHER, Provo, Utah

“After using this curriculum for one semester, I feel like I have found what I’ve been searching for the past several years. It is the most engaging and meaningful material I have ever used.”

TEACHER, Bozeman, Montana

“Your high school curriculum is spectacular! My students are loving it!”

TEACHER, Riverside, California
How May We Assist You?

Contact one of our Curriculum Advisors today!

» 800.781.8914
» youth@daveramsey.com
» daveramsey.com/school

For more money tools and resources, visit us at foundationsU.com.
This isn’t your ordinary personal finance class. Foundations in Personal Finance won’t bore you with stuffy, highbrow financial advice. Instead, it focuses on the basics of how to win with money. Along with entertaining video lessons, the concepts taught in this class will show you how to take control of your money and help you avoid huge money mistakes down the road.

Foundations Teaches You How To

• Save money, invest, and build wealth
• Become a wise consumer
• Identify types of taxes and how they affect your income

• Write and follow a budget
• Evaluate employee benefits
• Give to others of your money, time and talents

• Live debt free and attend college without student loans
• Describe different types of insurance and know what’s best for you
• Make informed and responsible financial decisions

• Set and achieve personal and career goals
• Communicate with others about money

For more money tools and resources, visit us at foundationsU.com.