



HIGH SCHOOL PERSONAL FINANCE

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PERSONAL FINANCE VOCABULARY

Match the **definitions** below to the correct bolded **word**.

DEFINITIONS

- A.** A reduction to the amount of taxable income you made in a year.
- B.** A request you submit to your insurance provider to pay for covered expenses.
- C.** A document detailing the type and amount of coverage that your insurance offers.
- D.** An amount paid before a large purchase that reduces the loan amount and proves your intention and ability to repay the loan.
- E.** Anything that you spend money on, whether it's a necessity or a luxury.
- F.** A contract to use someone else's property for a specified rate and length of time.
- G.** The amount of money you make each month compared to how much debt you have to pay.
- H.** A service that provides protection against unpredictable events such as a car accident or broken arm.
- I.** The amount that you own in assets minus the amount you owe in liabilities.
- J.** The total amount of unpaid money on a loan excluding any interest charges.
- K.** Contributions to state and federal governments to pay for things like public services and infrastructure.
- L.** A self-funded retirement account that invests after tax dollars, so taxes aren't owed when the funds are withdrawn at retirement.
- M.** A self-funded retirement account that invests pre-tax dollars, so taxes are owed when funds are withdrawn at retirement.
- N.** How easily accessible money is. A checking account is extremely liquid, a Certificate of Deposit is not.
- O.** A loan used to buy a home, often with a term of 15-30 years.

SITUATIONS

1. After her car accident, Clara submits a **claim** to her insurance company.
2. Taylor and Steve finally saved enough for the **down payment** on a home.
3. Because her debt-to-income (**DTI**) is so high, Michelle didn't qualify for the loan she wanted.
4. Evelyn decides to take the standard **deduction** because it saves her more on her taxes.
5. Wes adds a new **expense** to his budget because he'll be paying rent for the first time.
6. Thanks to her **insurance**, Cami only pays a copay when she visits the doctor.
7. Before she can move in, Eloise must sign the **lease** for her apartment.
8. **Liquidity** is the main thing that convinced Tony to store his emergency fund in a regular savings account.
9. Heather celebrates paying off her **mortgage** by hosting a party at her house.
10. Jim's **net worth** goes up after he pays off his debt.
11. To find out if his procedure is covered, Colin checks his insurance **policy**.
12. Jerry is shocked when he realizes he'll pay back more than just the **principal** on his loan.
13. The first thing Roger does when he gets his paycheck is put 10% into a **Roth IRA** so that he is prepared for retirement.
14. When she got her first job, Hope was surprised how much was taken out of her paycheck for **taxes**.
15. Since Maisie chose a **traditional IRA**, she knows she won't get to take home all of the money in the account when she retires.

COST OF LIVING

Elizabeth currently lives in Little Rock, Arkansas. Her work recently shifted to be 100% remote and she's thinking about moving to a new city. Right now her top options are Philadelphia and Portland.

Help Elizabeth see how far her net monthly income of \$3,600 will go in each city by creating a budget based on her habits. Keeping in mind the **fixed expenses** for the cities that she already found, enter amounts into the blanks next to the **variable expenses**. Make sure to account for all of her income.

BUDGET PER CITY

Little Rock Budget

Rent:	\$1,100
Utilities:	\$100
Groceries:	\$250
Car Payment:	\$250
Gas & Parking:	\$120
Healthcare:	\$380
Debt Payments:	\$70
Entertainment:	\$500
Restaurants:	\$200
Clothes:	\$150
Subscriptions/ Memberships:	\$150
Savings:	\$330

Philadelphia Budget

Rent:	\$1,350
Utilities:	\$120
Groceries:	\$310
Car Payment:	\$250
Gas & Parking:	\$140
Healthcare:	\$460
Debt Payments:	\$70
Entertainment:	\$.....
Restaurants:	\$.....
Clothes:	\$.....
Subscriptions/ Memberships:	\$.....
Savings:	\$.....

Portland Budget

Rent:	\$2,000
Utilities:	\$90
Groceries:	\$290
Car Payment:	\$250
Gas & Parking:	\$150
Healthcare:	\$515
Debt Payments:	\$70
Entertainment:	\$.....
Restaurants:	\$.....
Clothes:	\$.....
Subscriptions/ Memberships:	\$.....
Savings:	\$.....

1. What categories did you find easiest to trim down in Elizabeth's budget? Why?

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2. What categories did you find most difficult? Why?

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3. Elizabeth found someone looking for a roommate in Portland. If she moved in with them, she would only pay \$1,000 in rent and \$45 in utilities. How much would that save her monthly?

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4. Most of the expenses written out for you are **fixed expenses**, so you don't have control over them month to month, compared to **variable expenses** that are relatively easy to change. Choose one of those variable expenses. What practical changes can Elizabeth make in her life to save money in that area?

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5. Which city would you personally recommend for Elizabeth? Why?

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PAYCHECK DEDUCTIONS

Because of various deductions to your pay, the amount you take home is always less than your listed salary. How much less depends on various factors. Using the definitions and amounts listed below, calculate Ed's deductions and net pay at two different pay levels.

DEFINITIONS

Federal Income Tax Withholdings (Fed Tax)	A percentage of your paycheck, based on your income, is taken out for income taxes. When you file taxes, you'll calculate if too much or too little was withheld, and you may need to pay more or get a refund. For this example, we'll assume \$105 per paycheck.
FICA Medicare Taxes (FICA Med Tax)	1.45% of your paycheck goes toward Medicare, which helps pay for medical costs for elderly or disabled people.
FICA Social Security Taxes (FICA SS Tax)	6.2% of your paycheck goes toward Social Security, which is money that supports retirees, their families, and others who can't work.
Gross Pay	The money you earn before any deductions are taken out.
Health Insurance Premium (Health INS)	If you have employer provided health insurance, you'll pay a set premium each month, deducted from your paycheck. Ed's premium is \$100 a month, \$50 per paycheck.
Net Pay	The money you take home after deductions.
State Taxes (NC St Tax)	Some states charge taxes on income. Ed lives in North Carolina, so he pays 4.99%.
Traditional 401(k) Contribution (Trad 401(k))	If your employer offers a 401(k), you can contribute a percentage of your pay to it. A traditional 401(k) draws that percentage from your gross, pre-tax income. Ed contributes 4%.

PAYSTUB #1

Percentages of \$2,800 cheat sheet	
1.45%	= \$40.60
4.0%	= \$112.00
4.99%	= \$139.72
6.2%	= \$173.60

Queen Anne's Shipping Company		Earnings Statement
EMPLOYEE NAME	PAY PERIOD	PAY DATE
Ed Teach	02/07/21 -02/20/21	02/28/21
INCOME		DEDUCTIONS
Gross Pay	2,800	FICA MED TAX
		FICA SS TAX
		Fed Tax
		NC St Tax
		Health INS
		Trad 401(k)
TOTAL DEDUCTIONS		NET PAY

PAYSTUB #2

Percentages of \$4,800 cheat sheet	
1.45%	= \$69.60
4.0%	= \$192.00
4.99%	= \$239.52
6.2%	= \$297.60

Queen Anne's Shipping Company		Earnings Statement
EMPLOYEE NAME	PAY PERIOD	PAY DATE
Ed Teach	02/07/21 -02/20/21	02/28/21
INCOME		DEDUCTIONS
Gross Pay	4,800	FICA MED TAX
		FICA SS TAX
		Fed Tax
		NC St Tax
		Health INS
		Trad 401(k)
TOTAL DEDUCTIONS		NET PAY

If Ed wanted to increase his net pay, what could **he** do?

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HOW TO FILL OUT A W-4

Take the relevant information from below and use it to fill in the W-4 to the right.

CONFIDENTIAL FILE

Name: Sandy Z. Doesitall

Character Description: Aspiring dancer, artist, theatre geek, and gymnast. Loves fishing, biking, running, jumping, diving, swimming, cooking, eating, underwater basket weaving, and standing on their head. Hates clouds. Listens to all types of music but only ever listens with the volume at 12%—no more, no less. Never disagrees with anyone unless they say that's disagreeable. Has a great deal of patience, but can't tolerate indecisiveness. Some might call this hypocrisy—they call it intuitiveness—don't ask them why.

Age: 28

Place of Birth (POB): San Diego, California

Date of Birth (DOB): June 29, 1993

Current Address: 55 S. 3000 E. Rome, WI. 54494

Social Security Number (SSN): 000-52-4956

Status: Single

of Children: 0

of Pets: 3

Previous Jobs: 4

Current Jobs: 0

Failed Jobs: 10 (the number would be greater if they included rain-drop catching as a career path).

DEFINITIONS

Deductions A reduction to the amount of taxable income you make in a year. Most people take the standard deduction, which is a set dollar amount based on your filing status. You can also itemize, which subtracts specific deductions individually.

Dependents A person you claim (say that you take care of) on your taxes other than your spouse. Most dependents are children or family members.

Withholdings The amount of money taken directly from your paycheck toward taxes. If you choose to take out extra withholdings, you're more likely to get a large refund at tax time rather than owe money.

Form **W-4**
Department of the Treasury
Internal Revenue Service

Employee's Withholding Certificate

**Complete Form W-4 so that your employer can withhold the correct federal income tax from your pay.
Give Form W-4 to your employer.
Your withholding is subject to review by the IRS.**

OMB No. 1545-0074

2023

Step 1: Enter Personal Information	(a) First name and middle initial	Last name	(b) Social security number
	Address		Does your name match the name on your social security card? If not, to ensure you get credit for your earnings, contact SSA at 800-772-1213 or go to www.ssa.gov .
	City or town, state, and ZIP code		
	(c) <input type="checkbox"/> Single or <input type="checkbox"/> Married filing separately <input type="checkbox"/> Married filing jointly or Qualifying surviving spouse <input type="checkbox"/> Head of household (Check only if you're unmarried and pay more than half the costs of keeping up a home for yourself and a qualifying individual.)		

Complete Steps 2–4 ONLY if they apply to you; otherwise, skip to Step 5. See page 2 for more information on each step, who can claim exemption from withholding, other details, and privacy.

Step 2: Multiple Jobs or Spouse Works

Complete this step if you (1) hold more than one job at a time, or (2) are married filing jointly and your spouse also works. The correct amount of withholding depends on income earned from all of these jobs.

Do **only one** of the following.

(a) Reserved for future use.

(b) Use the Multiple Jobs Worksheet on page 3 and enter the result in Step 4(c) below; **or**

(c) If there are only two jobs total, you may check this box. Do the same on Form W-4 for the other job. This option is generally more accurate than (b) if pay at the lower paying job is more than half of the pay at the higher paying job. Otherwise, (b) is more accurate

TIP: If you have self-employment income, see page 2.

Complete Steps 3–4(b) on Form W-4 for only ONE of these jobs. Leave those steps blank for the other jobs. (Your withholding will be most accurate if you complete Steps 3–4(b) on the Form W-4 for the highest paying job.)

Step 3: Claim Dependent and Other Credits	If your total income will be \$200,000 or less (\$400,000 or less if married filing jointly): Multiply the number of qualifying children under age 17 by \$2,000 \$ _____ Multiply the number of other dependents by \$500 \$ _____ Add the amounts above for qualifying children and other dependents. You may add to this the amount of any other credits. Enter the total here	3	\$
Step 4 (optional): Other Adjustments	(a) Other income (not from jobs). If you want tax withheld for other income you expect this year that won't have withholding, enter the amount of other income here. This may include interest, dividends, and retirement income	4(a)	\$
	(b) Deductions. If you expect to claim deductions other than the standard deduction and want to reduce your withholding, use the Deductions Worksheet on page 3 and enter the result here	4(b)	\$
	(c) Extra withholding. Enter any additional tax you want withheld each pay period	4(c)	\$

Step 5: Sign Here	Under penalties of perjury, I declare that this certificate, to the best of my knowledge and belief, is true, correct, and complete.		
	Employee's signature (This form is not valid unless you sign it.)	Date	

Employers Only	Employer's name and address	First date of employment	Employer identification number (EIN)
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UNDERSTANDING CREDIT CARDS

Credit cards can be a useful financial tool or a serious financial pitfall. Learn how they work to avoid trouble and stay in tip-top financial shape. Using the **definitions** below, answer the following **questions** about credit and credit cards.

DEFINITIONS

Annual Fee	A yearly fee some credit cards charge to all cardholders.
APR	The yearly interest rate paid for money borrowed with a credit card and not paid back within the grace period.
Credit Card	A card you use to borrow money for everyday purchases and must repay. The borrowed money accrues interest if not paid in full within the grace period.
Credit Score	A score between 300 and 850 that reflects how likely you are to repay what you borrow. Various aspects of your credit history impact your score in positive and negative ways.
Debt	Money you owe to a person or entity.
Interest	A percentage of money borrowed that must be paid to the lender on top of the initial amount.
Grace Period	How long you have to pay back money borrowed on a credit card before it begins to accrue interest, usually about a month.
Minimum Payment	The smallest amount you're required to pay back on your debt each month to avoid fees. Paying only the minimum payment means you'll accrue interest.

Use at least four of the credit vocab terms to explain the benefits and possible drawbacks of using a credit card.

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THE COST OF CREDIT CARDS

1. You're trying to decide between two options for your first credit card. You plan to pay the card balance in full every month. Which card would you pick and why?

Credit Card A.

- 15% APR
- \$50 annual fee

Credit Card B

- 23% APR
- No annual fee

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Let's say you choose card A...

Assume you have a \$5,000 balance that you want to pay off.

If you pay \$100 a month, it will take 79 months to pay off and you'll pay \$7,894 total. You'll also pay \$300 in annual fees.

1. How much will you pay total in interest and fees?

If you pay \$150 a month, it will take 44 months to pay off and you'll pay \$6,507 total. You'll also pay \$150 in annual fees.

2. How much will you pay total in interest and fees?

Let's say you choose card B...

Assume you have a \$5,000 balance on Card B that you want to pay off.

If you pay \$100 a month, it will take 168 months to pay off and you'll pay \$16,739 total.

1. How much will you pay in interest?.....

If you pay \$150 a month, it will take 54 months to pay off and you'll pay \$8,046 total.

2. How much will you pay in interest?.....

2. What does the difference in interest paid and months required tell you about these credit cards?

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HEALTH INSURANCE COSTS

The insurance process is complicated—health insurance is particularly confusing. In this activity, you'll tally up the health expenses for 6 people who all have the same insurance provider and plan. Using the definitions and prices for their plan below, calculate what each person paid.

DEFINITIONS

Premium	A set amount of money you pay your insurance company every month in exchange for coverage, regardless of if you use the insurance or not.
Copay	A set amount paid for certain services, such as regular checkups and preventative care.
In-Network Providers	A provider with negotiated discounts for your insurance company.
Out-of-Network Providers	A provider without negotiated discounts for your insurance company, so you'll pay full price for any services.
Deductible	The amount you pay out of pocket for qualified expenses before your insurance starts. Premiums and copays do not count toward your deductible.
Co-insurance	A set percentage of the full cost that you pay for care. Co-insurance only applies after you meet your deductible. You'll pay this percentage instead of the full price for any costs you incur after that.
Out-of-Pocket Max	The maximum amount of money you pay on healthcare services each year. Premiums do not count toward your max.

VANDAL HEARTS INSURANCE LOW-DEDUCTIBLE PLAN EXPLANATION OF BENEFITS:

- **Monthly premium:** \$120
- **Deductible:** \$3,000
- **Co-insurance:** 20%
- **Out-of-Pocket Max:** \$6,500
- **Copay for in-network doctor's visit:** \$25
- **Medication and antibiotics copay:** \$10
- **In-network urgent care copay:** \$50

Figure out how much each person paid for healthcare this month (and remember, each individual will at least pay the monthly premium no matter what).

1. Sam didn't use his health insurance this month. \$.....

2. Zeke fell and cut his leg, so he went to urgent care.

- **Previously paid toward deductible:** \$25

- **Provider:** In-network urgent care

- **Billed Costs**

- Tetanus shot: \$40

- Stitches: \$150

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3. Cami had wrist surgery.

- **Previously paid toward deductible:** \$360

- **Copay:** Not required

- **Billed Costs**

- Consultation: \$200

- Surgery: \$4,000

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Hint: She'll have to pay until she reaches her deductible, then pay co-insurance on the remaining balance of her surgery. To find 20%, take off the farthest right integer and multiply that new number by 2.

4. Flora went to the doctor with a scratchy throat.

- **Previously paid toward deductible:** \$100

- **Provider:** In-network doctor

- **Billed Costs**

- Strep test: \$40

- Antibiotic prescription

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5. Chad hurt his arm while playing sports.

- **Previously paid toward deductible:** \$450

- **Provider:** Out-of-network doctor, charged \$250

- **Care:** Recommended ice and heat

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6. Anna had a baby.

- **Total paid toward out-of-pocket max:** \$6,000

- **Copay:** Not required

- **Billed Costs**

- Hospital charges: \$4,500

- Obstetric care: \$1,500

- Anesthesia: \$1,000

- Lab tests: \$500

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ECONOMICS READING COMPREHENSION

The article and questions afterward are modeled after the reading portion of the SAT. Carefully read the snippet and consider the writer's intent and how they make their argument before answering the questions on the next page.

Ever since the Green Grove shopping center opened up just outside Valleydale's limits, our city has seen a marked decline in economic activity. More people are shopping outside of Valleydale, rather than in it, meaning we're losing out on various benefits we enjoy when our stores are full. What can we do to get shoppers back on our side of the line? Simple: provide more incentives to shop here.

Creating an incentive for shoppers to stay in Valleydale positively impacts our town's economy in several ways, including Valleydale's unemployment rate and tax revenue. An increase in customers requires an increase in workers to accommodate them. When customers dry up, so do the jobs needed to support them. In fact, Valleydale has seen a 15% decrease in employment since Green Grove opened. A higher unemployment rate in Valleydale means that more of the town's residents are unable to participate in the economy and may even require financial support from the city. When shoppers return to Valleydale, we can expect the unemployment rate to decrease.

Valleydale also receives tax revenue from purchases made in town. This revenue goes back to our government and, eventually, improves the lives of our citizens. By increasing the number of shoppers in Valleydale, that tax revenue will naturally increase as well. As an additional benefit, when shoppers support our small, local businesses, they are directly supporting the citizens of Valleydale. The opportunity cost of shopping at Green Grove over Valleydale stores is revenue for local businesses and tax gains for the city.

There are plenty of reasons why one might choose to spend their money in one place over another: marginal costs, prices, and personal values, to name just a few. But the most important factor in this situation is incentives. People are feeling incentivized to shop at Green Grove by the convenience of other stores in the shopping center. They can get everything they need in one place and that gives them an extra reason to shop there. Valleydale is lacking that particular incentive at the moment, so we need a way to make up for that and give people a reason to shop in our town.

1. What is the author of this snippet arguing for?
 - A. Green Grove is a better shopping experience than what is available in Valleydale.
 - B. Incentives will convince more people to shop in Valleydale, which will help the town.
 - C. Green Grove has a higher unemployment rate than Valleydale.
 - D. Tax revenue doesn't make that much of a difference for small towns.

2. Which of the following is an example of evidence the author uses to support their argument?
 - A. Jobs in Valleydale are down 15% since Green Grove opened.
 - B. More people live near Green Grove than in Valleydale proper.
 - C. Unemployment is less important than overall economic activity.
 - D. Healthy economies rely on tax revenue over other sources of income.

3. Based on the context, what is opportunity cost?
 - A. How much money you spend on something.
 - B. How many workers it takes to create and sell a product.
 - C. The value that you miss out on by making one choice over another.
 - D. The reasons a decision is wrong or incorrect in a given situation.

4. Which of these points could be used to counter the author's argument?
 - A. There has been no decrease in sales tax collected by Valleydale stores since Green Grove opened.
 - B. There has been an average monthly decrease of 50 out-of-town visitors to Valleydale since Green Grove opened.
 - C. Valleydale plans to do more city events next year, so they'll need more tax revenue to pay for it.
 - D. Unemployment rates near the Green Grove shopping center have dropped significantly.

5. The author discusses incentives in the last paragraph of the snippet and will go on to suggest specifics in the rest of the article. Based on the context, which of the following makes sense as a potential incentive they would recommend?
 - A. Higher gas prices inside Valleydale.
 - B. Reserving jobs in Valleydale specifically for the residents.
 - C. Only allowing large businesses to operate inside Valleydale limits.
 - D. A Valleydale carnival event with freebies and booths from local businesses.

