Money Concepts that Make Cent$

LEARN BASIC MONEY TERMS & ACCOUNT TYPES

TEACHER EDITION WITH ACTIVITY REVIEWS

PATTY ANN

MONEY CONCEPT$ THAT MAKE CENT$

Learn Basic Money Term$ & Account Type$

TEACHER EDITION WITH ACTIVITY REVIEWS

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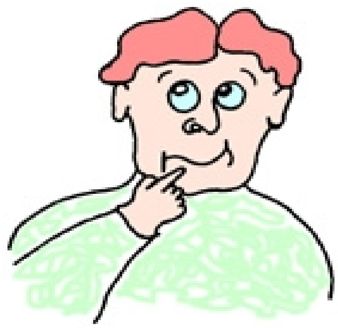
IRAs * Loans * Credit
Mutual Funds * Stocks *
Brokerage Fees * Bonds *
Pensions * Checking & Savings Accounts *
Certificates of Deposits * 401K Plans *

So much to learn, but
this book will teach me!



Welcome
To
MONEY CONCEPT$ THAT MAKE CENT$
Learn Basic Money Term$ & Account Type$

Do you want to know more about
money accounts and money terms?

Here's the place to start!
This book presents simple,
easy to learn concepts about
the major types of money accounts
that you will encounter during your life.

From learning about the
origination of money
to practicing smart money tips
you will enjoy cruising through
this easy-to-use and fun to read book.

Enjoy!

MONEY CONCEPT$ THAT MAKE CENT$

Book Contents

Money Concepts

What is the Concept of Money?

Money means different things to different people. For example it c[illegible] mean:

- Prestige
- Security
- Comfort
- A way to buy stuff
- Financial freedom

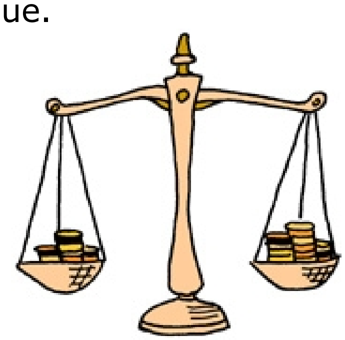
In order to have the list above you'll need to [illegible]rn a[illegible]ut [illegible]he list below:

-Checking Accounts	[illegible]avings [illegible]nts
-CDs	Cr[illegible]it Acc[illegible]
-Stocks	-[illegible]
-Mutual Funds	401[illegible]nts
-Pension Plan	[illegible]RAs
-Smart Money Tips	[illegible]re Hot [illegible]oney Tips

Stay with us for the duratio[illegible] and you'll be sure to become money $mart!

What i[illegible] M[illegible]ey?

- Mone[illegible] a [illegible]asure.
- M[illegible] a means of exchange.
- [illegible]oney [illegible]d as payment for goods and services.
- [illegible]oney has a value.

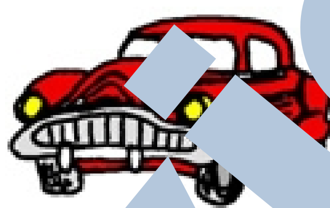


What is Value?

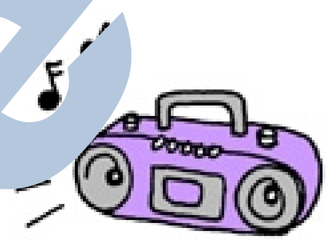
Value has both implicit and explicit meanings.
► What does this mean?

Implicit meanings are internal emotional or mental rewar[illegible] people get from purchasing products.

For example:
If you want to buy a good used car and you find one in [illegible]e for $500.00 you would feel great about getting such [illegible]al of a de[illegible]. This is an emotional or implicit reward.



Explicit values come from outside [illegible]rself. Let's say the $500.00 car you just purchased came wi[illegible] new [illegible]0.00 CD stereo player. So you got an added feature along [illegible]eal.



[illegible]oncre[illegible]e minds of the buyer and seller.

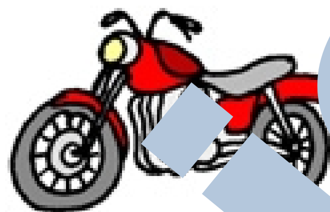
[illegible] sell[illegible]uts value on what they think their product is worth. The value [illegible]duct is determined by the seller's time spent making it, or their [illegible]buying it.

And, [illegible]er is willing to pay for a product as long as they believe the value is acceptable.

Therefore value has a price and that price comes in the form of money.

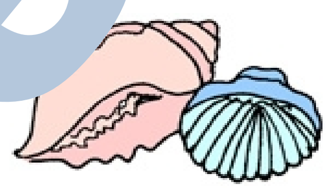
The value a person places on an item can vary and is attached to different things:

- Aesthetic features of the product.
- Physical characteristics of the product.
- How the value of the product is perceived.
- What the product is worth in the open market.



The Origin of Money

Did you know that money used to come in all sorts of forms besides dollar bills? It's true. At different times people have used other items to exchange goods. Here are some examples:



Islanders traded sea shells.

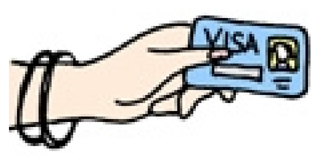
Fancy feathers had decorative value
and were traded for making tribal garments.

Farmers traded their
produce and livestock.

Nowadays people still barter
goods at swap-meets.

Money today is transacted in a variety of forms:

- Cash
- Checks
- Electronic funds
- Credit and debit cards
- Stock and bank certificates



POINT IN FACT:

In the past the dollar was based on the gold standard. A one-dollar bill had an equal value of gold behind it. Dollars use to be called silver certificates. Before paper dollars, people exchanged gold and silver coins for goods.

Terms to Describe Money

There are many names used to describe the price of a commodity. A commodity is a good or service that's for sale. Different markets dictate the proper terms that are used. Here are some common terms that you're sure to recognize:

Drivers pay a **toll** to [illegible] over a toll bridge.

Sales **commissions** are paid to car salesmen and real estate brokers.

Types of Money Accounts

This section will introduce the most common types of money acco .

Understanding money terminology is essential. Throughout
program new vocabulary is introduced and defined wi ea pic
page. To get started, here are some familiar terms a
definitions:

Principal = the original amount of money ir ste
E***xample:*** John saved $100.00 and it intc vinc account. This
$100.00 is the original or principa nor nt of ested.

Interest earned is money made r and the original
investment. It's usually paid as a entage the principal.
Example: If John kept $100.00 in a ngs account that paid 5% for
one year he would earn $5. ve months John's savings
account would then total $10

How Interest is Fi red
Interest and other c erted to a decimal point to determine
their rate of return. of urn is the percentage of money you
earn on our pr pal nt.

Ex
ert 5
÷ = .05)

Secon gure earnings:
$100.00 = Principal amount
<u>   x .05 </u> = Rate of return
$5.00 = Interest earned

Checking Accounts

What is a checking account?

- Checking accounts are one of life's necessities.
- A check is a form of monetary exchange.
- Writing a check for purchases replaces paying cash.

For an example of how checking acco[illegible]rk let's look at this scenario:

1. John deposits $500.00 to op[illegible] checki[illegible]g account.

2. John signs a signatur[illegible]he owns this account.

3. The bank gives J[illegible]w checks to get started, but there is a printing charg[illegible]$1[illegible]0 to order John's first set of checks.

4. John runs to [illegible]cery [illegible]ore where he writes one check for $75.00.

5. He al[illegible]tes another check for car repairs to his car mechanic for $1[illegible]

[illegible]ohn's [illegible]cking account would reflect these charges:

[illegible]0 John's initial deposit

-$1[illegible]ducted for check order

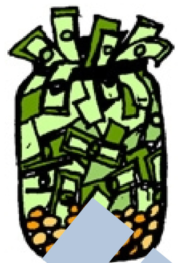
- $75.0[illegible] Check withdrawal for groceries

-$125.00 Check withdrawal for car repairs

= $285.00 Left in John's checking account.

Savings Accounts

What's a savings account?
It's a place where you deposit money for safekeeping. Instead of putting cash in a cookie jar at home, having a savings account means putting money into a bank account that holds your money [illegible]



What's a savings account used for?
This type of account is used for saving for your first car, a stereo, a new jet ski, and eventually perhaps your first home. Here are some savings account guidelines:

- You can deposit and withdraw only your money.
- You may not withdraw more than the amount in your account.
- You can deposit and withdraw your money at anytime.
- The bank pays you money to keep your account with them. This is called interest or cash dividends.

What does the bank do with my money?
Banks pay you interest on your money because they use it to make [illegible] investments. Savings account interest is not a big rate of return but it is better than nothing. Remember rate of return is the amount of interest you are paid on your money.

Example: If a bank pays John 3% (his rate of return) they must [illegible] a bigger percent on their investments to make a profit. For example: the bank pays John 3% for leaving his money in his saving account. The bank then lends out John's money at 8% which earns them a 5% profit.

* * * * * * *

Checking & Savings Account Exercises

The original amount of money invested is called: ________________.

Money made over and above the original investment that's [illegible] as a percentage of the principal is called: ________________________.

Places you keep your money so that it will grow in value and be worth more than the amount you started with over time are called __________.

The total dollar value you own in your home or other real property is called ____.

Investments such as a house that grow in value over a period of time are said to ____.

Name some types of investments that you believe would grow in value over time:

1)____

2)____

Name a couple of benefits from owning and using a checking account:

1)____

2)____

Give two reasons you should keep track of your checking account balance and not let it fall below zero:

1)____

2)____

What are some reasons to keep your money in a savings account?

1)____

2)____

Credit Accounts

What is credit?
Credit allows you to buy merchandise now and pay for it later. Credit is a money loan. You agree to pay for the goods you bought at a future designated point.

How does someone get credit?
Credit accounts can be established in [illegible] ways. First, a credit application needs to be filled out for the type of credit account you want. After its approved you can use your credit buying privileges. Here are a few ways to setup credit:

- Apply for and use a [illegible] credit card like Sears or Target.
- Apply for and use a [illegible] card such as Visa or MasterCard.
- Open a checking account with a credit card attached and use it.

What's a credit report?
Credit reports reveal your credit history which shows if you've paid your bills on time and/or have any outstanding debts unpaid.

What's the purpose of a credit report?
It allows the loaning party to check your credit history for loan defaults. A credit report tells loan officers if you can handle money responsibly.

Example #1:
You want to rent a house, but the landlord does not know anything about you. With your permission, the landlord can order a credit report to see if you are a good credit risk. If you have no loans in default (unpaid) this is one indication to the landlord that you are likely to pay your rent, which makes you a good credit risk.

Loans

What is a loan?
Loans are used for purchasing big ticket items such as a car, hous[illegible] boat or college education. A borrower applies to a lending i[illegible]utio[illegible] such as a bank or finance company for a one-time lump s[illegible] to buy a financially large investment.

How is a loan different fro[illegible]
Loans are granted for a[illegible] – usually expensive – purchase, whereas credit is usually used [illegible]g miscellaneous less expensive items.

How does so[illegible]eon[illegible] a [illegible]n?
First, you nee[illegible] acq[illegible] application from a lending institution. Then you n[illegible] to completely fill out the application. The paperwork will ask things [illegible]

→ [illegible]our rec[illegible] employment history and salary. Lenders want to [illegible]ake sure you can afford the payment.

→ Past loans or credit accounts to check out your credit history.

→ [illegible]hether you rent or own your residence, including it's location [illegible]nd how long you've lived there. This shows lenders stability.

→ Other relevant information. Lending institutions want to ensure borrowers are a good credit risk.

Monthly Payment Schedule	Monthly Principal Paid**	Monthly Interest Paid**	Total Monthly Payment
1	$240.97	+ $20.00	= $260.97
2	242.58	+ 18.39	= $2[illegible]
3	244.19	+ 16.78	= $26[illegible]
4	245.82	+ 15.15	[illegible]
5	247.46	+ 13.51	= $260.9[illegible]
6	249.11	+ 11.[illegible]	[illegible] $[illegible]60.97
7	250.77	+ 10[illegible]	= [illegible]60.97
8	252.4[illegible]	[illegible] 8.5[illegible]	[illegible] $260.97
9	254.13	[illegible]4	= $260.97
10	255.8[illegible]	+ [illegible]	= $260.97
11	257.53	+ 3.44	= $260.97
12	[illegible]	[illegible] 1.73	=260.91

Balance Minus Mon[illegible] P[illegible]yme[illegible] = Remaining Principal Balance

$300[illegible] 260.97 = $2759.03
$2759.03 – 260.97 = 2516.45
[illegible]2516.45 – 260.97 = 2272.26
[illegible]72.26 – 260.97 = 2026.44
$[illegible]026.44 – 260.97 = 1778.98
$1778.98 – 260.97 = 1529.87
$1529.87 – 260.97 = 1279.10
$1279.10 – 260.97 = 1026.66
$1026.66 – 260.97 = 772.53
$772.53 – 260.97 = 516.71
$516.71 – 260.97 = 259.18
$260.91 – 260.91 = 0.00

Stocks

Who has not heard of a family friend, an uncle, or a neighbor who has struck it rich in the stock market?

Stocks can create wealth beyond your wildest dreams, but they are also the source of much grief for those who have invested and lost their life savings. Therefore, it's best to educate yourself about what stocks are and how they work.

What is a stock?
A stock is the partial ownership of a corporation represented by shares. A stock certificate is a paper certificate that shows you own a small portion of a corporation. Buying a company's stock means you are part owner in a corporation and everything they own.

For example, if you buy Boeing stocks you own a fraction of everything Boeing owns such as their buildings, computers, tables, chairs, even the airplanes! Investing your money into Boeing stock allows Boeing to use your money to buy more equipment and materials to expand their business. The growth of their business means bigger profits for them, and you as a stockholder.

How do stocks work?
A company that goes public sells shares of itself to whoever is willing to buy them. When a company designates a certain number of shares to be sold to the public for the first time, this is known as an IPO, or Initial Public Offering.

Example:
Your Aunt Sarah owns a shoe company, but decides to let the public invest in her company. An Initial Public Offering of 1,000,000 shares sell at $12/share. Having $1200 dollars saved you buy a small percent of Aunt Sarah's Shoe Company. If the shares sell for $12 you could buy 100 shares. ($1200 dollars saved ÷ $12/share = 100 shares; broker fees not included. **See brokerage fees below.)

Bonds

What is a bond?
A bond is an interest-bearing or discounted government or corporate security. When the government or a corporation needs money to build a new facility or to develop a new product, the bonds are issued. These bonds are sold to the public. If you decide to purchase a bond, in effect you are loaning your money to support these new endeavors. In return you get a bond which is really an IOU from the agency you loaned your money to.

> ***Example:***
> Your state's transportation department wants to build a new bridge. To raise money, the state government issues bonds for a fixed term at a fixed interest. You decide to buy a bond. Your initial investment, or loan to the government is for $3736.00. After the bond matures — grows to its full value — you'll receive $5000.

Properties of a Bond

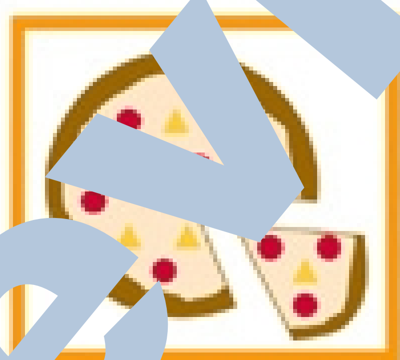
- Bonds are issued by the government or other corporations.
- Bonds are sold through a bank or lending institution, and have a fixed period of time until they mature.
- Bonds pay interest.
- Bonds issued by reputable agencies or firms are typically regarded as safe investments.
- Bonds are rated for quality.

Mutual Funds

What's a mutual fund?
It's a collection of individual stocks from many companies combined in one portfolio to make up a fund. For illustration, a mutual fund might be structured like this:

Stock	% of Total
AT&T	25%
Boeing	15%
Target	15%
Costco	20%
Microsoft	25%
Total =	100%

Yummy Mutual Fund
(Made-up [illegible])



A pizza is a [illegible] way to look at a mutual fund. How? There are only so many pieces (or stocks) that make up the whole pizza (or mutual fund). Some slices (or stocks) are larger and some are smaller taking up a larger or smaller percentage of the whole circle.

How does a mutual fund work?
When you buy a mutual fund you are buying many stocks at one time. Like stocks, mutual funds are bought and sold at a price per share such as $1[illegible] a share. The success or failure of the stocks in the portfolio determines the profit or loss of the entire fund.

Mutual funds also pay dividends that can be reinvested; meaning the dividends are cash payouts that go back into buying more shares of the mutual fund. This is usually how your wealth in these funds increases.

401K Accounts

What is a 401K Account?
401K accounts are retirement savi accou is a ore structured savings account in that the rules a m rig ow and when you can withdraw your money.

Who sets up your 401K?
Usually your employer takes care o ting the plan up for you. You agree to add money to you h payroll deductions.

How much can you your 401K?
You can designate u o a rta percentage of your income to the 401K account each ck. ually there is a maximum allowable amount set like 15% an put in any increment amount of your income in fro 15%

W o sp bout having a 401K?
rs are exempt. In other words, you do not pay tax on the ollars earn until you withdraw the money later on. The theory is ur retirement years your income is supposed to be less than working years; therefore, when you withdraw and use these u will pay tax on a smaller yearly income.

Taking vantage of an employer sponsored 401K program is a good idea because employer can offer several investment options that pay a decent rate of return.

IRAs

What does IRA mean?
IRA is an acronym for **I**ndividual **R**etirement **A**ccount.

What is an IRA?
It is a self-directed form of a retirement account. In o[illegible]ou are responsible for setting it up with a bank or investment in[illegible]tion. An IRA is your retirement savings account.

What goes into an IRA?
Money of course! An employed in[illegible]du[illegible] can [illegible] up to a designated dollar amount per calenda[illegible]. Con[illegible]tions depend on your yearly income and other factors. [illegible]he IRS regulations to find out the qualifications for contribut[illegible]s bec[illegible]ey change over time.

How does it mature?
You can invest your IRA mon[illegible]al funds, stocks, CDs or just leave it in as a savings a[illegible]nt.

Important things [illegible]w:

- There ar[illegible]eral types of IRA accounts.
- [illegible]wo m[illegible]mon are a regular **IRA** and a **Roth IRA**.
- The [illegible]ney contributions that accrue for a regular IRA may be tax de[illegible]ed. Tax deferred means the tax on the principal and interest [illegible]paid when withdrawn, which is usually later during retirement [illegible]. However, check with your investment broker or accountant to [illegible]u're eligible for an IRA. Higher income brackets typically red[illegible]s or disqualifies IRA eligibility.
- The interest accrued for a Roth IRA is tax free at retirement. You pay taxes on your income each year you contribute, but the interest gained on the principal is tax free at retirement.

Smart Money Tips

And what's money talk without some Smart Money Tips? Want better financial health? Follow these simple ideas!

Be mindful of your daily spending. Keep a log of your expenses for 1-3 months. From that list make two categories:

- Things I NEEDED to buy, and
- Things I WANTED to buy.

Now take all your expenses and categorize them. Add up the columns separately. Look at the totals and compare how the money spent on things you wanted could have gone into a savings account instead!

Here's an example:

Items I Needed	Dollar Amount per Month	Items I Wanted	Dollar Amount per Month
Gas for Car	[illegible]00	Lunches Out	$72.00
Textbooks	$47.00	Rented Movies	$32.00
Car Insurance	$120.00	Candy & Gum	$26.00
Totals	$223.00	Could Have Saved ►	$130.00

Timeless Tips for
Stretching those Dollars

Buy fresh foods to prepare – lu[illegible]
dinner out gets expensive an[illegible]
.

[illegible]g your auto yourself
sa[illegible]s ti[illegible]e and money!

Although it's nice to buy a
new car you can save oodles
of dollars by buying a used one.

Now here's another angle:
Let's say you're 20 years old and open an account with $1[illegible] Thereafter you deposit just $100.00 per month [illegible]he period of time specified. At 8% interest this is what your mo[illegible]e worth:

10 years later [illegible]0,454.[illegible]
(at 30 years old)
20 years later [illegible]63,[illegible]
(at 40 years o[illegible]
30 years later = [illegible]9,099.00**
(at 50 [illegible]
40 [illegible] later =[illegible],825.00**
[illegible]s old)

* * *

It's never too soon to
[illegible]tart saving for your future.
Lo[illegible]t the advantage of starting early
— time is on your side.

Remember, it is within your
power to control your
financial future, and it's
never too late to start.

So go to it and reap the harvest!

Double Check! Money Terminology Quiz!	
Description of the Term:	**Write the Correct Term[illegible]E!**
Reveals your credit history and whether you're worthy of paying back a loan.	
A percentage of money earned over and above the original principal amount.	
A corporation's first stock offering to the public.	
A government regulated agency that insures bank accounts.	
Taxes that everyone has to pay to the IRS on th[illegible] earnings each year.	
Real estate or other real property tha[illegible]has[illegible]alue and is worth money.	
A government agency which collects t[illegible]x on [illegible] earned income each year.	
The implicit or explicit worth a buyer [illegible]or seller attaches to a good or service.	
Allows you to purchase mercha[illegible] pay for it later.	
A company supported [illegible] savings account.	
The ownership of on[illegible]orp[illegible]tio[illegible]epresented by shares.	
Money lent to y[illegible] by [illegible]	
The increase[illegible]e value of money invested over a period of ti[illegible]	
A[illegible]on of [illegible]al stocks in one portfolio that [illegible]he fun[illegible]	
[illegible] plas[illegible]ard used in place of writing a check.	
[illegible]ion to buy and sell stocks.	
Co[illegible]s and fees paid to stockbrokers who buy and s[illegible]cks and other investments.	
A credit rating and financial past records of debts.	
When price levels rise causing the value of the dollar to decrease over time.	
Answer Key for terminology is found at the end of this book!	

Glossary of Terms

NOTE: This list includes the terms presented in this program, but is not inclusive of every term found within the financial field.

Amortization: Amortization is reduction of debt by paying back a predetermined sum over a fixed period [illegible]. Each payment is the same dollar amount, which includes interest and principal. However, the amount you pay toward the principal and interest changes from payment to payment as the principal gets paid down.

Annual Percentage Rate (APR): [illegible]s the cost of credit. It's the money a lending institution charges on the loan amount and figured in percentage value.

Appreciation: The increase in the value of money invested over a period of time.

Assets: Real estate or other real property such as stocks, bonds, mutual funds, precious jewels, rare collectibles — anything that has [illegible] is worth money.

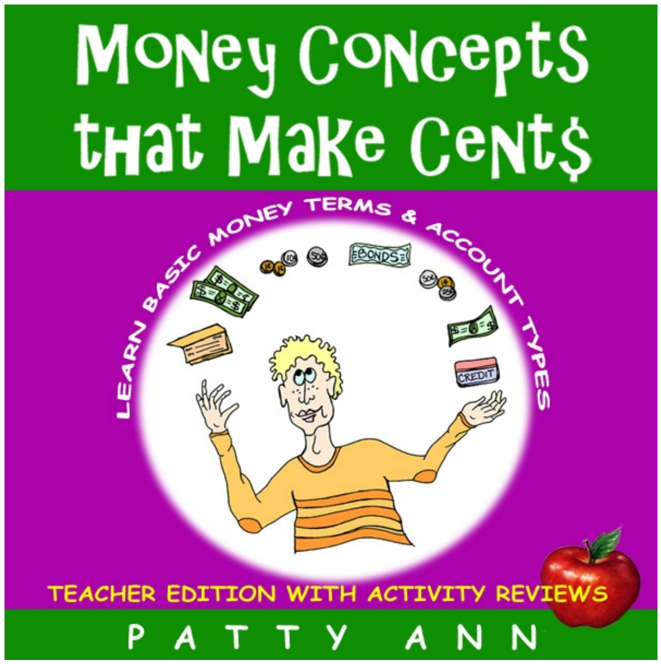
[illegible]-Backed Securities: Bonds that are backed by assets.

Balloon Payment: Balloon payments are used as a final payment on a loan. The term balloon signifies that this last payment is substantially larger than the preceding payments. For example, it allows buyers to make smaller payments until a designated point in time when the large, balloon payment is due. This can be financially beneficial for a buyer waiting for a CD or bond to mature, or pending an inheritance.

Thank YOU for Previewing

MONEY CONCEPT$ THAT MAKE CENT$

Learn Basic Money Term$ & Account Type$



Thank YOU !

Your Purchase Supports

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COMMUNITY - CONNECT - COLLABORATE