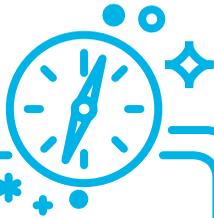


A budget



tells you



where



to

go!

Saving & Budgeting

The road map for your money.

73% of teens consider themselves “super savers” as opposed to “big spenders”¹

83% of teens admit they don’t know much about personal finance²

 Today, there are three kinds of people: the haves, the have-nots, and the have-not-paid-for-what-they-haves.

EARL WILSON, American columnist

 Of the billionaires I have known, money just brings out the basic traits in them. If they were jerks before they had money, they are simply jerks with a billion dollars.

WARREN BUFFETT, entrepreneur and philanthropist

 The plans of the diligent lead surely to plenty, but those of everyone who is hasty, surely to poverty.

PROVERBS 21:5 NKJV

I Can...



At the end of this chapter, come back to this list and mark the things you understand and could explain to a friend.

LESSON 1

- Describe what it means to be financially responsible.
- Recognize the difference between assets and liabilities.
- Explain the meaning of net worth.

LESSON 2

- Describe how saving money improves my financial well-being.
- Identify three basic reasons for saving money.
- Compare simple interest and compound interest.

LESSON 3

- Understand the difference between wants and needs.
- Describe the difference between a credit card and a debit card.
- Explain how to balance a checkbook or bank statement.

LESSON 4

- Recognize my money personality.
- Understand how to talk about money with family members.
- Describe different types of expenses.

LESSON 5

- Identify my core values.
- Explain the meaning of charitable giving.
- Describe the benefits of giving.

Key Terms



Get to know the language of money.

Asset: Anything of value that is owned by an individual

Budget: A monthly plan for how you are going to save and spend your income

Compound Interest: Interest paid on an investment and on any interest previously earned

Consumer: A person or organization that purchases a product or service

Credit: The granting of a loan and the creation of debt

Debt: An obligation to repay borrowed money

Expense: The cost of goods or services

Interest: The charge for borrowed money generally defined as a percentage; also, the earned interest on money you save or invest

Investments: Money put into an account intended for growth

Liability: Anything you owe; a debt

Net Worth: The total value of a person's assets (things owned) minus their liabilities (things owed); may be a positive or negative dollar amount

Nonprofit Organization: A federally recognized, tax-exempt organization such as a church, hospital, charity, or school that serves the public in some capacity

Personal Finance: All the money decisions a person or family makes including earning, budgeting, saving, spending, and planning for the future

Simple Interest: Interest paid only on the principal investment

Scarcity: An unlimited amount of wants but limited resources

Get Smart with Money

Personal finance includes everything you do with money.

LESSON 1

MONEY 101

Personal finance simply means how you handle your money. It refers to all the money choices a person or family must make in order to earn, **budget**, save, and spend money—as well as plan for emergencies and for the future.

Most people view money as simply a way to get something they want. When you get money, you probably spend it without

putting too much thought into what you are buying. But it won't be long before the way you spend money will impact your financial security in the future.

The Five Foundations are the beginner steps for establishing and maintaining financial peace. These are basic steps that any teenager can and should follow in order to win with money.

THE 5 FOUNDATIONS

\$500

FIRST FOUNDATION
Save a \$500 emergency fund



SECOND FOUNDATION
Get out of debt



THIRD FOUNDATION
Pay cash for your first car



FOURTH FOUNDATION
Pay cash for college



FIFTH FOUNDATION
Build wealth and give



If you had the money to buy whatever you wanted, what would you buy right now? Why?

MONEY-SMART

Personal finance is about 80% _____₁,
and it's only 20% _____₂.

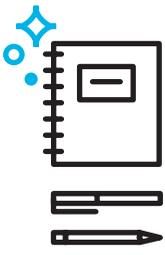
Becoming money-smart involves four things:
_____₃, _____₄,
_____₅, and give.

DEBT IS EXPENSIVE

You might think most people are doing pretty well when it comes to money. They drive new cars, live in big houses, and wear nice clothes. The truth is that most people are living paycheck to paycheck. They run out of money from their last paycheck before they get their next paycheck.

To fill this money gap, many Americans borrow money—or use **credit**. Just because someone appears rich doesn't mean they have a lot of money. People can have really nice stuff and not be rich. It can all be purchased on credit, and that creates a huge pile of **debt**.

Debt is _____₆ to
anyone for any reason.



JOURNAL QUESTION

Describe a time when you spent your money on something and later wished you had used the money for something else.

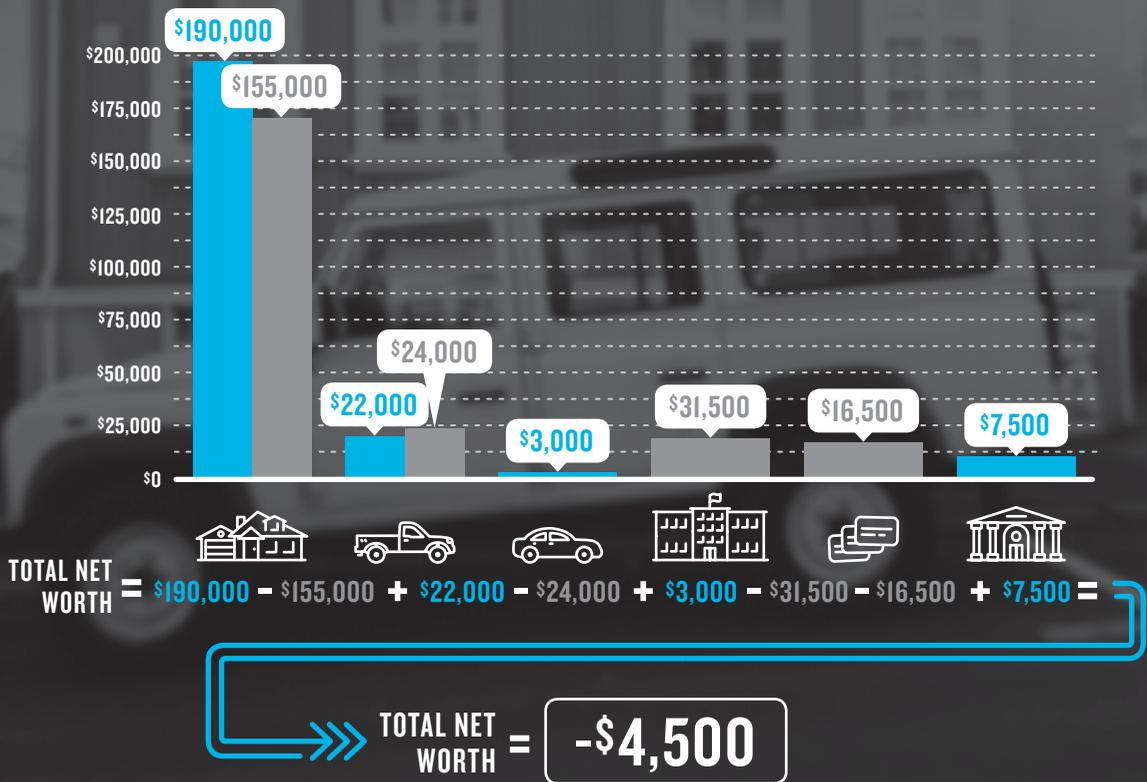


What's Net Worth?

To win with money, you'll need to learn the language of money. One of the terms to understand is **net worth**, which is basically how much money a person, family, or business can claim as total value. Your net worth is figured by subtracting all of your **liabilities** (the things you owe, including any debt) from the value of all of your **assets** (the things you own and the money you have).

For Example

Jose and Julia want to determine their net worth. They are paying a mortgage on their home. Jose drives a four-year-old truck, and Julia drives a twelve-year-old car. They have some money in the bank, but they both owe on student loans and credit cards. They have the following assets (value in blue) and liabilities (debt in grey).



LESSON 1

— APPLY WHAT YOU'VE LEARNED —

Personal Finance Basics

Studying the topic of personal finance is your first step to winning with money.

There are a lot of words and concepts to know when you talk about personal finance. Understanding these different terms and phrases will help you make wise choices when it comes to your money. Let's get started!

DIRECTIONS: Match the following terms with the correct descriptions.

- | | | |
|-------------------------------|----------------------|-------------------------------|
| A debt | D behavior | G The First Foundation |
| B personal finance | E net worth | H knowledge |
| C The Five Foundations | F liabilities | I assets |

- | | |
|---|--|
| 1. ____ Save a \$500 emergency fund. | 6. ____ All things related to money. |
| 2. ____ Owing anything to anyone. | 7. ____ What you know about money. |
| 3. ____ The things you do with money. | 8. ____ The things you owe. |
| 4. ____ The things you own. | 9. ____ The value of one's assets minus liabilities. |
| 5. ____ The financial peace beginner steps. | |

FINAL THOUGHT: In the house of the wise are stores of choice food and oil, but a foolish man devours all he has.

PROVERBS 21:20 NIV 84