

Managing Money



Controlling Your Spending

Banking Basics

Buy Now, Pay Later

Improving Your Budgeting Skills

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PREVIEW | Controlling Your Spending

■ How much do you already know about the material in this unit? Circle letters or words to correctly complete the sentences. Answers are upside down at the bottom of the page.

1. Developing thrifty habits can help you (open a bank account / stay out of debt).
2. Many people change their spending habits in order to (give in to marketing pressures / save for emergencies).
3. To manage your money wisely, you must balance your (needs and wants / bills and purchases).
4. It's all right to spend money on "extras" if you can (afford the expense / get a discount).
5. If a clerk makes a (mistake / refund) with your money, good financial records can help you prove it.
6. You make a (deposit / withdrawal) when you put money into your bank account.
7. A *budget* is a spending plan that can help you
 - a. borrow money.
 - b. manage your money better.
 - c. pay in easy installments.
8. Cash sent through the mail can easily be
 - a. lost.
 - b. stolen.
 - c. both a and b.
9. If you have a checking account, the bank will send you statements showing all your monthly
 - a. account activities.
 - b. earnings.
 - c. check stubs.
10. An example of a *necessary expense* is a
 - a. rent payment.
 - b. concert ticket.
 - c. restaurant meal.

Answers: 1. stay out of debt 2. save for emergencies 3. needs and wants 4. afford the expense 5. mistake 6. deposit 7. b 8. c 9. a 10. a

LESSON

1 Developing Thrifty Habits

A *habit* is something you do all the time without really thinking about it. Do any of your daily habits waste money? If so, how much money do you think you could save by changing your spending habits?

Let's say you spend around \$3.00 a day drinking energy drinks or soda. To be thrifty, you could start drinking water instead. In five days you'd have 15 extra dollars. If you did this all year, you'd be \$1,095 richer!

Clearly, thrifty habits save money. Even simple changes, like remembering to turn off the lights, can eventually add up to big savings. It pays to be frugal. Once you get started, it becomes easier to think of new ways to save. But resisting the temptation to spend can be very hard.

In today's world, we're bombarded with clever and attractive marketing schemes designed to convince us to spend our money on things we can't afford. How many ads have you seen lately that suggest you go into debt to purchase something? Sometimes, your friends aren't helpful either. Do you sometimes feel you must buy things to keep up with your friends? If so, you're experiencing *peer pressure*. Giving in to peer pressure can be very expensive.

WHY BE FRUGAL?

You need to convince yourself that it's important to be frugal with your money. It isn't easy to resist the

pressure to do what everyone else does or want what others have! Some people tighten their spending habits to save for something special, like a vacation or college tuition. Others develop thrifty habits for fear of falling into debt. They want to have money available for emergencies or unexpected opportunities. Think of reasons that could convince *you* to save money and stop buying things you don't really need.



MONEY-SAVING TIPS

Some wasteful habits are easy to change. Others are more difficult. Read the following money-saving tips. Which of these suggestions would be easiest for you to follow?

- Turn off lights, TVs, radios, etc. whenever you leave home.
- Avoid buying snack food from vending machines. Pack your own snacks and carry them with you.
- Stop spending money on candy or junk food.
- Walk or ride a bike instead of paying for gas or bus fare.
- Don't smoke. If you already do, give it up.
- Pack your own sandwich and beverage instead of buying lunch.
- When you shop, take just enough cash to buy the things you need. Leave your checkbook and debit and credit cards at home.

■ **Thinking It Over**

1. Developing thrifty habits can
 - a. help you save money.
 - b. make you spend money.
 - c. waste your money.
2. Which suggestion could save you money?
 - a. Use credit cards for all your purchases.
 - b. Buy snack food from vending machines.
 - c. Turn off lights when you're not using them.
3. You can also save money by
 - a. paying for meals at restaurants.
 - b. packing your own lunch.
 - c. falling for a marketing scheme.
4. Some people practice thrifty habits to
 - a. save for something special.
 - b. go along with the crowd.
 - c. buy things they want, but don't need.

■ **Key Vocabulary**

1. A *h* _____ is something you do without even thinking about it.
2. *P* _____ *p* _____ makes you want to be like everyone else.

3. If you're *f* _____ with your money, you're being thrifty.
4. Some people are fearful of falling into *d* _____.

■ **Everyday Math**

Royanne determined that it cost her 75¢ a day to make her own lunch for school. If she ate in the cafeteria, lunch would cost \$2.25. In five days, how much money would Royanne save by bringing her own lunch to school?

■ **Cause and Effect**

1. Ads and marketing schemes are designed to _____.
2. If you don't develop important reasons for saving money, _____.

■ **On Your Own**

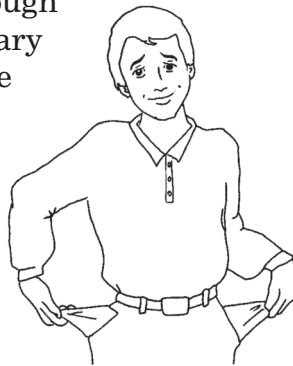
What thrifty change could you make in your daily life? In 30 days, how much money would you save by practicing this habit?

LESSON

2 Balancing Wants and Needs

Everybody needs to eat. But do you *need* to eat at restaurants or fast-food places? Not really. You may *like* to do that—but to save money, you could prepare your own food.

When you purchase things like movie tickets and restaurant meals, you're spending money on things you *want*. It's fine to buy things you want, of course—if you can afford them. But first, be sure you have enough money to pay your necessary expenses. These include things—like food, water, shelter, and electricity—you can't do without. Can you recognize the difference between your wants and needs? This is important if you want to manage your money wisely.



Sometimes what you want and what you need are the same. If you've outgrown your winter coat, for example, you want *and* need to replace it. You can still save money by:

- shopping for coats at a discount clothing outlet.
- looking for a bargain at your local thrift store.

COMING UP SHORT

Sam hasn't learned to balance his wants and needs. Now his rent is due. He's \$55 short. Read the list of Sam's expenses this week. Check each item to show whether it was a *need* or a *want*. What happened to the \$55

Sam now needs to pay his rent in full?

A WANT OR A NEED?

How do you decide if an expense is a *want* or a *need*? Try these two suggestions:

- *Think* before you spend money on something. Can you name at least three good reasons for making the purchase? If you can't, it's probably not something you actually need.
- *Ask yourself*: "What will happen if I *don't* spend my money on this item?" If you're about to buy a new bedspread, not much will happen if you don't. The bedspread is a *want*. (Unless your old one is completely unusable.) But paying your electricity bill is a *need*. If you fail to make the payment, your service could be disconnected.

	NEED	WANT
• DVD and video game rentals (\$11.98)	_____	_____
• water bill (\$15.75)	_____	_____
• electricity bill (\$45.90)	_____	_____
• new soccer ball (\$33.98)	_____	_____
• energy drinks (\$5.09)	_____	_____
• phone bill (\$15.90)	_____	_____
• groceries (\$26.50)	_____	_____
• laundry (\$6.00)	_____	_____
• ice cream sundae (\$3.95)	_____	_____

How many items did you mark under the "want" column? How much altogether did Sam spend on these items? Does the total explain why Sam is \$55 short for rent? What advice would you have for Sam?

■ **Thinking It Over:** Write **T** for *true* or **F** for *false*.

1. ____ Sam's weekly expenses included four *wants*.
2. ____ You must pay for necessary expenses whether you want to or not.
3. ____ Rent, electricity, and heat are all unnecessary expenses.
4. ____ Eating at a restaurant is a necessary expense.
5. ____ Sam's *wants* this week added up to \$55.

■ **Key Vocabulary**

1. You get a **b** _____ if you get a great deal on something.
2. A necessary **e** _____ is something you pay for because you can't do without it.
3. When you *purchase* something, you **b** _____ it.

■ **Everyday Math**

Last week Carlos spent \$400.00 for rent, \$62.50 for heat and electricity, \$17.50 for a ticket to a baseball game, \$7.50 for a hot dog and drink, \$90.00 for a visit to the dentist, and \$12.50 to rent DVDs and video games. Altogether, how much did Carlos spend for *needs*?

■ **Comparing**

1. Which expense could be called a *need*—school supplies or concert tickets?

2. Which expense could be called a *want*—fingernail polish or soap?

3. Which expense might be **both** a *want* and a *need*—breakfast food or an ice cream cone?

■ **On Your Own**

List everything you paid for in the last two days. Don't leave anything out. For each item, show how much you paid. When your list is complete, add up the prices of things you *wanted*. In all, how much did it cost you to satisfy your wants? Then add up your necessary expenses. Write a sentence comparing the two amounts.

LESSON

3 Keeping Financial Records

It's easy to spend money. It's harder to keep track of how much you spend. But it doesn't pay to rely on memory alone. That's why experts advise us to *keep good financial records*.

A *financial record* is any document that verifies the amount of money you earn, spend, and save. All the documents listed below are types of financial records that should be kept in a safe place. Are you already keeping any of these types of records?

EXPENSE REPORT: An expense report is a detailed list of everything you spend. Are you worried about your spending habits? Try keeping a daily expense report for a while. Becoming aware of your spending habits helps you to identify waste.

BUDGET: A budget is a written spending plan. Your budget should show

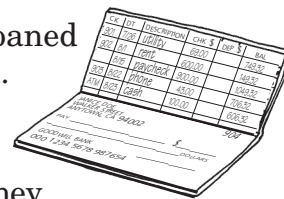
- how much money you expect to earn (income).
- how much you need and want to spend (outgo).

Preparing and sticking to a budget makes sense. It keeps you out of debt and helps you determine new ways to save money.

RECEIPTS: Receipts show *when*, *where*, and *what* you paid for. Always get a dated receipt—especially when you pay with cash. Keep your receipts well organized. Then, if you need to, you can easily find a receipt to

- prove that you paid a bill on time.
- return something for a refund (get your money back).

- prove that you loaned money to someone.
- determine how, where, and when you spent your money.



BANK RECORDS: Here are examples of financial records you need to keep if you have a bank account:

- *Deposit slips:* These are dated receipts the bank gives you to prove how much money you added to your bank account.

GOOD WILL BANK	
Transaction Record #001	
Branch # 0000	Deposit
Cash In	\$100.00
Number of Checks	2
Check Total	\$228.35
Total Deposited	\$328.35
Less Cash	\$0.00
Net Deposit Amount	\$328.35
1:15pm—07/15/10	
Credited 07/16/10	

- *Withdrawal slips:* These are dated receipts the bank gives you to show how much money you took from your bank account.
- *Checkbook register:* Your checkbook register is your personal record of all checking account activities and your current balance. *Balance* means how much money you currently have in the account.
- *Bank statements:* Statements are records you receive each month from your bank. They show all your account activities for the month and your current balance. Always check each statement against your personal records (check register). Make sure that you and the bank agree on how much money you have.

■ **Thinking It Over**

1. A deposit slip helps prove how much money you (put into / took out of) of the bank.
2. Deposit and withdrawal slips are two kinds of (registers / receipts).
3. You keep a personal record of deposits, withdrawals, and fees in a checking account (register / statement).
4. A *budget* is a spending plan that can help you (save / make) money and stay out of debt.

■ **Everyday Math**

Reggie is making a weekly budget. Each week he plans to spend about \$15.00 on bus fare, \$25.00 on lunch at the cafeteria, \$15.00 to pay back a loan, and \$30.00 on entertainment. He earns \$110.00 a week by caring for people's pets. Reggie hopes to save \$149.00 to buy a new MP3 player.

1. If Reggie sticks to his budget, how much will be left over each week?

2. At that rate, how many weeks will it take him to save \$149.00?

3. To save \$149.00 in just four weeks, what should Reggie cut from his budget?

■ **Key Vocabulary:** Use the first letter as a clue to the answer word.

1. An expense report is one type of financial *d*_____.
2. When you remove money from a bank account, you make a *w*_____.
3. To get a *r*_____ for something you bought, you need to show your receipt of purchase.
4. When you deposit money in a bank account, you add to your account's current *b*_____.

■ **Drawing Conclusions:** Check one or more good reasons for keeping financial records.

- ___ 1. to show that you paid for something
- ___ 2. to keep up with your neighbors
- ___ 3. to prove that your bank made a mistake
- ___ 4. to help keep track of your money

■ **On Your Own**

Where do you think is the best place to store financial records? How could you keep the records organized?

LESSON**4 Common Financial Mistakes**

Careless money management habits can cost you more than you think. Here is a list of common financial mistakes.

SHOPPING MISTAKES

- buying things without first looking for better prices elsewhere
- not using unit pricing to determine the best buys
- not checking or saving sales receipts
- failing to request refunds for unsatisfactory purchases
- buying things you don't really need on impulse
- buying "on sale" items whether you need them or not
- driving to a distant store to save a small amount of money
- buying poorly made products just because they're cheap
- buying things you can't afford, to keep up with your friends
- carrying too much cash when you go out shopping
- not being aware of the interest charged on credit card purchases

PAYMENT MISTAKES

- letting bills for debts pile up
- sending cash in the mail
- paying costly fines for skipped or late payments
- making minimum payments if you can afford to pay off a debt completely

When is an elephant not an animal?



Why are some goods of questionable value called "White Elephants"?
Do some research and find out.

BANKING MISTAKES

- not bothering to shop for the best banking services for the lowest rates
- not updating your check register balance whenever you make a deposit or withdrawal
- throwing away bank statements instead of checking them for errors
- failing to ask for a correction when the bank is in error
- paying penalties for bouncing checks (writing checks for more money than you have in your account)
- not double-checking your addition and subtraction in your checkbook register
- not keeping receipts for bank deposits and withdrawals
- not setting up a savings account for regular small deposits