

# **Lesson 13 – Money Smart**

# Lesson 13. Money Smart

## Learning Objectives

**After this lesson, students will be able to:**

- Recognize the spending habits of rich people.
- Define what personal finance is.
- Justify a stand on a expenditure-related issues.
- Define vocabulary from an audio using context clues.
- Interpret and explain the contents of infographics.
- Discuss guidelines on managing an individual's money.
- Identify and correct errors found in sentences.

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1. What do you think rich people usually spend their money on?
2. What do you think rich people do not spend their money on?
3. Now watch the video on this link <https://www.youtube.com/watch?v=NdXvYV19rgM> and complete the table below.

8 Things Rich People Don't Spend On	What They Do Instead
1.	
2.	
3.	
4.	
5.	
6.	
7.	
8.	

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## In a nutshell

Personal finance is a term that covers managing your money as well as saving and investing. It encompasses **budgeting, banking, insurance, mortgages, investments, retirement planning, and tax and estate planning.**

Personal finance is about meeting **personal financial goals**, whether it's having enough for short-term financial needs, planning for retirement, or saving for your child's college education. It all depends on your income, expenses, living requirements, and individual goals and desires—and coming up with a plan to fulfill those needs within your financial constraints.

To make the most of your income and savings, it's important to become **financially literate**, so you can distinguish between good and bad advice and make smart decisions

## What constitutes a financially literate person?

Source: <https://www.investopedia.com/terms/p/personalfinance.asp#:~:text=Personal%20finance%20is%20a%20term,and%20tax%20and%20estate%20planning.>

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## Debate: Who is better with money, men or women?

- What do men and women spend on?
- What are things that men spend on but women don't and vice versa?
- How often do they go shopping?
- Who is more susceptible to making occasional impulse purchases?
- Who is more conservative and is unlikely to take risks?
- Who is in charge of budgeting in families?
- Who cares more about savings?

*Sources:*

<https://www.gobankingrates.com/saving-money/savings-advice/men-vs-women-better-with-money/>

<https://directionscu.org/2020/01/24/how-men-and-women-manage-money-differently/>

<https://intuitivefinance.com.au/handling-finances-women-or-men/>

<https://www.nationaldebtrelief.com/men-better-money-women/>

<https://smartasset.com/checking-account/millennial-money-spending-habits>

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## Keen Listening

Take notice of the following vocabulary in the audio. Talk about your comprehension of each if you are familiar with them. While listening, jot down notes on how the each vocabulary is defined, used and connected to topic presented.

secrecy and shame

ingrain

tough-love

blame game

gang up on

recession

foreclosure notice

financial behaviors

chronic not-enoughness

know-it-all

taboo topic

breakthrough

legacy

Identify what part of speech each vocabulary is.

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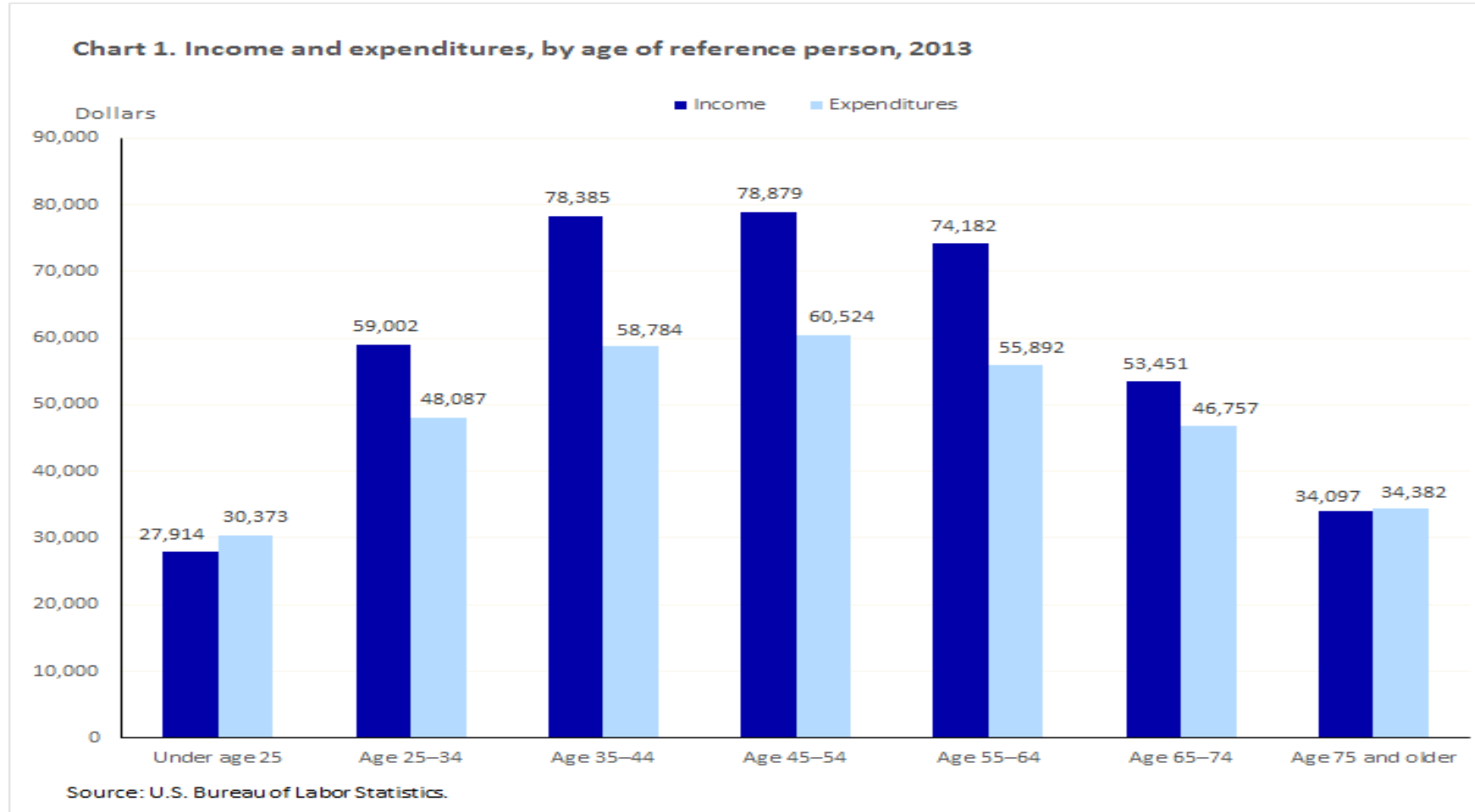
## Listening (12.2) *Let's Get Honest About Your Money Problems*

[https://www.ted.com/talks/tammy\\_lally\\_let\\_s\\_get\\_honest\\_about\\_our\\_money\\_problems/transcript](https://www.ted.com/talks/tammy_lally_let_s_get_honest_about_our_money_problems/transcript)

1. What made the speaker worried about his brother's call?
2. Describe how the speaker initiated the conversation with her brother and sister-in-law.
3. What were the "answers" the speaker found upon checking his brother's office?
4. What does money shame mean?
5. What does she believe to be her brother's legacy is?

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Discuss the trend of income and expenditure by age.



Source: <https://www.bls.gov/opub/btn/volume-4/consumer-expenditures-vary-by-age.htm>



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## Preview Questions:

1. Is having a credit card rather detrimental than helpful?
2. Who does budgeting in your family?
3. How do you determine how much to save from your salary?

## Reading:

Creating a financially secure life can feel like a daunting task that requires the skills of expert mapmaker and GPS programmer. You need to figure out where you are today and where you want to get to. As if that's not a big enough lift, you're then in charge of finding the best route to get from here to there without veering off into costly detours.

Some goals will take years — if not decades — to reach. That's part of the plan! But you also get an immediate payoff: a whole lot less stress starting the minute you dive into taking control of all the money stuff that's gnawing at you. According to a 2019 survey, 9 in 10 adults say nothing makes them happier or more confident than having their finances in order.

### **Set short-term and long-term goals. (Differentiate the two)**

- Short-term goals to reach in the next year or so
- Longer-term goals

### **Create a budget**

A budget is a line-item accounting of all your income — salary, maybe a side gig, perhaps income from an investment — and all your expenses.

*Read the rest of the article here:*

<https://www.cnbc.com/guide/personal-finance-101-the-complete-guide-to-managing-your-money/#introduction>

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## **Build an emergency fund**

The best way to achieve this is to open a separate bank or credit union savings account that you designate as your emergency fund.

## **Pay off costly credit card debt**

Paying off high-rate debt is one of the best investment moves, and the average 17% interest rate charged on unpaid credit card balances is a big roadblock to building financial security

## **Save for retirement**

Even if you have decades to go until retirement, the time to get started saving was yesterday. The longer you wait to get serious about this big honking goal, the more you will need to contribute to land in retirement in good shape.

- in your 20's
- in your 30's
- in your 40's
- in your 50's
- in your 60's

## **Invest for retirement with a long-term focus**

What you manage to save for retirement is the biggest factor in how comfy you're going to be when it's time to step off the work treadmill. But how you invest the money in your retirement accounts plays a large role, too.

## **Borrow smart**

The key to building financial security is to only borrow what you truly need. And that can get tricky because right when you are looking to buy a house/car/college education, the lenders are focused on telling you the maximum you are allowed to borrow.

*Read the rest of the article here:*

<https://www.cnbc.com/guide/personal-finance-101-the-complete-guide-to-managing-your-money/#introduction>

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## ANSWER THE QUESTIONS

1. How does **50/30/20 budgeting framework** work?
2. Why is keeping your emergency fund in a regular checking account not advisable?
3. What are the two popular get-out-of-debt strategies mentioned in the article? Differentiate.
4. How does inflation affect the cost of commodities over time?
5. What does it mean to borrow smart?

## VOCABULARY

- A. refers to any type of investment, financial account, or savings plan that is either exempt from taxation, tax-deferred, or that offers other types of tax benefits.
- B. the return on investment or on a bet.
- C. money paid regularly at a particular rate for the use of money lent, or for delaying the repayment of a debt.
- D. a type of loan you can use to buy or refinance a home.
- E. something unexpected and difficult to deal with that changes a situation
- F. the amount in investment that the money manager may lose before he/she is required to change the goal of the portfolio from capital gain to capital protection.
- G. a type of bank account that allows you to easily deposit and withdraw money for daily transactions
- H. characterized by or subject to rapid or unexpected change
- I. prevent or hinder the progress of.
- J. to rub hard especially with a rough material for cleansing.

1. **payoff**
2. **safety cushion**
3. **curveball**
4. **stymie**
5. **scour**
6. **mortgage**
7. **checking account**
8. **tax-advantaged**
9. **interest**
10. **volatile**

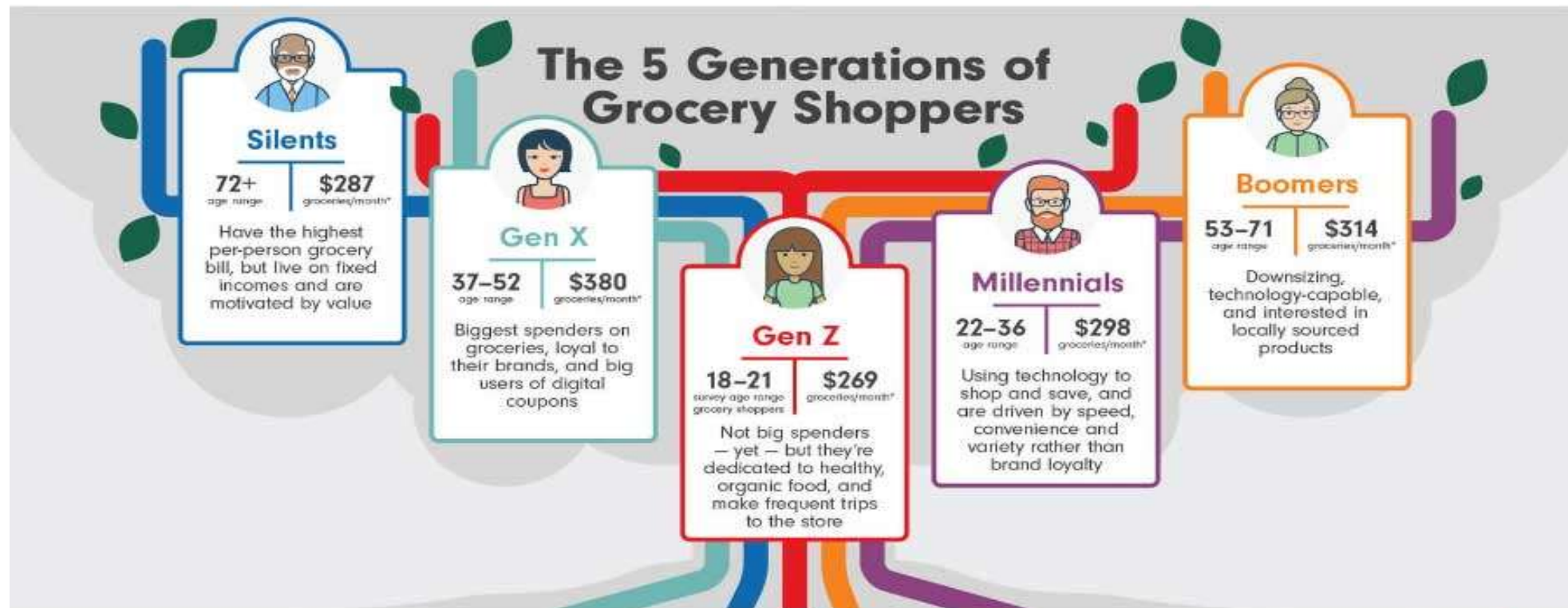
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## How 5 different generations shop for groceries

What does each generation usually spend on?

ACOSTA

The Why? Behind The Buy™ 14th Edition



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[www.acosta.com/news](http://www.acosta.com/news)

Source: <https://www.foodengineeringmag.com/articles/97243-how-5-different-generations-shop-for-groceries>

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Identify the errors in each sentence and modify to make it correct.

1. Lack of basic financial education leaves many young adults clueless about how to manage their money, apply to credit, and get or stay out of debt.

A

B

C

D

2. Start an emergency fund and pay into it every month, even though if it is a small amount.

A

B

C

D

3. If you wanted to keep your credit cards for the convenience factor or the rewards they offer, make sure to always pay your balance in full when the bill arrives.

A

B

C

D

4. If you won't learn to manage your own money, other people will find ways to (mis)manage it for you.

A

B

C

D

5. Once you've gone to a few personal finance books, you'll realize how important it is to make sure your expenses aren't exceeding your income.

A

B

C

D

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6. Saving for retirement breaks down to how much you want to invest in stocks and how much in bond.

**A**

**B**

**C**

**D**

7. If meeting monthly health insurance premiums seem impossible, what will you do if you have to go to the

**A**

**B**

**C**

emergency room, where a single visit for a minor injury like a broken bone can cost thousands of dollars?

**D**

8. Rather than relying on others for advice, take charge and read a few basic books on personal finance.

**A**

**B**

**C**

**D**

9. Lenders have no clue, or interest, on how the loan they are dangling in front of you impacts your ability to meet

all your other goals.

10. Having money in savings to use for emergencies can really keep you out of trouble financially and help you

**A**

**B**

**C**

sleep better in the night.

**D**

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1. How do you prefer to pay for purchases? With cash, a credit card, or some other payment method? Why?
2. What would you tell someone if they asked how much you get paid?
3. What is your **financial upbringing**? Does it still affect your current financial management?
4. What is the top **financial goal** you want to accomplish at the end of this year?
5. Is there a way to financially protect your family?
6. Which among your expenses you think you should allot less on?
7. What are the common reasons why some people **drown in debt**?
8. Do you find facing your finances challenging? Expound your answer.
9. Do you think money can have a negative effect on people? In what way?
10. We are often told that **“you can't buy happiness”**. If you were richer, do you think you would be happier? Why/why not?

**The End**