

**GUIDED READING ACTIVITY 20-1****Managing Your Money****Reading Tip**

As you read this section, write one way in which the information under each heading connects to your personal experience as a consumer or with managing money. For example, perhaps you or someone you know has made a complaint to the Better Business Bureau (BBB).

**Directions:** Answer the questions below in the space provided. Use the information in your textbook to answer the questions.

1. **Contrasting** What is the difference between disposable income and discretionary income?

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2. **Defining** What is consumerism?

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3. **Listing** What are the five major consumer rights?

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4. **Listing** What are two main consumer responsibilities?

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5. **Labeling** What are two things you should do if you purchase a faulty product or service?

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6. **Naming** What two scarce resources are involved in buying decisions?

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## GUIDED READING ACTIVITY 20-2

### Planning and Budgeting



The order in which steps occur in a process or an event is called a sequence. As you read about how to create a budget, draw a diagram that lists, or sequences, each step in the process in the correct order.

**Directions:** Answer the questions below in the space provided. Use the information in your textbook to answer the questions.

1. **Identifying Central Issues** If your income exceeds your expenses, are you left with a surplus or a deficit?

\_\_\_\_\_

2. **Identifying** What is the final step in creating a budget?

\_\_\_\_\_  
\_\_\_\_\_

3. **Defining** What is the annual percentage rate (APR)?

\_\_\_\_\_  
\_\_\_\_\_

4. **Explaining** What is the purpose of collateral?

\_\_\_\_\_  
\_\_\_\_\_

5. **Describing** How does a credit card work?

\_\_\_\_\_  
\_\_\_\_\_

6. **Labeling** What is the term for the inability to pay debts?

\_\_\_\_\_

7. **Explaining** What does it mean to be a responsible borrower?

\_\_\_\_\_  
\_\_\_\_\_



## Saving and Investing

### Reading Tip

As you read, keep focused on the task. Stop regularly to review what you have just read and check your understanding before starting again.

**Directions:** Answer the questions below in the space provided. Use the information in your textbook to answer the questions.

1. **Explaining** In what way does saving benefit the economy?

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2. **Making Connections** How are interest and principal related?

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3. **Comparing and Contrasting** How are a money market account and a certificate of deposit (CD) similar and different?

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4. **Naming** What is the term for a percentage of company earnings paid to stockholders?

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5. **Describing** How are stocks and bonds different?

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6. **Explaining** Why are mutual funds less risky than individual stocks or bonds?

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## GUIDED READING ACTIVITY 20-4

### Achieving Your Financial Goals



Before you read this section, make a list of at least three personal financial goals. After you read, add information you learned that may help you meet these goals, or revise your list to add new goals.

**Directions:** Answer the questions below in the space provided. Use the information in your textbook to answer the questions.

1. **Defining** What is impulse buying?

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2. **Identifying Central Issues** Why do marketers put items near the checkout line?

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3. **Listing** What are four signs of impulse buying?

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4. **Identifying** What is one way to avoid impulse buying?

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5. **Explaining** How do long-term goals conflict with short-term spending decisions?

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6. **Describing** How can long-term planning for your education help you financially?

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# CONTENT VOCABULARY ACTIVITY 20

## Personal Finance and Economics

**Directions:** Select one of the following Content Vocabulary terms and write it in the blank to complete each sentence below.

stock	interest	consumerism	discretionary income
return	income	mutual fund	comparison shopping
bond	save	bankruptcy	disposable income
principal	consumer	impulse buying	annual percentage rate
budget	expense	collateral	dividend
credit	warranty		

### Section 1

- The money income that remains after all taxes on it have been paid is called \_\_\_\_\_.
- \_\_\_\_\_ is a movement to educate buyers about the purchases they make and to demand better and safer products from manufacturers.
- When you purchase an item, it may come with a(n) \_\_\_\_\_, or promise of a manufacturer to fix or replace the product if it is faulty.
- The money remaining after paying for necessities is called \_\_\_\_\_.
- A(n) \_\_\_\_\_ is someone who buys a product or a service.
- When you compare prices, warranties, customer service, and other elements at various stores, you are engaging in \_\_\_\_\_.

### Section 2

- An \_\_\_\_\_ is the money you spend on everything.
- The cost of credit expressed as a percentage of the amount borrowed is called the \_\_\_\_\_.
- If you are unable to pay what you have bought on credit, you may need to file for \_\_\_\_\_, which is the inability to pay debts.
- A(n) \_\_\_\_\_ is a careful record of all the money that you earn and spend.

Name \_\_\_\_\_ Class \_\_\_\_\_ Date \_\_\_\_\_

## CONTENT VOCABULARY ACTIVITY 20 (continued)

### Personal Finance and Economics

11. The money you earn from all sources is called \_\_\_\_\_.
12. \_\_\_\_\_ is property that a borrower pledges as security for a loan.
13. Buying on \_\_\_\_\_ means paying for something later that you can have today.

#### Section 3

14. A pool of money from many people who have invested in a selection of individual stocks is called a(n) \_\_\_\_\_.
15. The payment that people receive when they lend money is called \_\_\_\_\_.
16. To \_\_\_\_\_ involves setting aside income for a time so that you may use it later.
17. A(n) \_\_\_\_\_ is the profit earned by an investor.
18. A(n) \_\_\_\_\_ is an interest-bearing certificate that allows you to lend money to a company or government and then be paid back a set number of years later.
19. Shares of \_\_\_\_\_ represent purchase of partial ownership in a company.
20. A company may sometimes pay shareholders a(n) \_\_\_\_\_, or percentage of company earnings disbursed at regular intervals.
21. The \_\_\_\_\_ is the amount of money that is initially deposited into an account.

#### Section 4

22. Consumers who make purchases while acting on feelings or emotions and without thinking of the consequences are engaging in \_\_\_\_\_.



# Personal Finance and Economics—What Do You Know?

**Directions:** Ask each other the following questions to see how much you know about personal finance.\*

**Student:** What are the two types of income?

**Partner's answer:**

**Student's answer:**

**Partner:** What information do you need to make a budget?

**Student:** Why is the rate of interest on a CD almost always higher than on a savings account?

**Partner's answer:**

**Student's answer:**

**Partner:** What is "impulse buying"?

\*With your student, find answers to these questions on pages 536–563 of the student textbook.

 **SCHOOL-TO-HOME CONNECTION 20** (continued)

## Personal Finance and Economics— Understanding the Big Ideas

**Directions:** Use your textbook to answer the questions below in the space provided.

**Section 1 Big Idea** 

You and everyone around you are consumers and, as such, play an important role in the economic system.

What purpose does the Better Business Bureau serve?

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**Section 2 Big Idea** 

We all make economic choices. Opportunity cost, scarcity, and supply and demand influence the decisions we make.

How can a budget help you make economic choices?

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**Section 3 Big Idea** 

We all make economic choices. Opportunity cost, scarcity, and supply and demand influence the decisions we make.

Why do stocks earn a higher return than other types of investments?

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**Section 4 Big Idea** 

We all make economic choices. Opportunity cost, scarcity, and supply and demand influence the decisions we make.

What kinds of items might require a long-term financial plan?

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## Personal Finance and Economics

In a capitalist system, every individual makes choices that contribute to the way the economy functions. Microeconomics is the study of how individuals behave in an economic system—what choices they make, what factors influence their choices, and what consequences result from their choices. Individual consumers have responsibilities as well as rights. One of these responsibilities is to spend and invest money wisely. To do this, consumers should gather information and make informed decisions.

**Directions: Filling in the Blanks** Write the term that most accurately completes each statement in the spaces provided below. You will not use all the terms.

producer	consumer	impulse	credit
stock	safe	budget	income
comparison	saving	checking	interest

1. According to the Consumer Bill of Rights, consumers have the right to a \_\_\_\_\_ product.
2. To ensure that your income can meet your expenses, you should make a \_\_\_\_\_.
3. \_\_\_\_\_ money can help you reach long-term purchasing goals.
4. \_\_\_\_\_ can be disposable or discretionary.
5. It is the responsibility of the \_\_\_\_\_ to report faulty goods and services.
6. Inexpensive items for sale near a store's checkout lane encourage \_\_\_\_\_ buying.
7. \_\_\_\_\_ means paying later for something you receive today.
8. When you buy \_\_\_\_\_, you are buying partial ownership of a company.
9. A \_\_\_\_\_ account allows you to write checks for purchases.
10. High \_\_\_\_\_ charges on unpaid balances increase the amount of money you owe on a credit card.



## Categorizing Information

### Learning the Skill

Categorizing information involves sorting facts, ideas, statistics, or other kinds of information into categories or groups. Categorizing information is one way to understand how various facts and details relate to one another.

Use the following guidelines to help you categorize information:

- Identify the main idea or topic of the text and the important details that relate to the main idea.
- Figure out into what categories the important details fit. Try to identify categories in which all relevant details will fit.
- Sort the information into the categories you identified.

### Practicing the Skill

**Directions:** Study the table. Then answer the following questions in the space provided.

\$100	No restrictions	• None	• Three interest tiers • Use as Overdraft Protection
\$100	No restrictions	• Yes, if there are more than three withdrawals per quarter	• Tax-free interest if funds are used for qualified educational expenses
\$1,000	No restrictions	• None	• Limited check access • Two interest tiers
\$500 (\$500 to maintain)	30 days–5 years	• Yes, if funds are withdrawn prior to maturity	• Lock into guaranteed interest rate
\$100	No specified term	• Often IRS penalties	• Ability to add deposits
\$100	12, 18, 24, or 36 months	• Yes, bank penalty if funds are withdrawn prior to maturity • Often IRS penalties	• Guaranteed interest rate • Ability to increase rate one or two times if rates go up • Can add deposits

**CRITICAL THINKING SKILLS ACTIVITY 20 (continued)**

## Categorizing Information

1. What is the topic of the table?

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2. The table describes four categories of accounts. What are they?

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### Applying the Skill

**Directions:** Use the table to answer the following questions. Circle the letter of the correct answer.

- Which account belongs in the category "minimum investment period of one year or more"?
  - Money Market
  - Certificate of Deposit
  - Jump-Up IRA
  - Variable-Rate IRA
- How many accounts would be in the category "accounts requiring \$500 or more to open"?
  - 2
  - 3
  - 4
  - 5
- How many accounts would be in the category "penalty for early withdrawal"?
  - 1
  - 2
  - 3
  - 4



# The Power and Danger of "Plastic"

Financial institutions and other businesses issue credit cards. Cardholders may use credit cards instead of cash to purchase goods and services. The institution that issued the card pays for the purchase, and the cardholder agrees to repay it. Later, the credit card company sends the cardholder a bill for the amount purchased. The person has the option of paying the amount in full or in part. If the cardholder chooses the second option, however, he or she also pays a finance charge, or interest. A sample monthly credit card statement is shown below.

Return the above portion with your payment

**Credit Card Statement** XXXX-XXXX-XXXX-1055

Your Credit Bank

Statement for 5/1/07 - 6/1/07 Customer Service 1-800-555-1212  
 Payment Due Date 6/18/07 Box 1234  
 Minimum Payment Due \$205.00 Anytown, USA

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**ACCOUNT SUMMARY for your account ending in 1055**

Previous Balance	\$2,602.27	Total Credit Line	\$5,000.00
Payment, Credits	-\$250.00	Available Credit	\$2,033.45
Purchases	+\$562.97		
Finance Charges	+\$51.31		
New Balance	\$2,966.55		

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**TRANSACTIONS**

Date	Description	Amount
5-5	Bookstore	\$24.98
5-12	Restaurant	\$32.58
5-25	Payment—Thank You	\$250.00
5-27	Appliance Store	\$505.41

Effective Annual Percentage Rate (APR): 23.99%  
The APR is the rate of interest you pay when you carry a balance on the credit card.

**Directions:** Use the credit card statement and information from your textbook to answer the following questions on a separate sheet of paper.

1. **Speculating** How is a monthly finance charge determined?
2. **Calculating** How does the minimum payment relate to the balance? Explain.