"Why is Personal Finance Planning Important?"

Overview:

This lesson is will show students why it is important to understand their personal finance. They will look at some of their goals and decide how they will achieve them.

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Personal Finance Standard(s):

Standard 1: Students will develop and evaluate a plan to manage their money to achieve personal goals.

Economic Standard(s):

Standard 2: Students will understand that: Effective decision making requires comparing the additional costs of alternatives with the additional benefits. Many choices involve doing a little more or a little less of something: few choices "are all or nothing" decisions.

Key Concepts:

Bankruptcy
Liquid Assets
Opportunity Cost
Personal Finance
Personal Financial Planning

Resources:

Personal Financial Literacy, Pearson Education, Inc./Prentice-Hall Publishing, 2010©. Jeff Madura, Mike Casey, Sherry J. Roberts, authors. Chapter 1, pages 4-12.

"Clay's Candy Bar Madness," Foundations in Personal Finance High School Edition 2013. Clay Coleman, author. Handout 3 pages.

Process:

1. As students enter the room have them reach into a bag and randomly grab one piece of candy each. (Payday, Smarties, Dum Dum, Jaw Breaker, or Milk Duds) Instruct them to not eat the candy until the end of the activity.

2. Continue with the activity—see attached sheets ("Clay's Candy Bar Madness")
3. After going over what each type of candy means, go over discussion questions 1-5. Discuss with students why understanding their personal finances is important to everyone no matter what your age.
4. Have students connect to the Nearpod presentation. Go through the presentation for Chapter 1.

5. Ask students how they plan to achieve their goals. Discuss the steps to Personal Financial Planning: Establishing the goals, Gather data, Analyze Data, Develop a plan, Implement the plan, and Monitor the Plan.

Conclusion:

We all have goals and plans for the future. It is important to know what your goals are and how you will go about achieving them. It is important to understand that everyone has different goals and will choice to do different things in life but we all want to be successful. It doesn't matter what we decide to do in life: graduate high school, go to college, get a job right after high school, get married, or get a divorce. We all want to be financially sound. No one wants to file bankruptcy that is why personal financial planning is so important. Do you know what your goals are for the next five years and if you do how will you achieve those goals?

Assessment Activity:

You have learned that financial planning is important. You need to know what your goals are and how you can achieve them. On a piece of paper or Noteability, make a chart and fill in the following information. Make three columns: label the first column A and brainstorm what are your plans for the next five years (what are your goals). Label the next column B and write down what financial decisions need to be made for what you plan. In the last column label it C and write down how financial planning can help you achieve these plans.

At the end of paper or Noteability page answer the following question: "What did you learn from this lesson?"

Extension Activity:

Read the following article related to Financial Planning:
"Why Most High Schoolers Don't Know How to Manage Their Money"
http://goo.gl/pHpg0. Conduct a survey asking students in grade 9-12 about how they manage their money. Some sample questions may include: do they work, do they save part of their money, do they spend all of their allowance or paycheck every week, add some of your own questions. After conducting the survey write a short newspaper release explaining how students at Cozad High School manage their money.

CHAPTER

1

Clay's Candy Bar Madness By Clay Coleman (1/3)

Activity: Class

20 MINUTES

Objective: The purpose of this activity is to provide students with a "reality check" of what the typical American family faces and the dangers of debt.

Materials: Five types of candy: Payday bars, Smarties, Dum Dums, Jaw Breakers, Milk Duds. Total candy servings should equal the size of the group. Refer to the chart at right for candy percentages.

STANDARD **Financial Responsibility and Decision Making Standard 1:** Take responsibility for personal financial decisions.

- Explain how individuals demonstrate responsibility for financial well-being over a lifetime.

Part 1: Dividing Up the Candy

Procedure: Before class, you'll need to figure out how many pieces of each candy will be needed. Using the chart below, multiply the number of students by the percentage of each candy. For example, to find out how many Dum Dums you need for a class of 28 students, you would multiply 28 by the 70% on the chart, giving you 19.

Candy	Percentage	Example of 28 Students
Payday	2%	1
Smarties	10%	3
Dum Dums	70%	19
Jaw Breakers	16%	4
Milk Duds	2%	1

Part 2: Handing Out Candy

Throw all of the candy into a bag and allow the kids to randomly grab one piece each. You may want to stand at the door and allow the kids to choose their candy as they enter the class. Instruct them to wait until everyone is seated or until you say it's okay before eating any candy. MAKE SURE THAT THEY HOLD ONTO THE WRAPPER.

Part 3: Reality Tastes Kind of Sour

Have the kids who picked a Payday bar stand up. Explain that according to statistics, they represent millionaires. Then sequentially go down the list of all the other groups. Use the following chart and explanations to expose which group they represent:

Candy	People Group
Payday	Millionaire's Club
Smarties	Debt-Free and Living Large
Dum Dums	Normal: Broke, Busted and Disgusted
Jaw Breakers	Bankrupt: Zero, Zilch, Nada
Milk Duds	Death by Credit Card Debt

CHAPTER

1

Clay's Candy Bar Madness By Clay Coleman (2/3)

1. **Payday:** You did it! You're a Millionaire
   - » Statistically speaking, you represent a portion of society that adheres to a financial game plan, avoids debt, invests early, and is wise with their resources.
2. **Smarties:** Debt-Free and Living Large
   - » You received a college scholarship, paid cash for your car, your house is paid off, and you have a fully funded emergency fund.
   - » You live within your means, save and pay for things with cash.
   - » You started saving for retirement a little late, but other than that you're looking good.
3. **Dum Dums:** Normal: Broke, Busted and Disgusted
   - » 23-year-old college graduate
   - » Total Debt = $45,000 (car: $21,000; school loan: $20,000; credit card: $4,000)
   - » Annual Income = $40,000
   - » Monthly Take-Home Pay = $2,500
   - » Total Monthly Expenses = $2,125
   - » You'll have to save for three months to get $1,000 in the emergency fund.
   - » It will take you 10 years to pay off your student loan and five years to pay off your car and credit card by making only minimum payments.
4. **Jaw Breakers:** Bankrupt: Zero, Zilch, Nada
   - » Married, 38 years old, two kids and a dog
   - » Total Debt = $85,400 (car: $42,000, two new cars); school loans: $35,000; credit card: $8,400)
   - » Annual Income = $80,000
   - » Monthly Take-Home Pay = $4,700
   - » Total Monthly Expenses = $4,555
   - » You'll have to save for more than seven months to get $1,000 in the emergency fund.
   - » It will take you a minimum of 10 years to pay off your credit card, 15 years to pay off your student loans, and you'll continue to have a car payment because you can't save up for one given your current expenses.
   - » You are almost 40 years old now! You have no money in the bank, and the kids need to go to college!
   - » You can't make it, file bankruptcy, and most likely divorce.
   - » 90% of divorces stem from financial disagreements.
5. **Milk Duds:** Death by Credit Card Debt
   - » Same as Bankrupt, however add another $100,000 in debt (credit cards, mortgage, cars, boat, furniture).
   - » Under all the pressure, you lose hope and commit suicide.
   - » The number-one cause of male suicide is financial stress.

CHAPTER

1

Clay's Candy Bar Madness By Clay Coleman (3/3)

Discussion Questions

1. Did you realize that 70% of Americans live paycheck to paycheck? *Answers will vary.*
2. As the wealthiest nation in the world, why do you think so many Americans are struggling with money problems? *Answers will vary.*
3. The majority of Americans fall into which category? Describe the average reality of this group. *Dum Dums; 23-year-old college graduate, total debt of $45,000 (includes car loan, student loan and credit card), income around $40,000, average monthly income $2,500, total monthly expenses $2,125*
4. What is the leading cause of divorce? *Money-related problems*
5. How do a person's financial decisions impact his or her financial well-being over a lifetime? *Answers will vary but should emphasize that financial decisions can have long-term consequences.*
6. What did you learn from this lesson? *Answers will vary.*

save for journal writing.