FINANCIAL FOOTBALL

MODULE 1 // SAVING

ROOKIE: AGES 11-14

MODULE 1 // FINANCIAL FOOTBALL PROGRAM

Financial Football is an interactive game designed to acquaint students with the personal financial management issues they are beginning to face as young adults.

It was developed with the philosophy that games can be powerful teaching tools. With most teens and young adults being familiar with some form of computer game, Financial Football engages students in a fun, familiar activity, while educating them on topics essential to developing successful life skills.

Financial Football features questions of varying difficulty throughout the game. Like football, successful financial management requires strategy, finesse and endurance.

The following curriculum is intended as a weeklong program. Before you play the game, we recommend reviewing and completing the four, 45-minute educational modules with your students to help them get a jump on the financial concepts the game covers.

MODULE 1 // SAVE MONEY. START NOW.

Overview: In this lesson students will discover how to save and why it is such a valuable life skill.

Age Level: 11-14 years old

Time Allotment: 45 minutes

Subject: Economics, Math, Finance, Consumer Sciences, Life Skills

Learning Objectives:

- Master the basics of interest and how saving money makes money
- Become familiar with the different types of savings accounts

Materials: Facilitators may print and photocopy as handouts the quiz and written exercises at the back of this document. Students may use an online dictionary or search the web for commonly used financial terms. The Practical Money Skills web site has a glossary located here: http://www.practicalmoneyskills.com/glossary

Answer keys for all practice exercises are found on the last pages of this document.

MODULE 1 // INSTRUCTION GUIDE

A touchdown in football is often the most dramatic moment of the game, when a player reaches the end zone in the final seconds and the crowd goes wild. Equally important as these fleeting heroic game day feats is the everyday training players perform. The most successful players on the field are often the most disciplined, who started out establishing good training habits and stayed with them. Financial fitness is no different. One of the best habits a young person can learn is how to save money. Saving money may not sound as exciting as scoring a touchdown in the final seconds and winning a game, but it's a skill that will help your students win in the game of life.

Open your discussion by asking students if any of them save money and, if so, what they save for, as well as things they might want to save for in the future. How long do they think it will take them to reach their goals? After reinforcing how saving money can make an important and helpful difference in their lives, continue the discussion by introducing different ways to save, and by explaining how savings works.

SAVINGS KEY TERMS AND CONCEPTS

(Bolded, italicized words indicate important vocabulary words. Consider having students define these words as an additional written exercise.)

Why save money?

Saving money is one of the best habits you can learn as you grow up. Saving money will allow you to:

- Meet a very specific short-term goal (e.g., buying a new bicycle).
- Be ready for the unexpected expenses (e.g., bicycle repair costs).
- Plan for a future goal (e.g., saving for college or an apartment).

How much to save

Your students may already be saving, at least on a small scale, with a change jar or a savings account. Ask them what percentage of their money they think they are saving. Here are some savings guidelines:

- Experts suggest saving at least 10% of your income.
- Save for emergencies. When you are an adult and living on your own, you should have three to six months' of living expenses saved.

Ways to save

The first rule of saving: **Pay yourself first**. In other words, instead of buying things and then seeing if there's any money left over to save, put aside money BEFORE you use it up. Otherwise, you may never get around to saving.

Control your spending. An easy way to start saving money is simply to look closer at what you spend and change your behavior. Consider these easy ways to save:

- Spend the afternoon in the park (free) instead of buying a snack at a convenience store. $5 saved.
- Skip the movie theatre ($20 with popcorn and soda) and rent a DVD instead ($1 to $5) $15 to $19 saved.

List on the board some of the activities your students spent money on this week. Consider some less expensive activities. How much could your class have saved collectively this week?

Where to put the money you save

Coin jars are fine for loose change, but if you're serious about saving, it's time to consider a **savings account**. This is a place to keep your money safe, and you can open one at most banks.

Now that you know where to open an account, let's take a closer look at how savings works. First, some key terms:

In a savings account, ***principal*** refers to the amount of money you deposit in your account to begin saving.

A ***withdrawal*** is when you take money out of your account.

A ***deposit*** is when you add money to your account.

The difference between saving money in a jar at home and in a savings account at a bank is how your principal (your money) grows. At home, your money grows only when you add (deposit) more money (principal) to the jar. In a savings account, your money grows not only when you deposit more money but also by accumulating ***interest***. Interest is money the bank pays you for leaving it in your savings account. It's as if you are loaning the bank your money. You give them your money to hold. They pay you interest so your money grows. They are able to use your money to fund loans and investments to other people.

The ***interest rate*** is the percentage amount of your principal that the bank agrees to pay into your account. An interest rate is often referred to as an ***APR***, or Annual Percentage Rate.

How simple interest is calculated

principal x interest rate x time = interest earned

Example: You open a savings account with $1,000 at a 5% simple APR. What will you earn in interest in the first year?

$1,000 x .05 x 1 = $50 interest earned every year

Compound interest is what makes savings really grow. When your interest compounds, it gets added back to your account and becomes part of your principal. With more principal, the account earns even more interest, which continually compounds into new principal. It's a powerful cycle that really adds up.

In the simple interest example above, $1,000 at a 5% simple APR earns $50 in interest every year. However, if that interest compounds once a year, the $50 interest you earn in year one would be added to the principal at the beginning of year two. By doing this, you earn more interest in year two ($52.50) and even more in every subsequent year.

$1,000 x .05 x 1 = $50 interest earned in year one

$1,050 x .05 x 1 = $52.50 interest earned in year two

The rule of 72

Want to know how fast your money will double? The Rule of 72 is a fast way to estimate how long it will take you to double your savings with compound interest.

> 72 divided by “interest rate” = number of years needed to double your money

Types of savings and how to choose one

Let’s review three basic types of savings. They are a traditional savings account, a checking account and a Certificate of Deposit, also called a CD.

Choosing the right one involves just three steps.

1. Determine how much access you want to your money. This is called **liquidity**.
2. Determine how much money you have to deposit.
3. Find the best **interest rate**.

High liquidity means your money can flow freely, like liquid. For example, if you want to be able to withdraw money at an ATM at a moment’s notice, or you need to write several checks every month, you need an account that’s very liquid.

> Typically, a traditional **savings account** or **checking account** offers the highest liquidity. Of the two, a savings account will usually offer a better interest rate than a checking account.

If, however, you don’t need to write checks or make ATM withdrawals, and you have an amount of money to deposit that you can leave untouched for a longer amount of time, you should consider a ***CD***, or ***certificate of deposit***. The longer you agree to leave your money in, the better the interest rate. However, if you have to withdraw money before the agreed time is up, you will pay a significant penalty fee for doing so.

The line below offers a general guideline to the tradeoffs of different savings accounts.

More liquid Less money to save Lower interest rate		Less liquid More money to save Higher interest rate
←		→
Checking account	**Savings account**	**Certificate of deposit (CD)**

MODULE 1 // DISCUSSION

We've talked about different types of savings products. Which one is best for an individual depends upon various factors — what they are saving for, how comfortable they are with risk and how liquid they need their savings to be. Consider which type of savings account may be best:

If your pet has a medical condition and you think you may have some surprise vet bills in the next year?

[best answers: A savings or money market account, but NOT a CD]

How important is the liquidity of your funds in this example?

[best answer: Important. Funds need to be accessible without penalty.]

If you want to buy a plane ticket to celebrate your grandparents' 50th wedding anniversary in Hawaii in five years?

[best answer: The best rate is likely with a long-term CD]

What if you think interest rates will rise in the next year?

[best answer: A shorter-term CD of six months or one year, then reinvest]

If you want to buy a new bicycle sometime in the next six months?

[best answer: A savings account]

If you want to have some extra money for occasional trips to the mall?

[best answer: A savings account is probably the best option, as funds are easily available]

MODULE 1 // QUIZ

Answer the following questions:

1. True or false: Principal is the amount of money with which you open a savings account.

2. Describe the difference between a fixed and variable interest rate.

3. True or false: Liquidity refers to how accessible your money is to you.

4. Which typically earns more interest, a savings account or a CD?

5. True or false: A good rule of savings is “pay yourself last.”

6. What is APR?

7. What is the rule called that helps you determine how long your money takes to double in savings?

8. List three common reasons people save money.

9. True or false: If you need constant access to your funds, a traditional savings account is a good savings option.

10. True or false: A certificate of deposit (CD) is a good savings option if you can leave money untouched for an extended period of time.

MODULE 1 // WRITTEN EXERCISES

Compound interest:
The following formula shows how to calculate compound interest annually.

Year 1:

$____________	x ____________	= $____________	+ $____________	= $____________
Principal	Interest Rate (ex: 5% = .05)	Interest Earned	Principal	New Principal for Following Year

Year 2:

$____________	x ____________	= $____________	+ $____________	= $____________
Principal	Interest Rate (ex: 5% = .05)	Interest Earned	Principal	New Principal for Following Year

Year 3:

$____________	x ____________	= $____________	+ $____________	= $____________
Principal	Interest Rate (ex: 5% = .05)	Interest Earned	Principal	New Principal for Following Year

Based on the above formula for compound interest, how much total savings would you have:

If you put $100 in a savings account with a 3% APR for 2 years?

If you put $500 in a CD with a 5% APR for 3 years?

LESSON MODULE 1 // WRITTEN EXERCISES (continued)

The rule of 72 provides an easy way to obtain a *rough estimate* of how quickly your money can grow based on a compounded fixed interest rate. Divide 72 by the interest rate you are earning and that will tell you the number of years it will take to double your money. You can also divide 72 by the number of years you want it to take to double your money to determine the interest rate you'll need to accomplish this.

Here are a few examples of the rule of 72 in action:

> At 5% interest, your money will take 72 ÷ 5 or 14.4 years to double.
> To double your money in 10 years, you need an interest rate of 72 ÷ 10 or 7.2%.

Let's practice the rule of 72:

	Rate of Return	# of Years
72 divided by	3%	
72 divided by	5%	
72 divided by		6
72 divided by		15

The rule of 72 is a simplified formula and is intended to provide only an ***estimate***, since it loses its accuracy as the interest rate increases.

MODULE 1 // WRITTEN EXERCISE ANSWERS

Quiz Answers:

1. True. 2. A fixed rate does not change, a variable rate will fluctuate based on market conditions or other factors. 3. True 4. CD 5. False 6. Annual Percentage Rate, the interest rate on a given account. 7. Rule of 72 8. To plan for a specific goal, save for a long term future goal or be prepared for the unexpected 9. True. 10. True.

Compound Interest Answers:

If you put $100 in a savings account with a 3% APR for 2 years?

$100 x .03 = $3 + $100 = $103
$103 x .03 = $3.09 + $103 = **$106.09**

If you put $500 in a CD with a 5% APR for 3 years?

$500 x .05 = $25 + $500 = $525

$525 x .05 = $26.25 + $525 = $551.25

$551.25 x .05 = $27.56 + $551.25 = **$578.81**

Rule of 72 Answers:

	Rate of Return	# of Years
72 divided by	3%	**24**
72 divided by	5%	**14**
72 divided by	**12%**	6
72 divided by	**4.8%**	15

FINANCIAL FOOTBALL

MODULE 2 // BUDGETS TAKE BALANCE

ROOKIE: AGES 11-14

MODULE 2 // FINANCIAL FOOTBALL PROGRAM

Financial Football is an interactive game designed to acquaint students with the personal financial management issues they are beginning to face as young adults.

It was developed with the philosophy that games can be powerful teaching tools. With most teens and young adults being familiar with some form of computer game, Financial Football engages students in a fun, familiar activity, while educating them on topics essential to developing successful life skills.

Financial Football features questions of varying difficulty throughout the game. Like football, successful financial management requires strategy, finesse and endurance.

The following curriculum is intended as a weeklong program. Before you play the game, we recommend reviewing and completing the four, 45-minute educational modules with your students to help them get a jump on the financial concepts the game covers.

MODULE 2 // BUDGETS TAKE BALANCE

Overview: Effective personal money management requires a step-by-step plan for saving and spending. This plan is called a budget. In this lesson, students will gain a clear understanding of why budgeting is important and the process for creating and maintaining a budget.

Age Level: 11-14 years old

Time Allotment: 45 minutes

Subject: Economics, Math, Finance, Consumer Sciences, Life Skills

Learning Objectives:

- Identify and examine current spending habits
- Identify the various expenses associated with living independently
- Determine the difference between a “need” and a “want”
- Understand the relationship between a budget and savings goals

Materials: Facilitators may print and photocopy as handouts the quiz and written exercises at the back of this document. Students may use an online dictionary or search the web for commonly used financial terms. The Practical Money Skills web site has a glossary located here: http://www.practicalmoneyskills.com/glossary

Answer keys for all practice exercises are found on the last pages of this document.

MODULE 2 // INSTRUCTION GUIDE

Balance is a skill that is absolutely critical to the game of football. Players must master precise interplay between their hands and the ball and be able to navigate through and around their opponents toward the end zone. Balance is just as essential to successfully managing your money. You need to develop and maintain a balance between where your money comes from and where your money goes. You can then compare these and see if they are in balance. If you are spending more money than you are making (through part-time jobs or allowance from your parents, etc.) your budget is out of balance and you will have a difficult time saving money and reaching your financial goals.

A budget is a financial plan that takes a person's income (the money they earn) and determines where all of that money is spent. It's an effective way to see if you are spending too much on certain items, or if you could be saving more money than you currently are.

Let's take a closer look at each of these pieces of a budget. *(Throughout this lesson, bolded, italicized words indicate important vocabulary words. Consider having students define these words as an additional written exercise.)*

INCOME

Look at activity 1 on page 6 titled Income: where does your money come from? This activity can be written or used as part of a group discussion. The goal is to develop an understanding about where your money comes from and how much money it is.

EXPENSES

Where does your money go? Ask your students what they spend their money on and how much they spend each month. Ask them what patterns they see in their spending habits and behaviors. Why do they buy the things they buy? What influences their decisions?

As teenagers, your students will be moving toward independent living. The chart below represents the main types of expenses in the average adult's household. (Note: The numbers given represent a percentage estimate of U.S. household expenses. Averages may vary by country. In the activities section below, have students estimate what their household spends on typical expenses, and then have them examine their own personal expenses.)

Typical adult household expenses (U.S.)

30%	**HOUSING**
18%	**TRANSPORTATION**
16%	**FOOD**
5%	**CLOTHING**
5%	**MEDICAL**
5%	**RECREATION/ENTERTAINMENT**
5%	**UTILITIES**
8%	**MISCELLANEOUS**
4%	**SAVINGS**
4%	**OTHER DEBT**

NEEDS VERSUS WANTS

The most important factor in understanding a realistic budget is distinguishing between things you need and things you want. Your ***needs*** are all of the monthly expenses associated with the goods and services that keep your life stable. ***Wants*** are goods and services that are **not** essential to daily living, but they are often things that make people happy or may make life seem a little easier or a little more special.

Your expenses can be divided into two types: ***fixed expenses***, which are the same amount every month, and ***variable expenses***, which often fluctuate throughout the year.

Examples of fixed expenses: rent, car payment, monthly bus or train pass

Examples of variable expenses: utility bill, groceries, gasoline, phone bill

When you spend money on something you want versus something you need, this is called ***discretionary spending***.

Examples of discretionary spending: a soda and snack at a convenience store, movie tickets, a summer vacation

Wants and discretionary spending aren't bad things. In fact, a want can be an excellent motivator for saving money. However, too much discretionary spending can just as easily be the downfall that prevents monthly saving. By carefully and constantly monitoring discretionary spending habits, your opportunities to save become easier to recognize.

Use the discussion activity below to help students understand the differences between fixed and variable expenses (needs) and discretionary spending (wants).

FINDING THE BALANCE

To determine how balanced your budget is, you simply need to add up all your income and subtract all your expenses. The figure you arrive at is your net gain or loss.

If the net amount is positive, this is a good sign — it means you are living within your income level. It also means you can put EVEN MORE money into savings.

If the net amount is negative, however, that means your monthly expenses exceed your monthly income; in other words, you're operating at a loss. You will need to find ways to trim the expense side of your budget or increase your income (or both); otherwise you'll accumulate more and more debt.

Consistency is key to successful budgeting. Just like football players must practice to keep their skills sharp and their bodies in shape, it's important not to let your budget get flabby. Reviewing it each month is the only way to ensure that you are managing your money wisely.

MODULE 2 // ACTIVITIES

Income: Where does your money come from?

Directions: Answer the following questions. Be prepared to discuss your answers.

1. List your current source(s) of income.

Expenses: Where does your money go?

These are typical adult household expenses. How much do you think your household spends on the following?

	HOUSING
	TRANSPORTATION
	FOOD
	CLOTHING
	MEDICAL
	RECREATION/ENTERTAINMENT
	UTILITIES
	MISCELLANEOUS
	SAVINGS
	OTHER DEBT

Your personal list of expenses probably doesn't include all the categories listed above. What does your personal spending look like? List the types of things you spend money on, and roughly how much you spend.

Amount	Purchases/Expenses

MODULE 2 // DISCUSSION

Decide whether the following items are an example of a fixed expense, a variable expense or discretionary spending. In some cases, consider circumstances that may change discretionary spending into an expense or vice versa.

A magazine and a soda [DS]

This month's rent [FE]

Concert tickets [DS]

Mobile phone bill [could be VE, or DS. Discuss.]

School books [VE]

Motorcycle insurance payment [FE]

Monthly subway/bus pass [FE]

Heating bill [VE]

Downloadable songs for an mp3 player [DS]

Frozen pizza at the grocery store [DS]

A new pair of running shoes [VE]
(what if you already have five pairs of suitable running shoes?) [DS]

Oil change for the car [VE]

A new mobile phone [DS]
(what if your old phone stopped working?) [VE]

A weekly deposit of $15 into your savings account [FE]

MODULE 2 // QUIZ

Answer the following questions:

1. True or false: Discretionary spending pays for both fixed and variable expenses.

2. A monthly bus or train pass is an example of a ___________ expense.

3. True or false: The main purpose of a budget is to slow down spending.

4. Groceries are an example of a ___________ expense.

5. Experts recommend saving at least what percentage of your income?

6. True or false: A budget can usually help you spend less and save more.

7. By honestly evaluating your ___________ versus ___________, you can control excessive spending.

8. True or false: A fixed expense costs the same amount every month.

9. True or false: Discretionary spending is bad, and should be avoided.

10. True or false: If your monthly income is $2,000, saving $200 would be a smart goal to set.

MODULE 2 // WRITTEN EXERCISE

Scenario: Great news. You have just won the $200 first prize in the "How to Be a Better Saver" essay contest, sponsored by a local bank. The big question now is "What will you do with the money?" Divide the money between needs (like helping with some of your family's household expenses) and wants (maybe an ice cream party?) and don't forget to set aside a smart amount to save.

List the things you will use the prize money for, whether it's a need or a want, and the amount for each item. Make sure your budget totals $200.

ITEMS PURCHASED/EXPENSE PAID	NEED OR WANT?	AMOUNT SPENT
		$
		$
		$
		$
		$
		$
		$
		$
		$
		$
		$
		$

GRAND TOTAL: $______________

MODULE 2 // QUIZ ANSWERS

Quiz Answers:

1. False. 2. Fixed 3. False. This may be one of the results of a budget, but its main purpose is to give you a greater understanding and control of your personal finances. 4. Variable 5. Ten percent 6. True 7. Needs, wants 8. True 9. False. It should be carefully evaluated every month, but would be unrealistic to completely eliminate. Discretionary spending can be one of the rewards of being a good saver. 10. True

FINANCIAL FOOTBALL

MODULE 3 // CREDIT, DEBIT & PREPAID CARDS

ROOKIE: AGES 11-14

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MODULE 3 // FINANCIAL FOOTBALL PROGRAM

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MODULE 3 // CREDIT, DEBIT & PREPAID CARDS

Overview: In this lesson, students will gain the knowledge to use credit, debit and prepaid cards to their advantage, master the meaning of various credit card terms, and understand the factors to consider when choosing credit and debit cards.

Age Level: 11-14 years old

Time Allotment: 45 minutes

Subject: Economics, Math, Finance, Consumer Sciences, Life Skills

Learning Objectives:

- Discover the similarities and differences between credit, debit and prepaid cards
- Determine the various pros and cons to all types of cards
- Learn how to manage purchases and payments

Materials: Facilitators may print and photocopy as handouts the quiz and written exercises at the back of this document. Students may use an online dictionary or search the web for commonly used financial terms. The Practical Money Skills web site has a glossary located here: http://www.practicalmoneyskills.com/glossary

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MODULE 3 // INSTRUCTION GUIDE

When a football coach is directing his team toward a win, he picks the players best suited for each play based on the athletes' strengths and weaknesses.

By the same token, when you're old enough to use credit cards, debit cards and prepaid cards, it's important to know their relative strengths as well, so you can use them without getting penalized.

Here's an easy way to remember the main difference between these types of cards:

PAY NOW: DEBIT CARDS
PAY LATER: CREDIT CARDS
PAY IN ADVANCE: PREPAID CARDS

Let's take a look at each.

PAY NOW: DEBIT CARDS

A ***debit card*** (also known as a check card) looks like a credit card but works differently. When you make a purchase with a debit card, the funds are immediately withdrawn from your bank account. Because a debit card links directly to your bank account, you can spend only what you have in your account.

While this helps keep you out of debt, you need to monitor debit card purchases closely and stick to your budget so you don't overdraw your checking account. If you use your debit card to buy something that costs more than the amount of money in your account, the charge may be rejected or, if you have overdraft protection, you may be charged an overdraft fee.

Main features to remember about debit cards:

- They are an easy and safe alternative to carrying cash.
- Most provide "zero liability" which means you aren't responsible for charges if the card is lost or stolen.
- There is no interest charged.
- You can't go into debt with a debit card.
- However, be careful not to run out of funds in your account, or you will be charged an overdraft fee for each transaction.

PAY LATER: CREDIT CARDS

A ***credit card*** entitles you to make purchases based on your promise to pay for these purchases at a later date. Every card comes with a credit limit, which is the maximum amount the issuer will let you borrow at any one time. You can use the card to purchase goods, pay bills or obtain cash advances. New laws from the credit CARD Act of 2009 place strict limitations on issuing cards to consumers under 21. If you fall in that age group, you have to have a co-signer or show proof of sufficient income to repay the debt.

Each month, you'll receive an account statement that lists all of your purchases and the total amount you have spent using the card that month. The total amount is called your balance. When you pay the full amount of the balance, the card issuer charges you no interest for this service. If you do not pay the full amount, the balance on your card account becomes a loan to you from the card issuer and you begin paying interest on this loan.

Main features to remember about credit cards:

- They let you shop now (online, on the phone, mail order) and pay later, without using cash. Very convenient for purchases such as airline tickets, hotel rooms and rental cars.
- Used wisely, they can help you establish a good credit history. Abuse them and they can damage your financial future.
- Provides "zero liability" protection, which means that if your card is lost or stolen you will not be responsible for unauthorized charges.
- Many credit cards offer a rewards program that let you earn free airline miles, merchandise or cash back on purchases.
- Credit card purchases are loans and you will pay interest on these loans unless you pay the balance in full each month
- Credit cards make impulse buying easier, which can throw off your budget and increase your level of debt.

PAY IN ADVANCE: PREPAID CARDS

A ***prepaid card*** may look exactly like a credit card or a debit card. However, instead of being linked to your bank account (like a debit card) or providing you a line of credit (like a credit card), a prepaid card lets you spend only the amount that's been pre-loaded onto the card.

There are two kinds of prepaid cards: gift and reloadable.

Gift cards

A gift card is pre-loaded with an amount of funds. Once those funds are spent, the card is no longer valid and cannot be reloaded. Many stores and online retailers offer branded gift cards that are good only at their stores. Many financial institutions offer prepaid gift cards that are accepted wherever debit cards are accepted.

Reloadable

Reloadable prepaid cards work exactly like prepaid mobile phones, where you use minutes and then refill them. With a reloadable prepaid card, you (or your parents) load the card with an initial amount of money. You use the card wherever debit cards are accepted. When the balance gets low, you can refill the card on the phone or online and continue to use it.

Main features to remember about prepaid cards:

- It's easy to budget and impossible to accrue debt, because you can spend only what you load onto the card.
- No need to carry large amounts of cash.
- Lets you make online purchases without a credit card.
- Most provide the same type of "zero liability" protection as credit cards.
- Some prepaid cards are limited to certain stores.
- Many gift cards from retailers expire. Prior to the new Credit Card Accountability Responsibility and Disclosure Act (CARD Act) of 2009, gift cards typically expired after a year or two. The new law demands they don't expire for five years after issuance, or since last loaded with money, whichever occurred later. If you don't use all the funds on the card before that time, you lose the money.
- Some prepaid cards charge fees, including a loading fee and monthly maintenance fee. Shop around for the best value.

Key Terms

Before we delve further into debit, credit and prepaid cards, review the following terms. Understanding them will help you choose the right card, better manage accounts and prevent unexpected fees and activities that can harm credit history.

- **Annual fee** – This is a fee that some, but not all, credit card issuers charge to use their credit card.
- **Annual percentage rate (APR)** – Also known as interest rate, it is the percentage used to compute the finance charges on an outstanding balance.
- **Available credit** – The amount of unused credit available on your credit card account.
- **Cardholder agreement** – This document details the terms and conditions of your credit card account. It will include your APR, any applicable annual fee, penalties and other costs associated with the use of the card.
- **Credit line (or credit limit)** – The maximum amount you are allowed to carry as a balance on the card.
- **Finance charge** – Based on the interest rate, this is the amount of interest you pay on the outstanding balance.
- **Late payment fee** – Amount charged if your payment is received after the billing due date.
- **Minimum monthly payment** – The amount due based on the percentage of the outstanding balance, or a minimum fixed amount.
- **Overdraft** – When you write a check or make a withdrawal from your checking account that leaves you with a balance below zero. If you sign up for overdraft protection, your bank will cover the transaction but will likely charge you an overdraft fee to do so.

PROTECTING YOUR IDENTITY AND PREVENTING FRAUD

Fraud prevention is crucial to managing your credit, debit and prepaid card accounts. Here is some common advice given to credit and debit cardholders to keep their accounts safe:

- If your credit or debit card is lost or stolen, report it *immediately* to the credit card issuer.
  - Also report it to the police and use the police report to dispute any fraudulent charges with creditors.
- For such occasions, maintain a list of all your credit and debit card account numbers in a secure location, along with the phone numbers for each card company.
- When ordering items online, look for secure websites that have https:// in their web address and utilize Secure Socket Layer (SSL) and certificates to keep your transactions safe from hackers.
- Guard your account numbers.
  - Do not give out your account number to anyone who calls you; share it only with those companies you yourself contact. The same goes for your Social Security number and other personal information.
  - Most merchants show only the last four digits of your card number on the bill; if the full number appears, cross it out when signing the bill.
  - Shred any documents and receipts where your card number may appear.
  - Never send your card number or other personal information through email, since this is typically not a secure electronic process.

PROTECTING YOUR PIN

Debit, credit and in some cases, prepaid cards, come with a **Personal Identification Number (PIN)**. Known only to you, your PIN is a secret numeric password you key in during a transaction. Without the correct PIN, debit cards (and prepaid cards that require a PIN) cannot be used, and you may not be able to get a cash advance on your credit card.

It is important to choose a random number that you can remember but that's not related to personal information, like your birth date or address. ***Never write your PIN on the back of the card or keep it in your wallet***.

MODULE 3 // DISCUSSION

Discuss each of the following scenarios and determine which type of card (credit, debit or prepaid) would be most appropriate.

Paul is a silk importer. He travels frequently and needs the flexibility to make large unexpected purchases in a variety of places around the world. What card would be best for this and why?

ANSWER: A credit card offers the most flexibility for a traveler who needs to make many purchases, sometimes unexpectedly.

Kate is eighteen and just started her first full-time job. She still lives at home, so she doesn't need to make a lot of big purchases yet, but she will likely open a checking and savings account and will want to access her funds for day-to-day purchases. Which card fits her best?

ANSWER: A debit card would be the best choice for Kate. This will give her access to her funds at ATMs, without having to worry about the fees or limitations of a prepaid card. She may want a credit card down the road but likely does not currently need one.

Daniel is twenty-two. He works in farming, so his income can fluctuate with the seasons. He used to have a credit card, but after missing too many payments and charging over his limit, his account was suspended. He currently does not have a bank account. What card should Daniel consider?

ANSWER: A prepaid card is currently the best option for Daniel. As someone who clearly struggles with budgeting, a prepaid card limits spending to what has already been loaded on the card. When Daniel's finances become more stable, an interest-earning savings account with a debit card could be a smart next step.

Noushi is a new mom who works part-time and shares a checking and savings account with her husband. After finally paying off their college loans, Noushi and her husband are both determined to stay debt-free, which will be a challenge with a new baby. Noushi's husband has direct deposit, but Noushi's employer pays her in cash. She mostly just needs a way to access funds in their joint account for household expenses. Which card does she need?

ANSWER: Noushi needs a debit card, which will be linked directly to her and her husband's account. She'll be able to withdraw funds from ATMs and make retail purchases without accruing debt.

MODULE 3 // QUIZ

Answer the following questions:

1. True or false: All credit cards charge an annual fee.

2. True or false: The grace period refers to the time between the billing statement date and the due date.

3. All of the Terms and Conditions of a credit card account are outlined in what's called a __________.

4. True or false: Most credit cards are issued by airlines and hotel chains.

5. List three types of things that can determine a person's credit limit.

6. True or false: Prepaid cards play an important role in establishing one's credit history.

7. Interest rates on cash advances are usually __________ than those for regular purchases.

8. True or false: Some prepaid cards require a PIN to use, but others do not.

9. __________ is a policy that protects cardholders from fraudulent charges.

10. True or false: The best PIN is one you won't forget, but no one will ever guess.

MODULE 3 // WRITTEN EXERCISE

How do credit cards and debit cards work? Check all that apply.

	Credit Card	Debit Card	Prepaid Card
Covered for fraudulent charges.			
Charges are added to outstanding debt, unless they are paid in full each month.			
Can be reloadable or disposable.			
Allows ATM cash withdrawals from your checking account.			
Builds credit history to enable renting an apartment, obtaining loans, getting car insurance.			
Incurs over-the-limit fees if charges exceed the credit limit.			
Used to purchase products and services online.			
Can offer rewards points.			
Purchases draw money from your checking account.			
Manage charges and payments online.			

MODULE 3 // WRITTEN EXERCISE ANSWERS

Quiz Answers:

1. False. 2. True 3. Cardholder agreement 4. False 5. Income. Credit score. Payment history. 6. False. Credit cards do. 7. Higher. 8.True 9. Zero liability 10. True

Written Exercise:

	Credit Card	Debit Card	Prepaid Card
Covered for fraudulent charges.	XX	XX	XX
Charges are added to outstanding debt, unless they are paid in full each month.	XX		
Can be reloadable or disposable.			XX
Allows ATM cash withdrawals from your checking account.		XX	
Builds credit history to enable renting an apartment, obtaining loans, getting car insurance.	XX		
Incurs over-the-limit fees if charges exceed the credit limit.	XX		
Used to purchase products and services online.	XX	XX	XX
Can offer rewards points.	XX	XX	
Purchases draw money from your checking account.		XX	
Manage charges and payments online.	XX	XX	

FINANCIAL FOOTBALL

MODULE 4 // HOW CREDITWORTHY ARE YOU?

ROOKIE: AGES 11-14

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MODULE 4 // FINANCIAL FOOTBALL PROGRAM

Financial Football is an interactive game designed to acquaint students with the personal financial management issues they are beginning to face as young adults.

It was developed with the philosophy that games can be powerful teaching tools. With most teens and young adults being familiar with some form of computer game, Financial Football engages students in a fun, familiar activity, while educating them on topics essential to developing successful life skills.

Financial Football features questions of varying difficulty throughout the game. Like football, successful financial management requires strategy, finesse and endurance.

The following curriculum is intended as a weeklong program. Before you play the game, we recommend reviewing and completing the four, 45-minute educational modules with your students to help them get a jump on the financial concepts the game covers.

MODULE 4 // HOW CREDITWORTHY ARE YOU?

Overview: In this lesson, students will gain an understanding of what credit is, how personal creditworthiness is built and maintained, and how credit is protected.

Age Level: 11-14 years old

Time Allotment: 45 minutes

Subject: Economics, Math, Finance, Consumer Sciences, Life Skills

Learning Objectives:

- Understand what creditworthiness is
- Understand the three Cs of credit
- Understand when to use credit and when not to
- Learn how to spot and reverse the negative effects of identity theft

Materials: Facilitators may print and photocopy as handouts the quiz and written exercises at the back of this document. Students may use an online dictionary or search the web for commonly used financial terms. The Practical Money Skills web site has a glossary located here: http://www.practicalmoneyskills.com/glossary

Answer keys for all practice exercises are found on the last pages of this document.

MODULE 4 // INSTRUCTION GUIDE

In football, as in other sports, statistics are used to measure how well individual football players perform, as well as where the team stands in the league's rankings. Favorable numbers play a huge part in how the football player does in his or her career, as well as whether the team makes it to the playoffs and the Super Bowl.

Once you start using credit, whether through credit cards, student loans or other forms of borrowing, you begin building a credit history. Your credit history is a bit like a player's statistics in football. By looking at your past financial statistics, a bank or lender can evaluate and measure the likelihood that you'll be able to pay off debt if they decide to make you a loan or offer a credit card. In other words, your credit history, measured using past performance with money, determines what kind of credit risk you are.

As young adults begin to build credit, it's important for them to learn about creditworthiness and how it can affect one's financial future. Avoiding mistakes that damage your creditworthiness is vital, because once damaged, you may find it a long and difficult process to restore your creditworthiness.

Advantages to being creditworthy:

- You are more likely to secure favorable rates on loans and credit accounts.
- You may qualify for lower auto insurance rates.
- You will be able to open utility accounts for your apartment or house without paying large deposits.

Challenges to you if you are not creditworthy:

- You will be charged higher loan and credit card interest rates.
- You may experience difficulty renting an apartment or buying a home.
- You may pay higher fees on credit accounts.

MODULE 4 // DISCUSSION

Establishing, maintaining and protecting credit.
When lenders consider your loan or credit card request, their main concern is: Can and will you pay back the amount you borrow responsibly and on time? In other words, are you creditworthy? They use many tools and consider many factors to arrive at their decision.

The Three "Cs" of credit are used to determine your creditworthiness. Should a lender approve your car loan or student loan? Should a service provider approve your cell phone contract? Should a landlord sign a lease with you? Are you a good job candidate?

These decision-makers look at three main elements during their evaluation process:

- Character – how well you handle financial obligations.
- Capital – the assets you own, including real estate, savings and investments.
- Capacity – how much debt you can manage, based upon your income.

Character

Character is an evaluation of how likely you are to repay your debts. Potential lenders ask themselves certain questions about your history, including:

- Have you used credit before?
- Do you pay your bills on time?
- Have you ever declared **bankruptcy**?
- Can you provide character references?
- How long have you lived at your present address?
- How long have you been at your present job?

Capital

Lenders often want to know if you have any assets you can use to secure the loan, in case you lose your job or default on a loan payment.

- What property do you own that can secure the loan?
- Do you have a savings account?
- Do you have investments to use as **collateral**?

Capacity

Capacity looks at how much debt you can handle based on your current financial situation. Lenders want to know whether or not you have been working regularly in a job that will provide enough income to support your credit use.

- Do you have a steady job?
- What is your salary?
- How many other loan payments do you have?
- What are your current living expenses?
- What are your current debts?
- How many **dependents** do you have?

How to increase your creditworthiness:

Pay down your debts.
Pay off your credit card balances in full every month. If you find yourself unable to do so, pay down your debt as soon as possible. Creditors look at the gap between your balance and your credit limit. The more unused credit you have, the better your creditworthiness. Used wisely, credit cards help your creditworthiness.

Spend less than you earn.
Remember that lesson on budgeting? Having money in savings increases all three Cs above.

Keep old accounts open.
Credit card issuers and lenders often look at the length of your credit history. Keeping old credit card accounts open with a zero balance helps your credit history in two ways. First, it maintains the length of your credit history. Second, when you close an account, you lower the total amount of credit available to you, which in turn raises the ratio of balances on your other loans and credit cards.

Pay your bills on time.
If you cannot pay your bills on time, call each of the companies before you pay late and explain your situation. Often, you can work out an arrangement that will allow you to pay what you are able to pay at the time. And because you're acting responsibly with your creditors, you won't hurt your creditworthiness nearly as much as if you pay late or skip a payment.

Avoid bankruptcy.
Bankruptcy is a legal state granted by a court of law that declares you unable or impaired in your ability to pay back your debts to your creditors. Bankruptcy is a last resort. Most bankruptcies can be avoided. Bankruptcies stay on your credit history for a very long time.

PROTECTING YOUR PERSONAL INFORMATION AND ACCOUNTS

What is identity theft and what if it happens to you?

Identity theft occurs when someone steals your personal information and uses it to get loans, credit cards, cell phone or utility services or to open other accounts in your name.

Identity thieves often rack up debt in your name, which has devastating effects on your credit history, and can cause you the loss of countless hours correcting the situation.

If you've discovered that someone has stolen your identity:

- Contact the police immediately and file a report.
- Use this police report to begin disputing fraudulent charges and accounts with your bank, creditors and credit bureaus.
- Place a security freeze on your credit accounts before any new accounts can be opened in your name and further damage your credit.

Ways to prevent identity theft:

- Always keep track of your credit cards and credit card numbers. Carry a minimal number of cards with you and store the rest, and your bills, in a secure place.
- Use the Internet to your advantage. Paying bills online will prevent physical, mailed bills from sitting in your mailbox where someone could walk by and steal them.
    - If you need to mail a bill, drop it off at the post office.
- Shred all personal documents, including old bills, receipts, credit card and mortgage offers, and other documents that contain your personal information.
- When ordering products or services online, use only secure websites that have https:// in their web address and utilize Secure Socket Layer (SSL) and certificates to keep your transactions safe from hackers. It's also smart to print out your receipt or confirmation immediately after the transaction to have as a record of purchase.
- Beware of phishing schemes, which involve receiving emails pretending to be from legitimate organizations that prompt you to visit phony websites. No legitimate bank or financial institution will EVER ask you to verify your account information in an email or ask you to click on a link in an email to go to a web site to enter or verify your account information. If you receive such an email or text, you are the target of a "phishing" scam. The phishing goal is to obtain your financial information and use it for fraudulent purposes. Most financial institutions have ways to notify them of phishing schemes that are impersonating them. Check your bank's web site for details.

MODULE 4 // QUIZ

Answer the following questions:

1. True or false: Keeping older accounts open, even if they have a zero balance, can help your credit history.

2. True or false: Having lots of debt on your credit card helps your creditworthiness.

3. What is the very first thing you should do if your identity is stolen?

4. True or false: Contacting lenders when you can't make a payment is a good step toward protecting your creditworthiness.

5. True or false: A house is considered capital.

6. True or false: If your creditworthiness is low, your credit card interest rates will also be low.

7. True or false: Bankruptcy is the best way to handle your debts.

8. True or false: All online shopping is safe.

9. True or false: All emails that look like they're from your bank and are asking you to verify your account number are from your bank. It is quite normal for a bank to ask you for your account information.

10. True or false: Your identity will not likely be stolen if you don't have a credit card.

MODULE 4 // WRITTEN EXERCISE

Character, capital and capacity are the three Cs of credit, which lenders use to evaluate someone's creditworthiness.

Character looks at how well you've handled your money in the past. Did you pay bills on time? Did you have a credit card? Did you ever file for bankruptcy? How long have you lived in your home and worked at your current job?

Capital refers to the assets you currently own, such as real estate, savings, and investments. Lenders want to know that you have the means to repay the loan.

Capacity evaluates your current financial situation, and how much debt you can handle based on your income. Do you have a job? What is your salary? What other debts do you have? Do you have children or other dependents that you are supporting?

Consider each of the following points and decide whether it plays a role in determining creditworthiness, and if so, into which category it falls. In some cases, there may be two answers.

Example:	Character	Capital	Capacity	None
Joe filed for bankruptcy 4 years ago.	X			
Daniel pays all his bills on time.				
Marcella just took out a loan for a new car.				
George has four young children.				
Nora can speak both English and Spanish.				
Eric owns his house, plus a small vacation cabin.				
Luisa's annual salary is $50,000.				
Jacob has used six credit cards over the past decade.				
Anna has changed jobs three times in the last year.				
Bill inherited a rare and valuable rock collection from his grandfather.				
Yuko has an IQ of 169.				

FINANCIAL FOOTBALL

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MODULE 4 // WRITTEN EXERCISE ANSWERS

Quiz Answers:

1. True 2. False 3. Contact the police 4. True 5. True 6. False 7. False 8. False 9. False 10. False

Exercise Answers:

Example:	Character	Capital	Capacity	None
Joe filed for bankruptcy 4 years ago.	X			
Daniel pays all his bills on time.	X			
Marcella just took out a loan for a new car.			X	
George has four young children.			X	
Nora can speak both English and Spanish.				X
Eric owns his house, plus a small vacation cabin.		X		
Luisa's annual salary is $50,000.		X	X	
Jacob has used six credit cards over the past decade.	X			
Anna has changed jobs three times in the last year.	X		X	
Bill inherited a rare and valuable rock collection from his grandfather.		X		
Yuko has an IQ of 169.				X