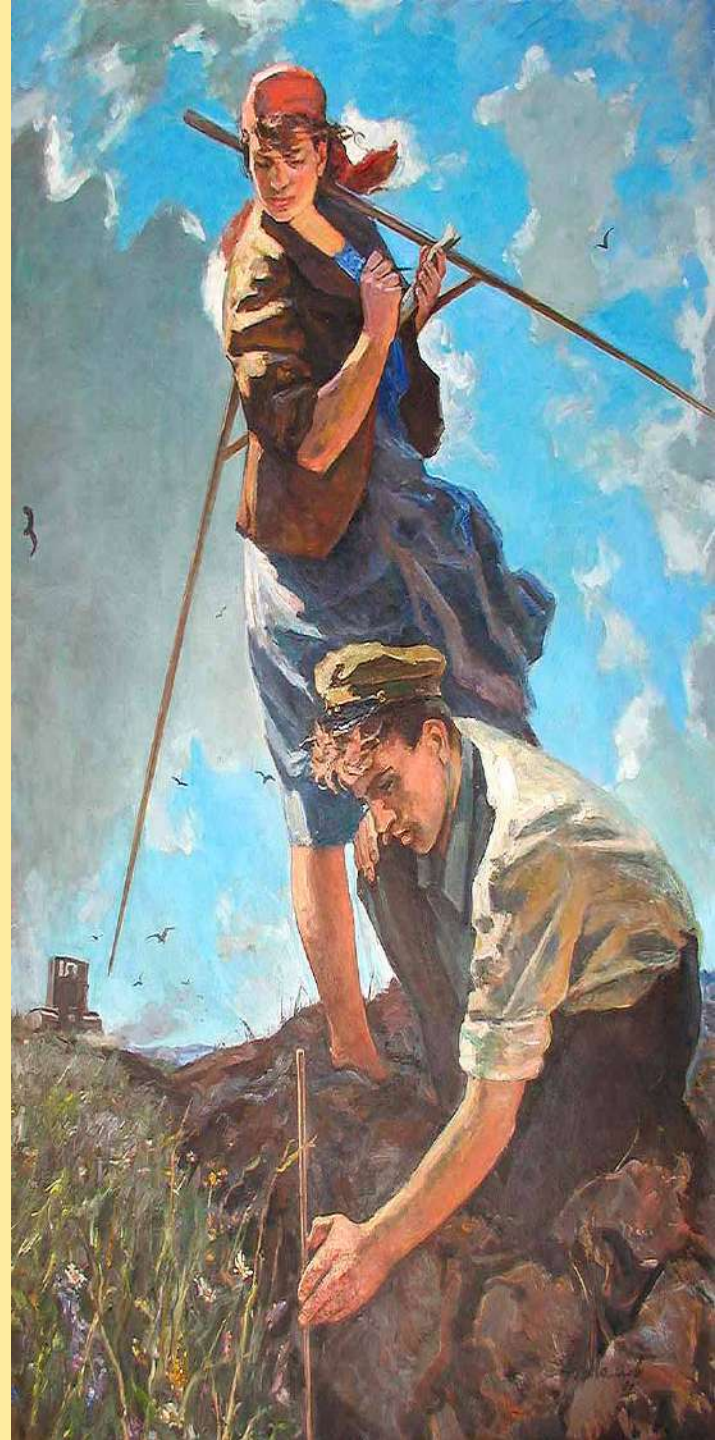


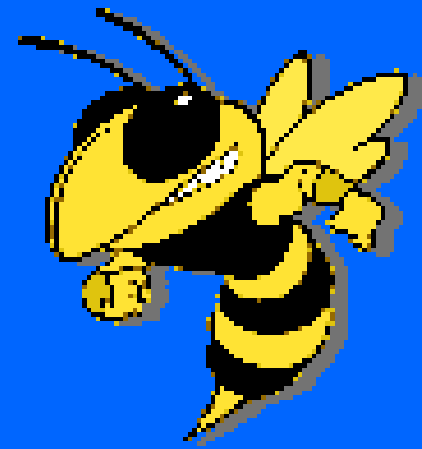


Personal Finance and Choices

Chapter 11: Consumer Spending



Essential Question:
How can one
optimize their
spending decisions ?



Objectives:

- What are the steps one can use to make a good spending choice?
- How can consumers learn about goods and services offered for sale?
- What should one consider when comparing prices, quality and features of products?
- What agencies assist consumers in protecting their rights?

How to Make Spending Choices

**Step 1: Make a list
of
priorities**

**Step 2: Make a
budget**

Monthly Budget

Monthly Income		\$4,800.33
House Payment		\$1,164.60
Car Payment		\$885.25
Utilities		\$350.00
Food		\$1,050.00
Savings		\$350.00
Entertaninment		\$500.00
Misc		\$500.00
Money Spent		\$4,799.85
Left Over Money		\$0.48



Step 3. Gather Information

Step 4: Comparison Shopping

- What kind of reputation does the product have?
- Where are you shopping?
- What additional or hidden costs will there be?
- Does the product have a written **warranty**? What kind ?

Limited.... replace all or part of the replacement costs for a certain period of time

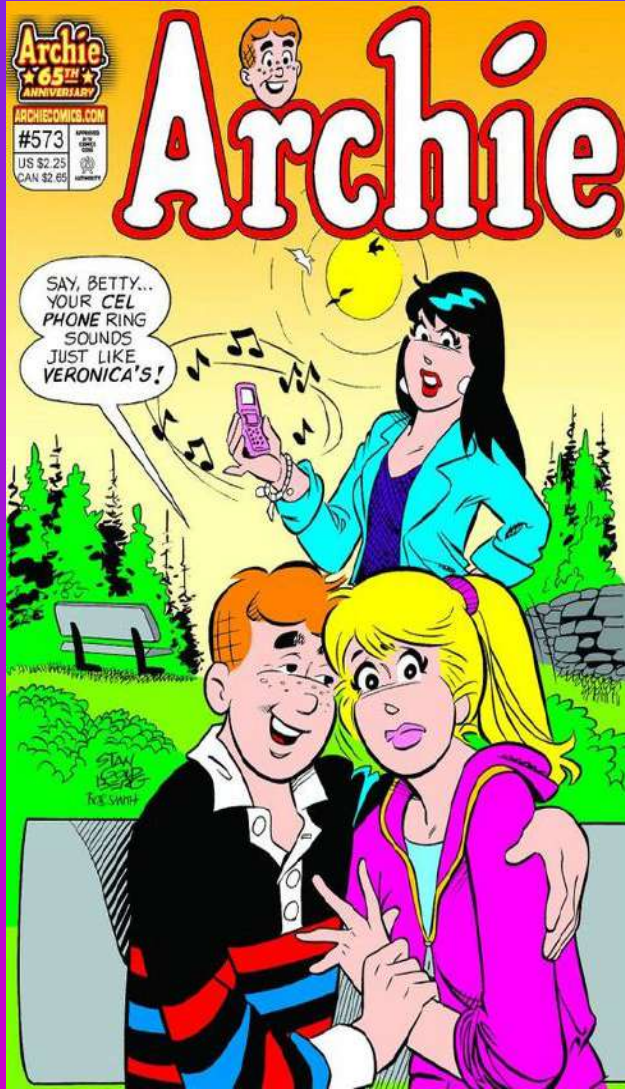
Full... Replace all parts at no cost for a certain period of time

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“This is our most practical model.
It comes with a 21-year warranty.”

Step 5: Think about the trade-offs

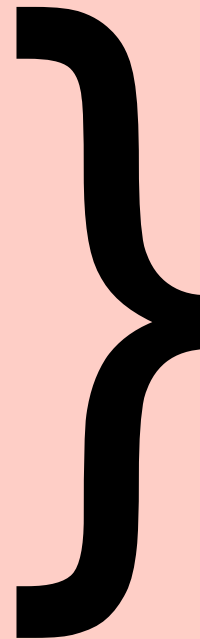


Step 6: What will this spending choice cost in terms of opportunity lost?

- Is this product worth what you will give up for it?
- Will this product still be worth it in a few years?
- Is there Consumer protection for this item?

Consumer Protection- you have consumer rights!

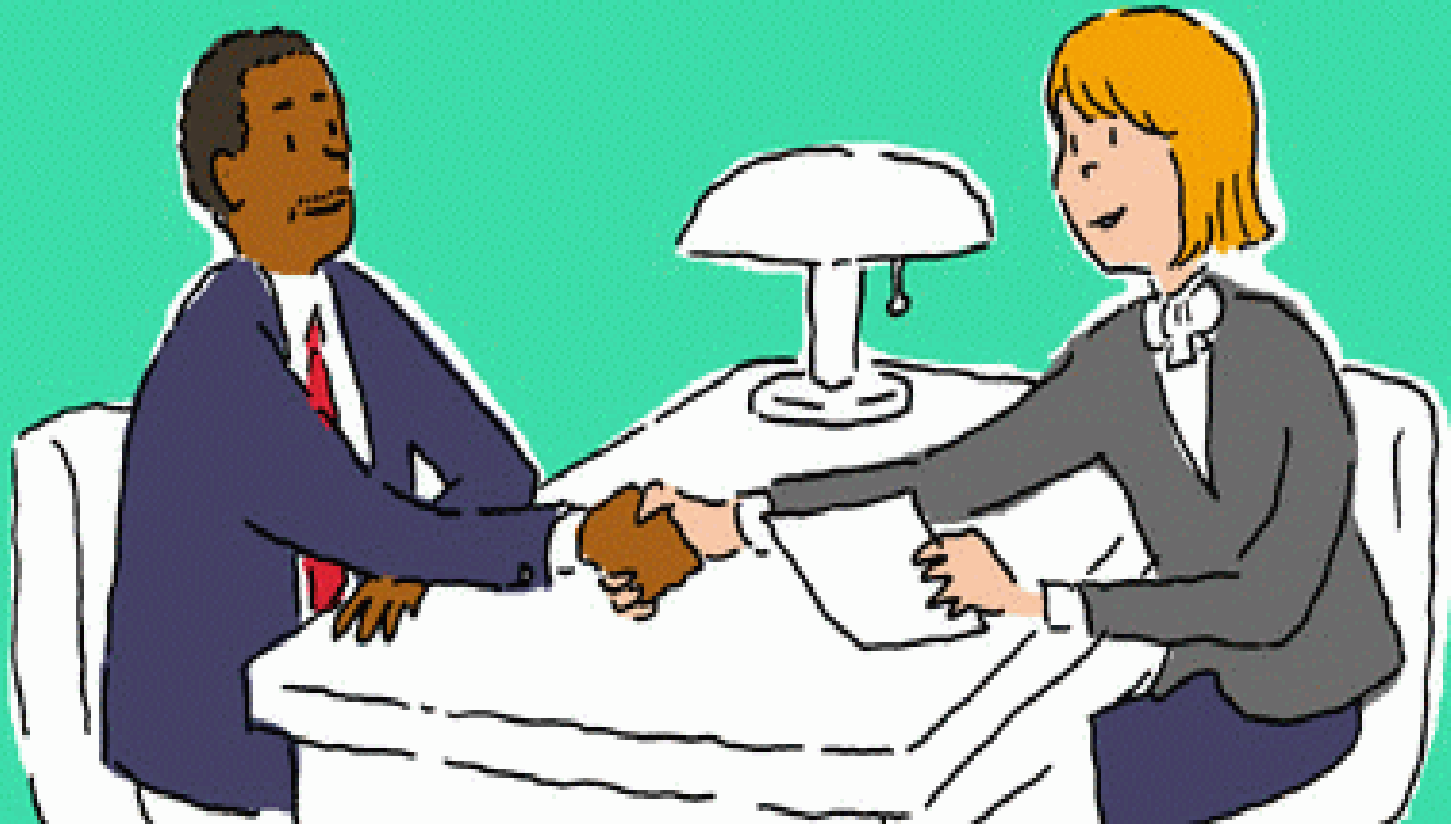
- Better Business Bureau
- Chamber of Commerce
- Law-small claims court
- Consumer Product Safety Commission



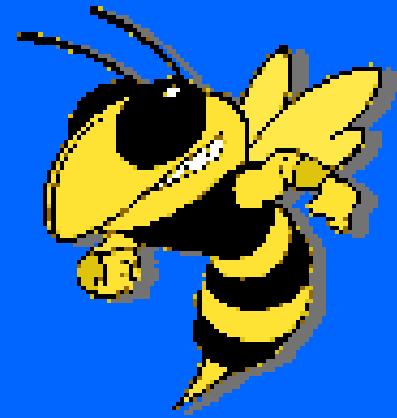
They can help if you feel you are a victim of FRAUD

Chapter 12: Consumer Saving and Borrowing

Consider a career in credit unions



Essential Question: What are the available options to earn, invest and protect one's earnings?



Objectives:

- **What are the reasons for saving?**
- **What are the reasons for borrowing?**
- **What are the different types of savings accounts?**
- **What is credit?**
- **How does one make a credit decision?**
- **What are the ways one can make investments?**
- **What is the inverse relationship between risk and return?**
- **How does one protect their investments through risk management?**
- **How are a worker's earnings determined by the marketplace?**



Why save?

- Save towards a big purchase like a house
- Put money away for an emergency
- Save for retirement, college, children's wedding, their children's wedding, a new boat
- To have a sense of security
- Help to make ends meet in case of unemployment or an accident
- Good for economy
- Good reference for a loan



Why a bank and not under the mattress?

- Interest
- Compound Interest
- Steel/Titanium Safes
- FDIC



Comparison of three Types of Savings Accounts

Type of Account	Advantages	Disadvantages
Regular savings account		
Money market account		
Certificate of deposit or CD		

Comparison of three Types of Savings Accounts

Type of Account	Advantages	Disadvantages
Regular savings account	<ul style="list-style-type: none">•You can make deposits and withdrawals when ever you want•low minimum deposit	<ul style="list-style-type: none">•Usually earns lower interest than other types of accounts
Money market account	<ul style="list-style-type: none">•Usually pays higher interest than regular savings accounts•Can usually write a limited number of checks on the account	<ul style="list-style-type: none">•Usually requires a large minimum deposit
Certificate of deposit or CD	<ul style="list-style-type: none">•Usually pays a higher interest than regular or money market accounts	<ul style="list-style-type: none">•Usually requires large minimum deposit for a specified period of time•There is an interest penalty for early withdrawal•You cannot make deposits



Why Borrow?



- Grandpa said neither a borrower or a lender be but if you have to, it may be best to go to a bank and not the Internet, Cousin Vinnie or the guy with the bodyguards
- Why are Bank loans the best option for borrowing? - Principal plus interest and no breaking knees

Credit Cards- a type of Loan

- APR
- Membership fees
- Service and transaction fees

Time for a Credit Scavenger Hunt!



The credit activity

- Go to Quia web site:
<http://www.quia.com/sh/42133.html>
- Complete Credit Scavenger Hunt answers on paper using paper and pen or Word.
- Hand in the answers for a grade

There are other ways to make money but first one needs to understand the idea of Risks versus Returns

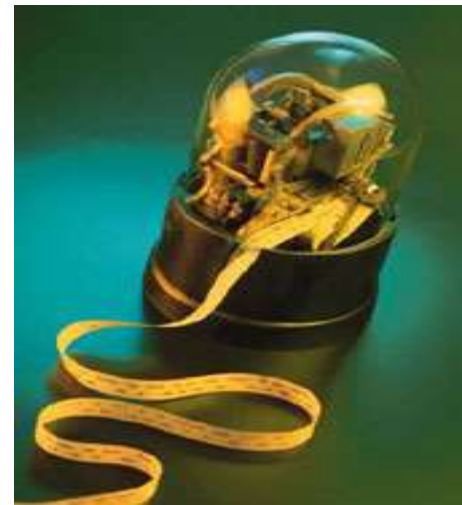
Risk & Returns Trade-off



Investment in Stocks

- Where to buy? Stockbroker, Internet, Brokerage firms
 - NASDAQ, NYSE, AMEX,
 - Stocks earn dividends (\$) on shares of stock owned . Make sure you know if you have bought common or preferred stock. Why?
-

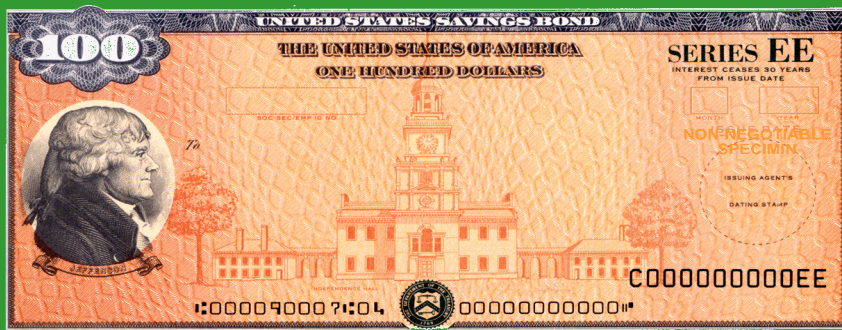
- Capital Gains vs. Capital loss
- Dow Jones Industrial Average or Dow reports on how the market is doing



Bulls versus Bears

- Bull is someone who believes the stock market is headed higher.
- A Bear is someone who believes the market is headed lower

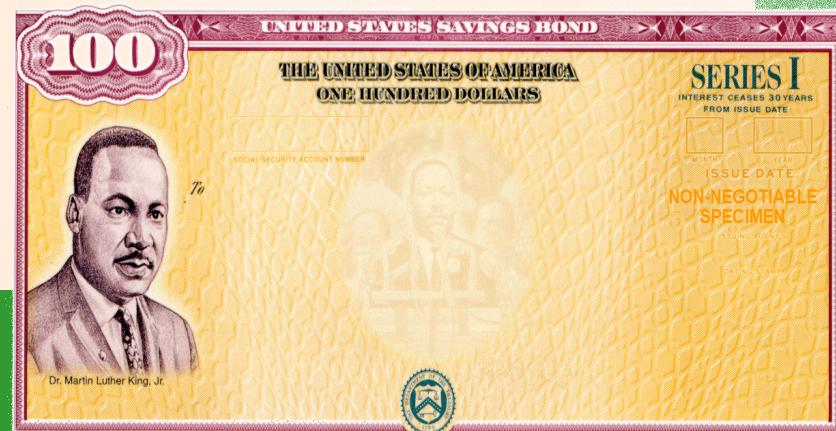




Investment in savings bonds

- Bonds are bought through brokers like stocks
- Bonds are a way for the government or a business to raise money
- When the bond comes due, the government will pay back the buyer for the principal and the interest earned
- Usually safer than investing in the Stock Market but returns may be lower.

Remember the risk and returns relationship?



Mutual Funds



- A corporation issues its own stock to the people who invest money in it and use that money to buy more stocks or securities
- A way to invest using other's know-how/expertise
- Profitable if the corporation knows what they are doing and the stocks bought do well consistently

Insurance- How to Protect Your Investments and Down-size your Losses

- Automobile
- Health
- Life
- Disability
- Property
- Flood
- Fire
- Catastrophe
- Rental
- Long term care

*Time to do an
Insurance
Activity*



insurance anyone? [Captain Compare.com](http://CaptainCompare.com)

World's Most Ambitious Parking Manoeuvre

Costs and Benefits of Insurance

- What if nothing bad happens?

- _____



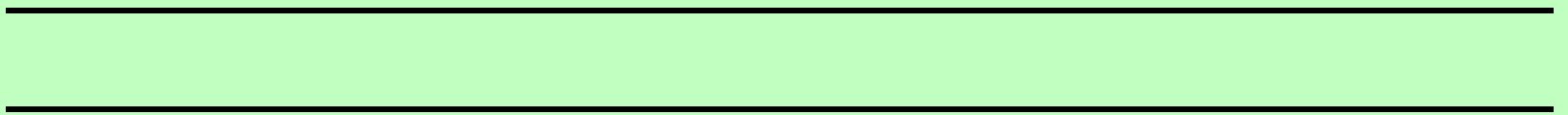
- What if something bad happens?

- _____



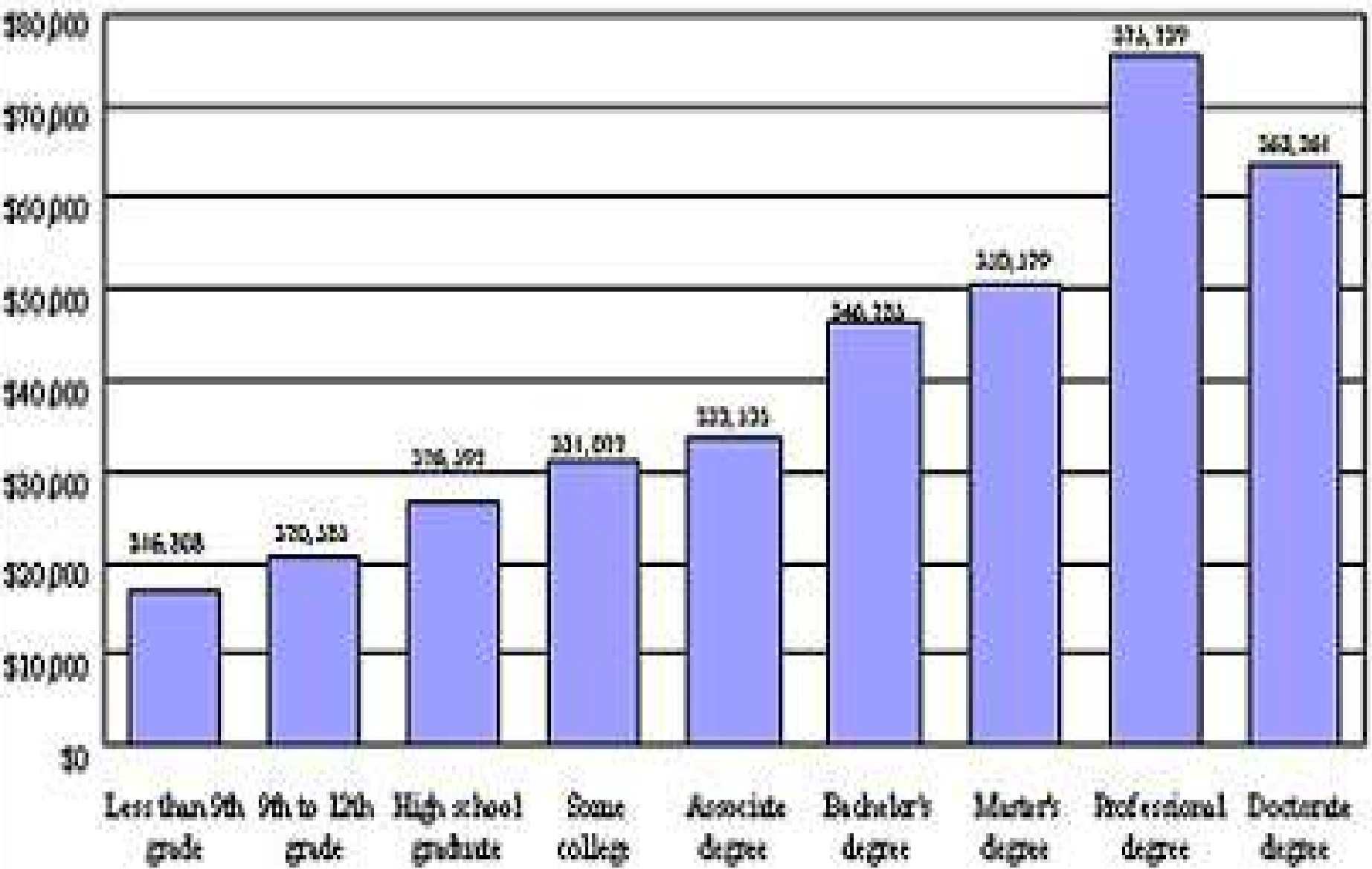
How to make sure I have money to invest, save, make more money, and buy insurance

- How are worker's wages determined in the workplace?



- Educational investments
- Training Investments
- Skill investments

Figure 1. Median Earnings of All Full-Time Workers, by Educational Attainment: 1998 *



The End by Miz D

