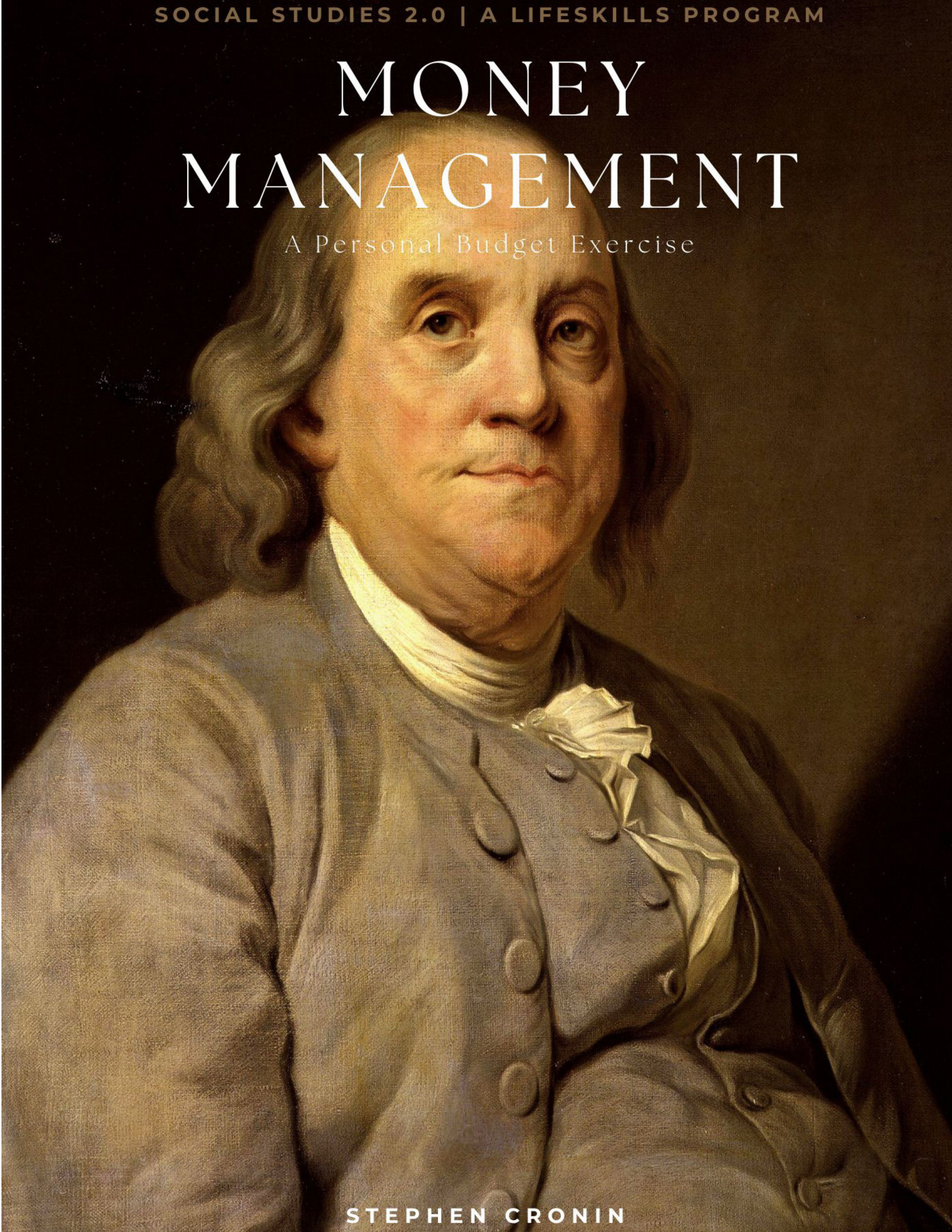
SOCIAL STUDIES 2.0 | A LIFESKILLS PROGRAM

MONEY MANAGEMENT

A Personal Budget Exercise



STEPHEN CRONIN

The cover is a **BENJAMIN FRANKLIN** portrait created by the artist Joseph Duplessis in 1778.

BENJAMIN FRANKLIN, the ELON MUSK of the 18th century, was born on January 17, 1706. Franklin,like Musk, was an **polymath** (a smart person with knowledge in several different areas). He was a writer, scientist, inventor, statesman, diplomat, printer, publisher, political philosopher, a world traveler who loved to go to parties. Among the leading intellectuals of his time, Franklin was one of the Founding Fathers of the United States, a drafter and signer of the *Declaration of Independence,* and the first postmaster general.

Franklin had an exceptional personal *BRAND.* His *STORYTELLING* and *NETWORKING* skills were renowned.

Franklin was a **serial entrepreneur.** He started his career as a printer and book publisher. He founded the *Pennsylvania Gazette*, a successful newspaper and also published the famous "*Poor Richard's Almanack*." His printing business was a very successful entrepreneurial venture. Franklin also started several other businesses, including the Library Company of Philadelphia, one of the **first subscription libraries** in America, and the Philadelphia Contributionship, **an insurance company.** He is famous for his experiments with **electricity,** which led to the discovery of the lightning rod. He also invented various practical devices, such as **bifocal glasses** and the **Franklin stove.** He helped establish **fire departments**, **paving and cleaning services**, and educational institutions in Philadelphia. In addition to his **newspapers** and **almanacs,** Franklin wrote and published books and essays. **His autobiography**, for example, became a **successful publication and is still popular today.**

Benjamin Franklin hated excessive borrowing.

He would be furious about TODAY'S government debt and America's government LEADERS (*Presidents and Congress men and women*) who **CHOSE to borrow money rather than spend less.** Franklin advised against incurring debt, especially for non-essential purposes. He believed that individuals should avoid borrowing money unless it was absolutely necessary. He famously wrote, "*A penny saved is a penny earned,*" emphasizing the value of saving and prudent money management. He cautioned against accumulating debt that today would create low credit scores and paying high interest rates. Franklin also believed in paying debts/bills ON TIME.

While cautious about debt, he acknowledged that **credit could have a useful purpose if used wisely and for productive purposes, such as starting a business**. However, **he always emphasized responsible borrowing and avoiding excessive debt**. He believed that individuals should strive to be free from the burden of debt and the need to rely on others for financial support.

Benjamin Franklin had amassed so much **WEALTH** he essentially **retired** from running his businesses in his **early 40s.** At the time of his death in 1790,

his estate was valued at *$400,000* in 18th-century U.S. dollars. Some suggest $400,000 in 1790 could be equivalent to *HUNDREDS OF MILLIONS of dollars in 2023*.

QUESTIONS about Budgeting

1. **WHAT** is a BUDGET?

2. **WHO / WHAT** CREATES A BUDGET?

3. **WHY** would a person have a budget?

4. ARE THERE **BENEFITS** with having a budget AND,

   IF so, WHAT ARE THE **BENEFITS?**

5. **WHAT** SHOULD BE THE **GOAL**(s) of a BUDGET?
   - should there be LONG TERM goals and SHORT TERM goals in a budget? YES **or** NO and WHY

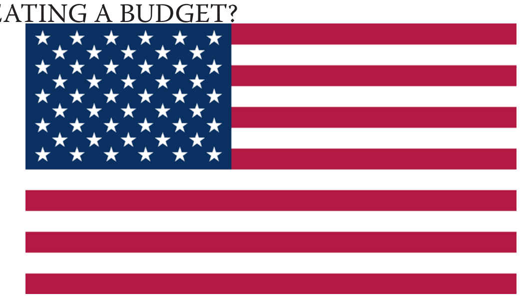
6. **HOW** does someone create a BUDGET?

7. **WHAT** DOES **INCOME** MEAN?

8. WHAT DOES **REVENUE** MEAN?

9. **WHAT** DOES **EXPENSE** (s) MEAN?
   - WHAT IS A **FIXED EXPENSE**?
   - WHAT IS A **VARIABLE EXPENSE**

10. ARE THERE **BENEFITS FOR SETTING GOALS** WHEN CREATING A BUDGET?



11. WHO IS **THE BEST** at establishing and following a budget?

12. WHO IS **THE WORST** at establishing and following a budget?

13. WHAT IS A ***CREDIT SCORE*** and HOW DOES A CREDIT SCORE AFFECT WHAT **A PERSON PAYS** FOR A CAR OR A HOME ?

14. WHAT IS A ***CREDIT RATING*** **FOR A COUNTRY OR COMPANY** AND HOW DOES A COUNTRY OR COUNTRY'S CREDIT RATING AFFECT WHAT **A COUNTRY OR COUNTRY PAYS** TO BORROW MONEY? ____________

GLOSSARY OF KEY TERMS:

PERSPECTIVE

INTERPRETATION

*"This text, this program, are not fact, rather the view of one person. Consequently, they should not automatically be accepted as '**truth**'. Two time Pulitzer Prize winning historian and author, Barbara Tuchman, stated* 'there is no such thing as a neutral or purely objective historian…. without an opinion, a historian would simply be a ticking clock….' ***Likewise, the statements of any person in a position of influence and power should bring some level of scrutiny and, if warranted, questions to the conversation.*** *Life's mission should be determining 'truth.' The challenge is to explain why anyone should believe it."*

CREDIBILITY

BELIEVABILITY

"It's not a given, we acquiesce too quickly. Be respectfully skeptical. Do your homework; check the record and the resume. ***Ask the question*** – 'should I trust this person as a credible source for '*truth*'? *Make it a prerequisite before embracing the claims of anyone who professes to have 'it.' "*

ANSWERS about Budgeting

1. A **BUDGET is *a PLAN*** created to help INDIVIDUALS, FAMILIES, COMPANIES, ORGANIZATIONS, COUNTRIES, STATES / PROVINCES, CITIES / MUNICIPALITIES / TOWNS, organize and keep track of their income (the money earned / collected) and expenses (the money spent on 'stuff') **in order to create wealth**.

2. **WHO** or **WHAT CREATES a BUDGET**?

   - **individuals** - like YOU
   - **families** - Cronin, Garcia, Barone, Chang, Wilson, etc
   - **countries** - e.g. United States, Dominican Republic, China, Ukraine, Israel, etc
   - **states / estados / provinces** - **USA**: Rhode Island, Massachusetts, North Carolina, etc **Canada:** British Columbia, Saskatchewan, Quebec, etc **Mexico**: Veracruz, Jalisco, etc
   - **cities / towns** - Providence, RI; Cranston, RI, USA; Charlotte, NC, USA; Baltimore, MD, USA, New York, NY, USA; Quebec City, Quebec, CANADA; Santo Domingo, capital city of DR; Nuevo Laredo, Tamaulipas, MEX;
   - **organizations / businesses** - YMCA, NAACP, Boys & Girls Club, ***PROVIDENCE School Department***, etc / Nike, Amazon, McDonalds, Apple, Netflix, etc

3. The **PURPOSE of a BUDGET** is to provide ACCURATE information so a person / country / family creating the budget is able to make logical, fact based decisions for the best ways to spend / invest / save their money for the success the person / family / country / state / city / organization aspires to.

4. WHAT are the **most often used WORDS** in a BUDGET?

   - **INCOME** - *often referred to as "net income" or "profit," is the amount of money a company earns after deducting / subtracting the amount of all expenses, taxes, and other costs from the money it collects from customers. Following budgets help keep more income / profit to create* **MORE WEALTH.**
   - **REVENUE** - *refers to the total amount of money a company collects from selling the goods / products it makes and sells (e.g cars, computers, jewelry, etc) and services (printing, cable TV, etc).*
   - **EXPENSES** - *'stuff' a company or person spends their money on*
     - *FIXED EXPENSE - 'stuff' like rent, credit card payments, food, etc a person must have*
     - *VARIABLE EXPENSE - stuff like going to a restaurant, jewelry, Netflix,* ***savings****, investments, etc (is regularly saving money important??* ***If 'yes', WHY? If 'no', WHY NOT?*** *If 'yes', should you then make savings a Fixed expense??)*
   - **DEFICIT** - *having less income or profit than a company or person originally expected*
   - **SURPLUS** - *having more total income or profit than a company or person originally expected*
   - **BALANCED** (BUDGET) - *income is equal to the total of all expenses*

5. The **BENEFITS** of a BUDGET can only be realized IF THE BUDGET is ***based on FACTS*** as well as a COMMITMENT to follow the budget plan. For example, a budget helps you plan to **only spend** the amount of money collected or have been paid.. In other words, YOU DON'T SPEND MORE THAN YOU MAKE / EARN / COLLECT. The **BENEFIT** of a BUDGET is having a **REALISTIC PLAN** that helps you manage your expenses and profits so you don't spend more money than you collect and thus **create greater wealth.**

6. THE **GOAL** of the BUDGET is to ***COMMIT TO THE BUDGET (PLAN) YOU CREATE***. That is, make sure you EARN / MAKE / COLLECT the amount of money you planned on AND ONLY SPEND the amount of money on expenses you have planned to spend based on your profit. **IF** you find out you are not earning / making / collecting the amount of money you thought you would, **THEN** you must SPEND LESS than what you originally planned to spend. **FOR EXAMPLE**, **IF** you planned on spending $100 a month on food and snacks and you're making / earning / collecting **LESS** money **THAN YOU BUDGETED, THEN** you should ***SPEND LESS*** than the $100 you planned on spending when you originally created your budget **OR**, ***earn more money!!!*** You must adjust your budget to achieve your goals of becoming what / who you aspire to be.

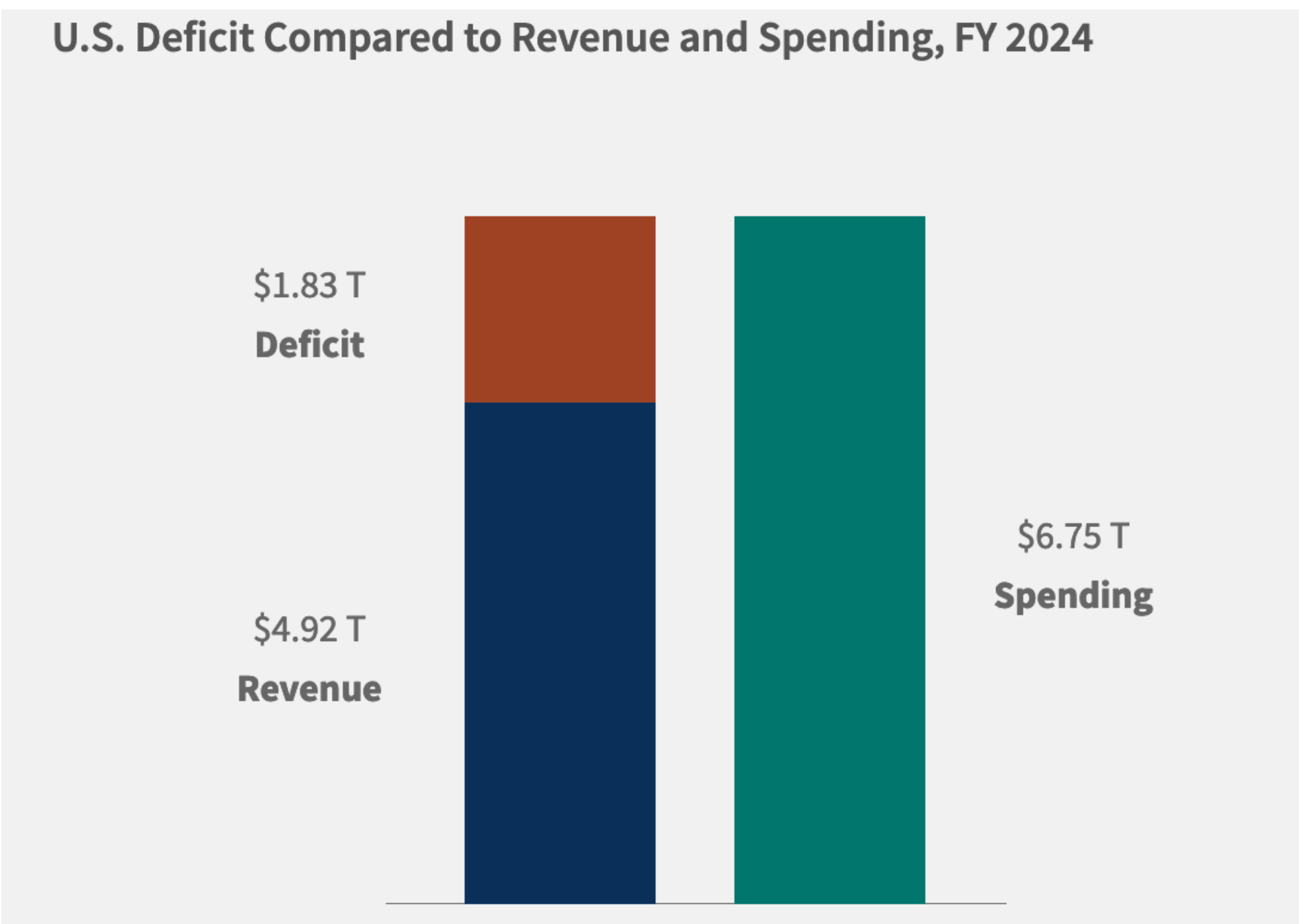
7. WHO IS **THE WORST** at establishing and following a budget? There are many families, cities, states and countries all over the world that are terrible at **creating and following** a realistic **budget.** Here are a few examples - The country of Argentina. The American state of California. The country of the United States of America.

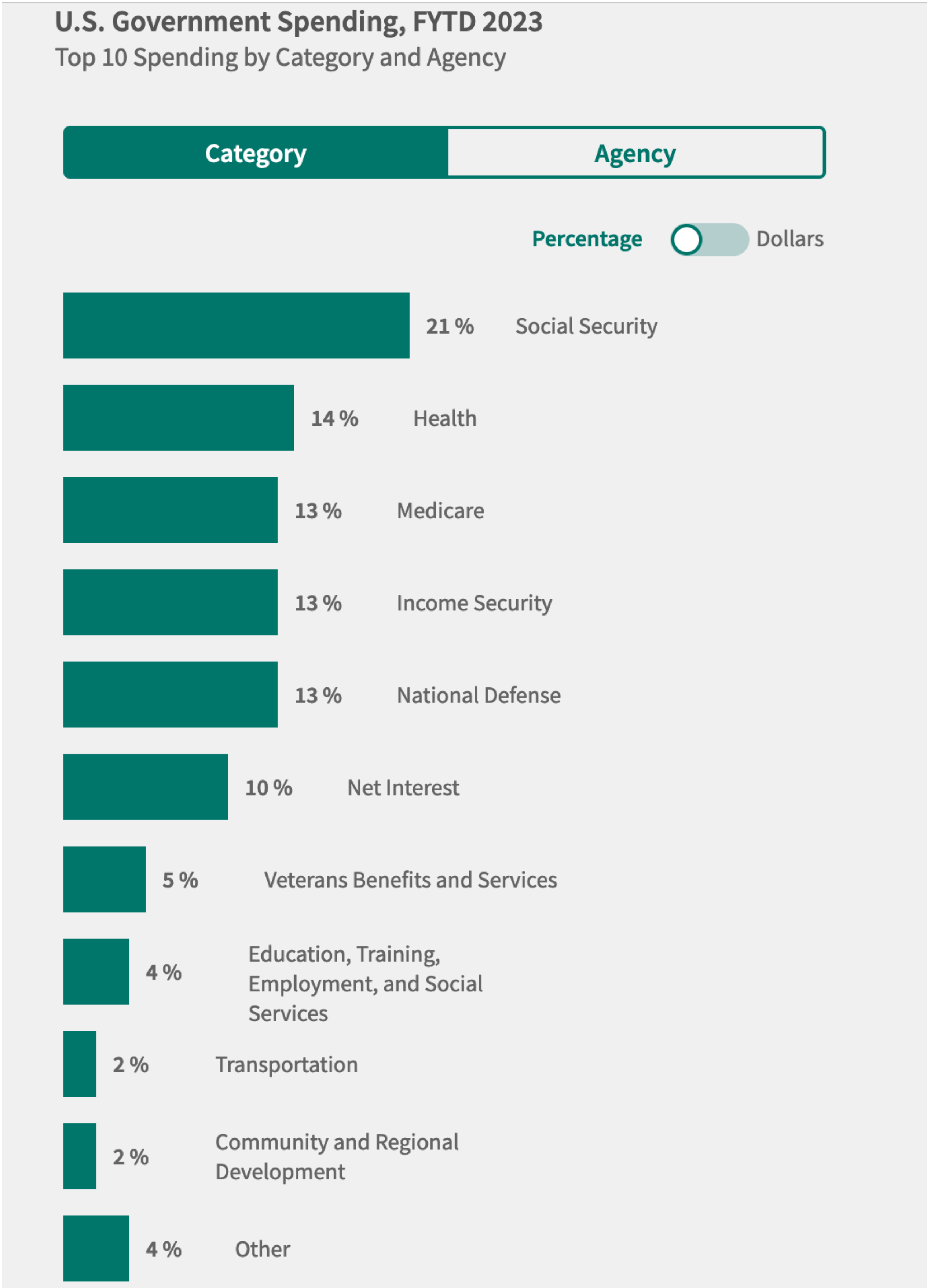
- **Argentina** - Argentina once faced repeated economic challenges and financial crises which forced Argentinian leaders to borrow from other countries and the WORLD BANK to pay its bills. Argentina continued to have financial challenges because politicians kept spending more money than the country collected in taxes. This created ***high inflation,*** currency devaluation, MORE debt and rising borrowing ***INFLATION.*** FOR **EXAMPLE, if a loaf of bread was $30 in 2022, the next year, inflation caused the same loaf of bread, in 2023, was $60.** **The Consumer Price** Index (CPI) keeps track of price changes for a basket of goods and services over a defined time period. In Argentina, the CPI in January 2023 was 99% higher than the one calculated in the same month of the previous year, with this figure being the largest monthly ***inflation rate*** since the beginning of 2018. Argentians elected a new President, Javier Milei, in 2023 who promised to spend less, pay the country's debt, and lower INFLATION.

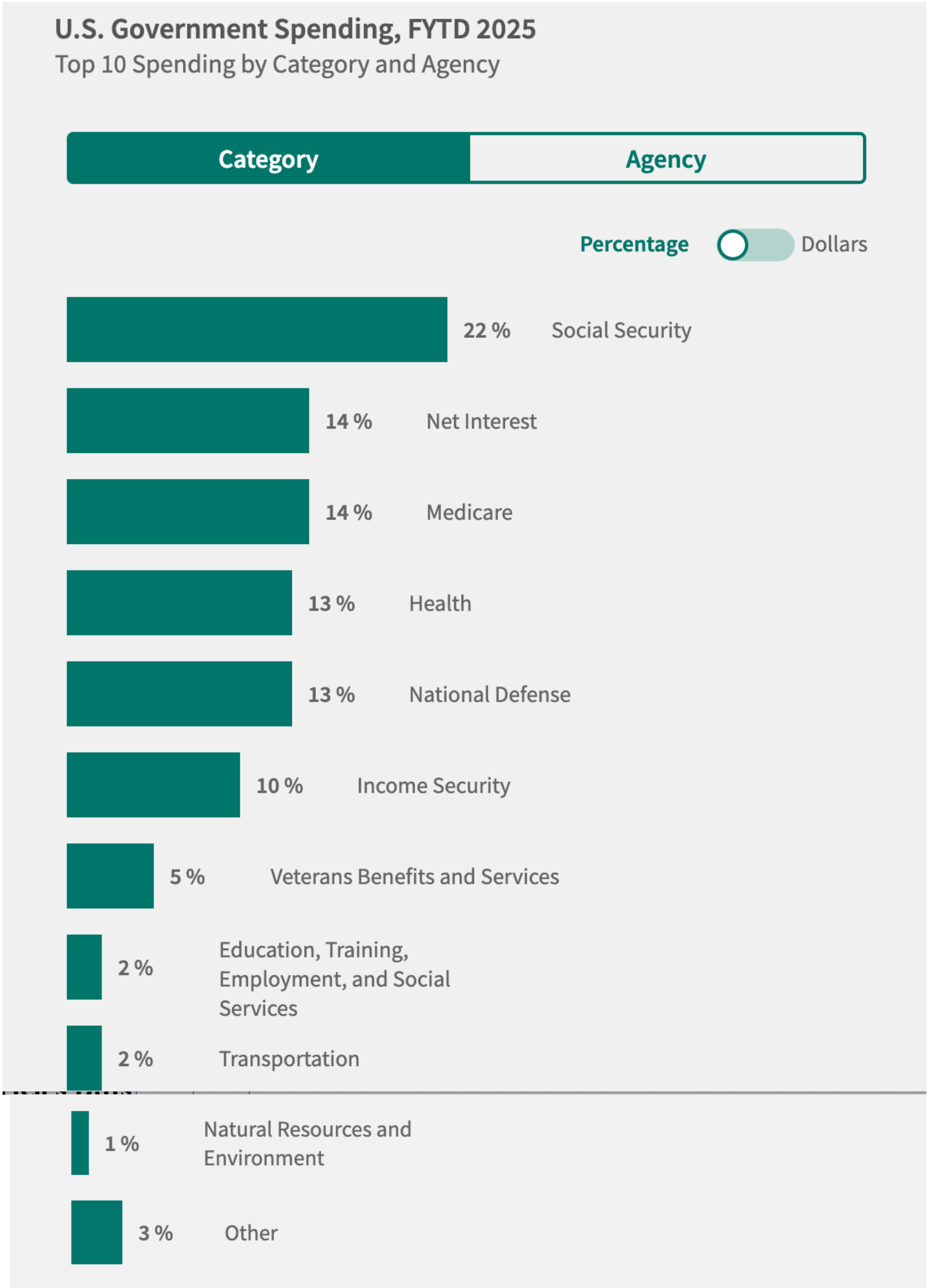
- **California** - had a **$32 billion dollar budget DEFICIT** for the year 2023. In other words, the state of **California spent $32 billion dollars MORE than they collected in taxes** for the year 2023. California has a ***balanced budget law*** as stipulated in its state constitution. This means California **MUST have a BALANCED** which means that the state government CANNOT SPEND MORE MONEY THAN IT COLLECTS IN TAXES. **If** California does spend more than it collects in taxes, **California must cut expenses and / OR raise taxes to balance their state budget for the following year.**

THE STATE OF CALIFORNIA IS IN RED ON THIS MAP OF THE UNITED STATES

- The **United States of America.** The **T** in the graph below stands for **TRILLIONS** of dollars**!**




U.S. Government Spending, FYTD 2023
Top 10 Spending by Category and Agency
Category
Agency
Percentage
Dollars
21 % Social Security
14 % Health
13 % Medicare
13 % Income Security
13 % National Defense
10 % Net Interest
5 % Veterans Benefits and Services
4 % Education, Training, Employment, and Social Services
2 % Transportation
2 % Community and Regional Development
4 % Other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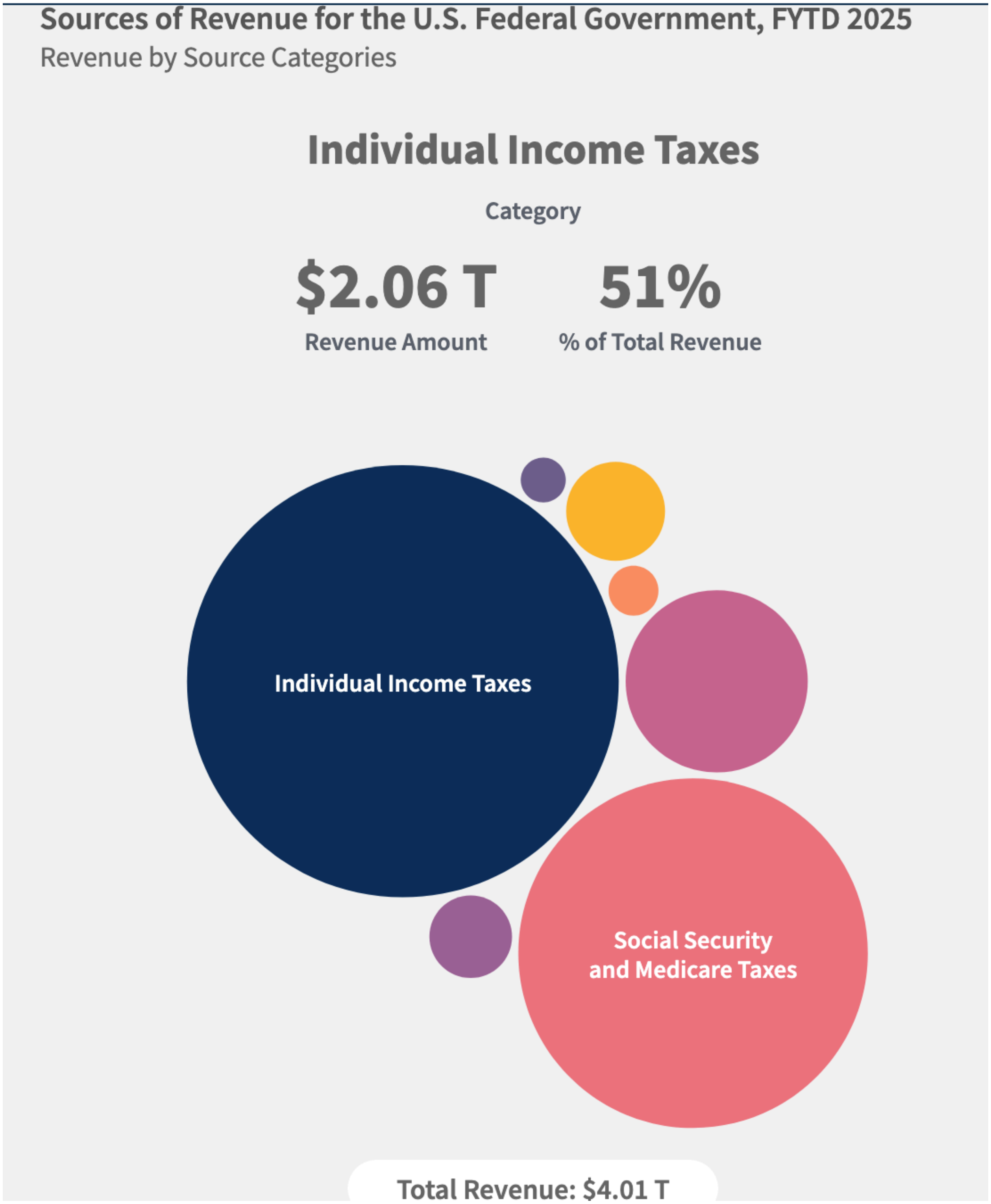
Category
Agency
Percentage
Dollars
22 %
Social Security
14 %
Net Interest
14 %
Medicare
13 %
Health
13 %
National Defense
10 %
Income Security
5 %
Veterans Benefits and Services
2 %
Education, Training, Employment, and Social Services
2 %
Transportation
1 %
Natural Resources and Environment
3 %
Other

WHERE AMERICA'S FEDERAL GOVERNMENT GETS ITS MONEY!



As you can see in the GRAPH ON THE *PAGE 7*,

the United States FEDERAL government in Washington, D.C.

SPENDS MORE MONEY THAN IT COLLECTS IN TAXES.

The FEDERAL GOVERNMENT OF AMERICA DOES NOT HAVE

A BALANCED BUDGET REQUIREMENT.

A ***BUDGET DEFICIT*** occurs when money going out (spending) exceeds money coming in (revenue collected or earned). THIS IS DANGEROUS. AMERICA'S federal government spent $6.27 trillion and ONLY collected $4.90 trillion in revenue from tax collections, ***resulting in a deficit***. WHEN **spending exceeds revenue**, there is **deficit spending.** **American government leaders continue to CHOOSE to spend MORE AND MORE money than the government collects in taxes. America's government leaders CHOOSE TO BORROW MORE than CHOOSING TO SPEND LESS.** ***Companies / businesses that run deficits, i.e. they spend more money than they collect in sales revenue from their customers, are not profitable and soon go out of business.***

The opposite of a budget deficit is a **BUDGET SURPLUS** which occurs when the federal government collects more money in taxes than it spends. A budget surplus for a company usually means the company is profitable; i.e the company made more money than it spent. The U.S. has experienced a fiscal year-end budget surplus five times in the last 50 years, most recently in 2001.

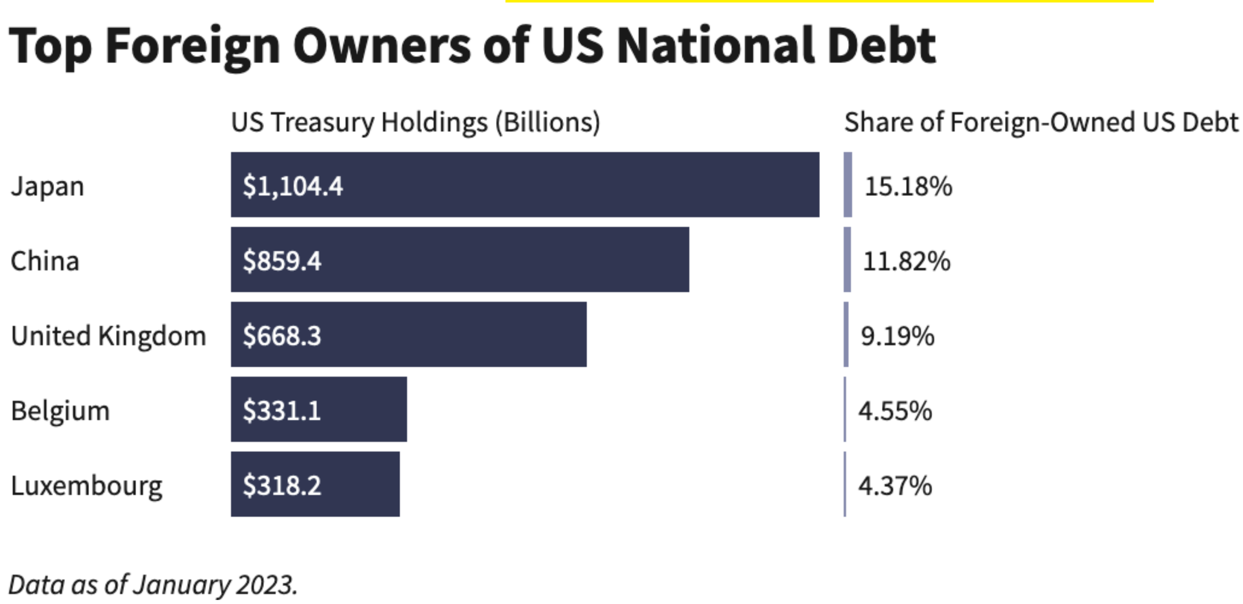
UNITED STATES OF AMERICA FEDERAL *POLITICIANS CHOOSE*

***to accept a BUDGET DEFICIT*.**

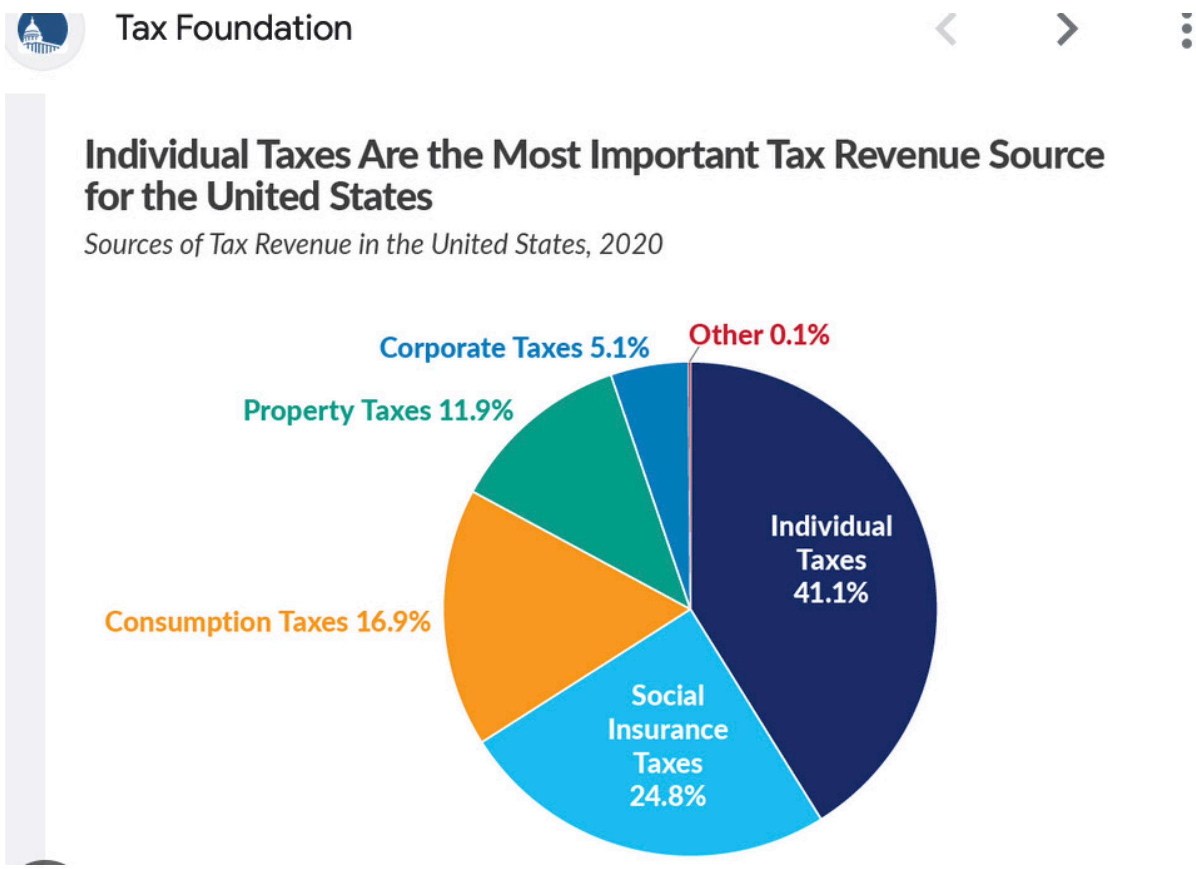
As a result, the *US Government MUST BORROW MONEY* TO PAY AMERICA'S BILLS.

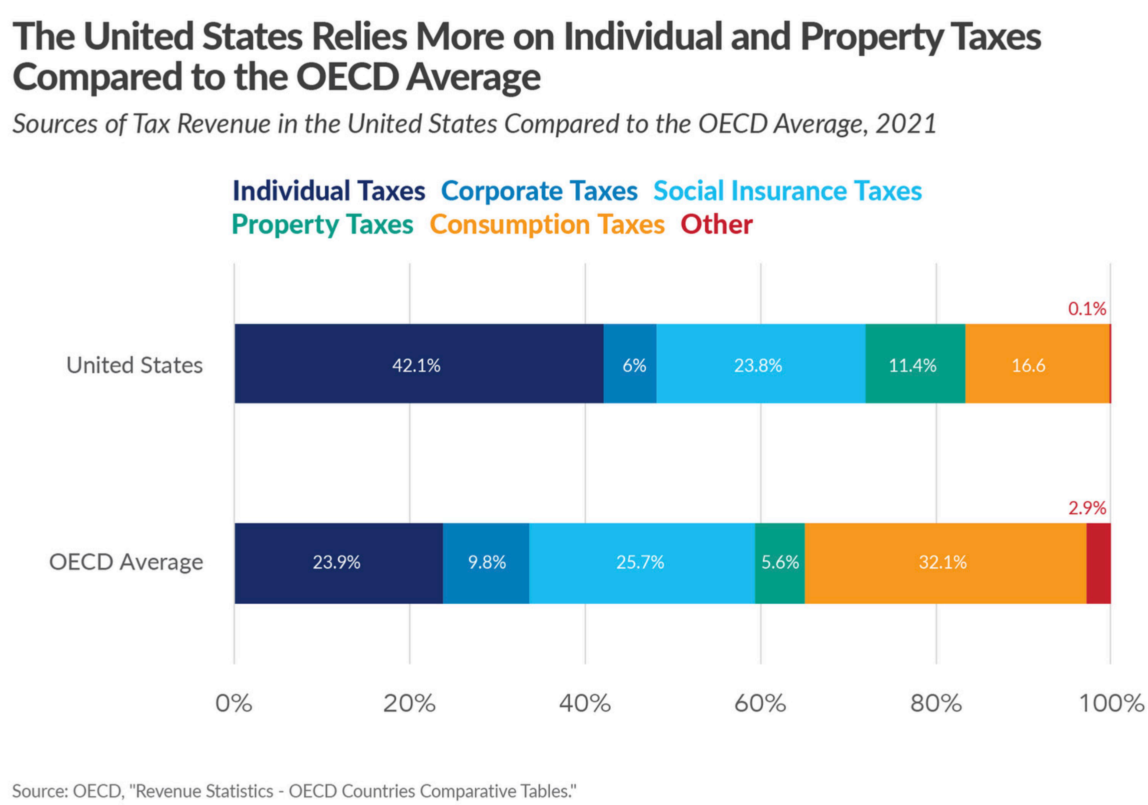
Borrowing money creates *extra payments,* INTEREST charges, *to borrow money*.

In 2025 alone, America is paying *$1 TRILLION DOLLARS in interest charges!!!!!!*



In 2025, fewer foreign countries are willing to lend America money than the year before!!





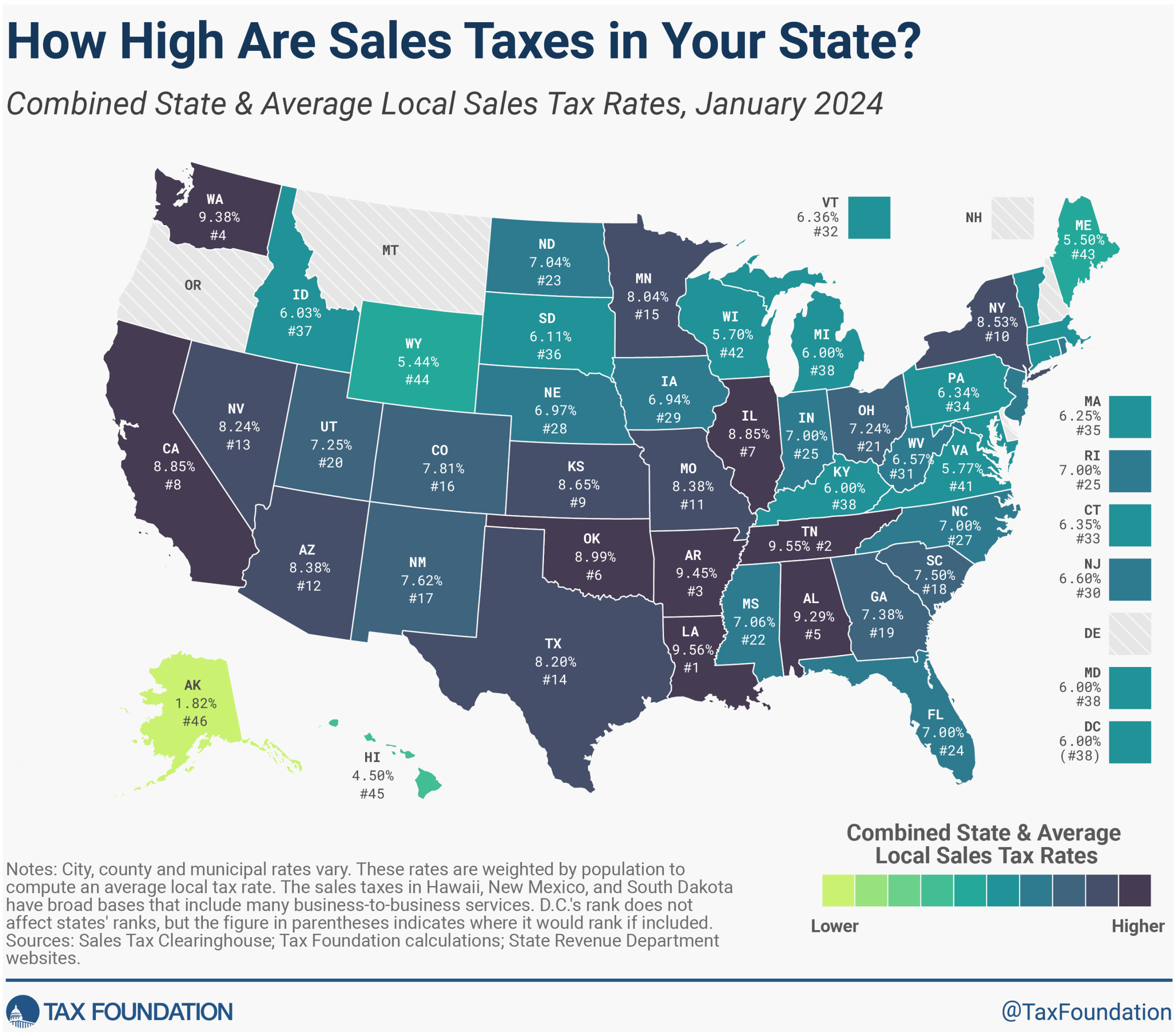
The **OECD** (Organization for Economic Co-operation and Development) is an organization of 38 countries founded in 1961 to promote trade among countries and stimulate economic growth. OECD member countries include: United States of America, France, Australia, Colombia, Japan, South Korea, Iceland, Mexico, Canada, Turkey, Germany, and more. Most OECD member countries have *'successful'* economies supported by successful, highly profitable companies like Microsoft, Google, Nividia, Apple, Meta (Facebook), Tesla, BYD, Alibaba, Lego, BMW, Mercedes, BP, Rolls Royce, and more. The collective populations of OECD is 1.38 billion people with an average life expectancy of 80 years and a current median age of 40, against a global average of 30 years old.

Glossary / Definition of Terms

WHAT IS A / CONSUMPTION / SALES TAX?

A sales tax is **an extra charge on 'stuff' you buy** like ***cars, cigarettes, clothing, restaurant food, TVs and other appliances, toys, books, furniture, and other goods.*** For example, if you purchase a new television for $400 and live in an area where the sales tax is 7%, you would pay an additional $28 in sales tax. Many governments exempt some goods considered essential like groceries.

In the United States, retail sales taxes are a significant source of money / revenue for states, cities and towns. All United States of America states **EXCEPT Alaska, Delaware, Montana, New Hampshire, and Oregon** collect sales taxes. Alaska also allows cities and towns to charge sales taxes. As of 2024, sales taxes were collected in 38 states.



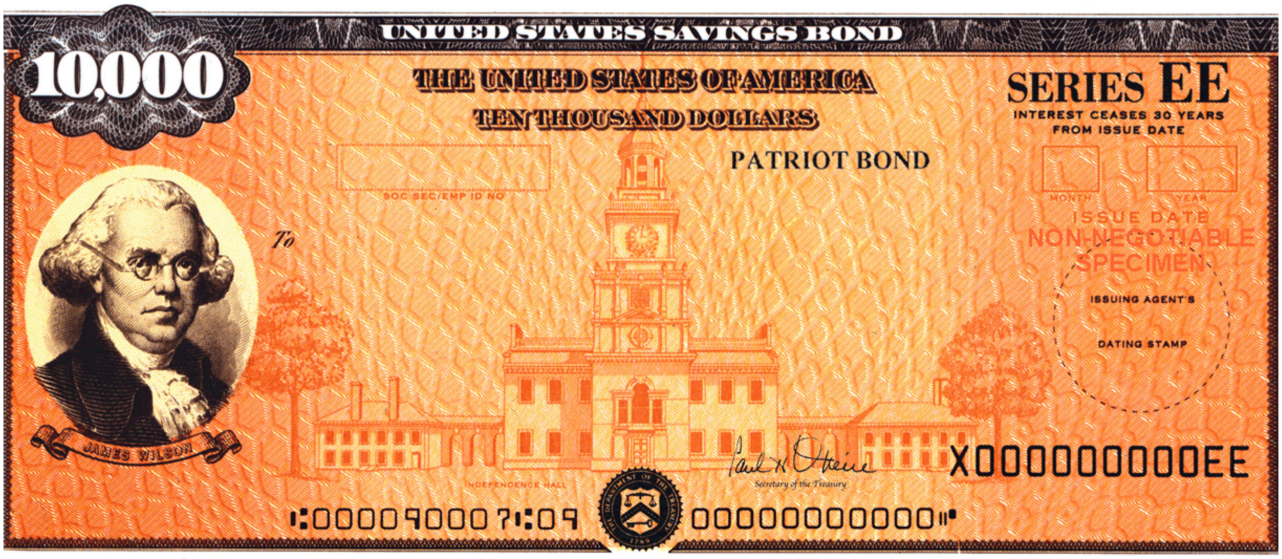
WHAT ARE INDIVIDUAL INCOME TAXES? a charge on wages, salaries, dividends, interest, and other income a person earns.

WHAT ARE CORPORATE TAXES? a charge on the money businesses make after expenses are subtracted from revenues (money charged for products and services sold)

WHAT ARE PROPERTY TAXES? quarterly, semi-annual or annual charge charged by a local government to the owners of **real estate** / **property** / **homes** / **buildings** owned by individual or companies.

WHAT ARE SOCIAL INSURANCE TAXES? money deducted from a person's pay check by the FEDERAL government in Washington, DC for a special savings account for the government to pay people over 62 years old monthly SOCIAL SECURITY retirement $.

America Must Borrow Money Every Year to Pay America's Bills



BECAUSE **America's POLITICIANS CHOOSE TO BORROW MONEY RATHER THAN ONLY SPENDING THE AMOUNT OF MONEY THE GOVERNMENT COLLECTS IN TAXES AND FEES, the United States government must BORROW money to pay its bills.**

Here's how the government borrows:

The Treasury Division of **America's** federal **government sells IOUs** (called ***securities also called bonds***) which essentially means the government promises the organization it borrows from to pay back the amount it borrows ***PLUS INTEREST CHARGES***. **Interest charges are extra fees that must be paid just for borrowing money; interest payments have nothing to do with repaying the actual amount of money borrowed.** There are different types of IOU / security / bond promises. Some government securities / bonds promise to pay back lenders in a few days to 1 year. Other securities are promised to be paid back in 2 to 10 years and others 20 to 30 years.

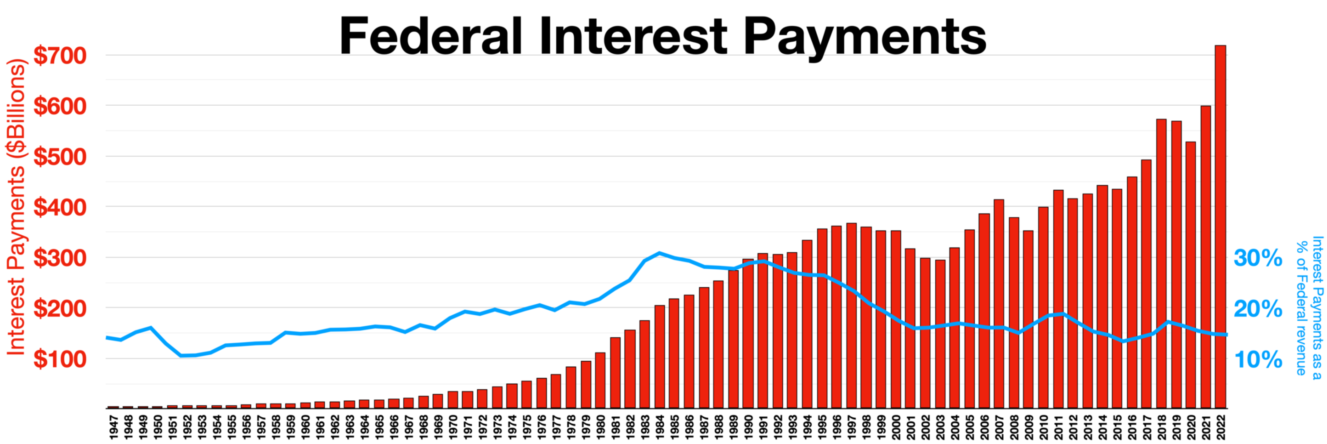
America borrows money from foreign countries like China and Japan AS WELL AS borrowing money from itself - e.g. the United States of America Social Security Retirement Savings account, Medicare, America's Post Office department, etc. The American government ALSO sells ***securities / bonds*** (IOUs) to private banks and investors. America promises to repay the money borrowed by a specific date AND WITH INTEREST.

The government sells its IOUs (*securities / bonds*) in an AUCTION. The interest charges are determined by the demand for these securities; in other words, the more foreign countries, private banks, investment companies or government agencies which want to buy the government IOUs , the lower the interest rate. If the demand is low, interest payments are set higher to attract more buyers.

The money from the sale of government Treasury securities are used to pay **government** *bills like salaries of men and women in the* ***army, navy*** *and other* ***military*** *branches,* ***salaries for Congress men and women****, National Parks service, construction and* ***maintenance of highways and buildings****, college research, education, training, and for other federal programs and obligations including* ***Social Security benefits and Medicare.***

What is an <u>INTEREST PAYMENT</u> when BORROWING MONEY ?

Your interest payment is an EXTRA FEE you pay to whomever you borrow money from. WHEN YOU BORROW MONEY, YOU MUST PAY BACK THE AMOUNT OF MONEY YOU'VE BORROWED TO THE LENDER (bank, etc) **<u>PLUS</u>** AN EXTRA FEE / COST to the lender, i.e. **INTEREST.** **Interest is paid each month as well as paying back some of the money your borrow. Imagine** *- you borrow some money from a friend or a bank, and the friend or bank agrees to lend the money to you, but they want a little extra back to pay for their effort for letting you borrow the money. That 'extra' they want is the 'interest payment'.* ***This chart below shows the American government has been borrowing more and more money over many years and paying more and more interest (BILLIONS OF DOLLARS) to borrow money to pay its bills.***



The ***Congressional Budget Office's (CBO)*** is a federal agency of the United States government responsible for providing **honest, objective and nonpartisan analysis** of economic and budgetary matters to **AMERICA'S GOVERNMENT LEADERS**. ***The CBO's purpose*** is to provide government leaders ***OBJECTIVE, UNBIASED*** information on the United States federal budget and the US economy to help the **LEADERS** of the American Congress AND the United States PRESIDENT make FACT BASED decisions IN THE BEST INTEREST OF ALL AMERICANS.

The CBO report says

the ***United States federal government LEADERS do a poor job managing it's budget.***

The government paid $400 BILLION in interest payments in 2022.

In 2025, the federal government will pay close to $1 TRILLION in interest payments.

FACTS:

- *United States government* **LEADERS** *have always* **borrowed** *and had* **debt** *except during the Presidency of* ***ANDREW JACKSON.*** (*wikipedia*)

- *American government* **leaders do not always have to borrow money***. Government leaders CHOOSE to borrow rather than spending less OR increasing taxes on Americans to balance the American federal government budget.*

- *The total amount of money America's GOVERNMENT* **LEADERS** *have* **chosen to borrow** *has been* **RAPIDLY INCREASING** *since 2008.*

- **The U.S. NATIONAL DEBT (***the money America owes the many lenders (countries, banks, investors, etc),* stood at **$33.17 trillion in 2023 and, IN 2025, $36.1 TRILLION.**

OPINION (*Stephen Cronin*):

- *American FEDERAL government leaders in the United States are jeopardizing the long term SAFETY and SECURITY of the country by refusing to establish a balanced budget requirement.*

- *Some times in life there are good reasons to borrow money. FOR EXAMPLE, to buy a home or car, to buy military supplies / technology / weapons to protect a country during war, to buy a computer, a new boiler to heat your home or home smoke alarms to protect your family from fire. But,* **the amount of money you borrow should NEVER EXCEED the amount of money you earn.** ***UNLIKE THE AMERICAN GOVERNMENT,*** *when a person can't pay back their loans on time all the time,* ***the lender*** *(usually the bank you borrowed from)* ***will take your home, computer, car, and maybe the boiler*****.**

QUESTION #1 - ***do you think*** *American government LEADERS (President, Congress men and women) should do something different to pay its bills than continuing to borrow MORE and MORE MONEY ($33 BILLION -as of 2023 AND $683 BILLION for interest/borrowing fees in 2023 alone) to pay federal government bills***?** **yes OR no**

QUESTION 2 -

- if **'YES,'** why is it NOT a good idea for American political leaders to keep borrowing so much money for so many years to pay America's bills? (America's **FEDERAL debt** as of 2023 was ***$33 TRILLION*** and the interest fee/bill America paid to its lenders in 2023 alone was **$683 BILLION**). ______________________________

- if **'YES',** what suggestion(S) would you make to **FEDERAL** GOVERNMENT POLITICAL LEADERS (***SENATORS, CONGRESSMEN AND WOMEN who represent our state in Washington, DC)*** so the **FEDERAL GOVERNMENT** would NOT have to borrow MONEY to pay its **FEDERAL GOVERNMENT** BILLS? __________ ***what would happen if the foreign countries and banks which lend money to the American FEDERAL government STOPPED LENDING AMERICA MONEY?*** *Please* **explain** *these consequences in a well written paragraph with perfect spelling, good grammar and short, succinct sentences.* Thank you. (*See page 14 in this text for the process the American FEDERAL government follows to get foreign countries and banks to lend America money*.) ______________________

- If '**NO**', *please explain the benefits when government LEADERS continuously* ***CHOOSE*** *to spend more money than the government collects in taxes and is forced to borrow money at significantly high interest payments.* _____

THE UNITED STATES FEDERAL GOVERNMENT has *a DEBT PROBLEM;*

in other words,

government political leaders keep spending more money than the government collects in taxes and fees.

Consequently, ***the US government is forced to BORROW MONEY from other countries like Japan and China AND from American citizens to pay its bills.***

ONE SOLUTION ***is collect MORE money in taxes & fees from American citizens and businesses OR spend less OR a combination of both.***

What do you recommend?

Credit Ratings: For People and Governments

CREDIT RATINGS and CREDIT SCORES are issued by companies that evaluate the likelihood of a person, company, country / state / city will pay their bills / debts; a debt is something to be paid to others for what has been borrowed including interest payments. THE CREDIT RATING AND CREDIT SCORE COMPANIES ASSIGN A SCORE / RATING that indicates the likelihood of a borrower paying their debt / loan.

CREDIT RATINGS are usually expressed in letters like "AAA", "AA", "BB", "CCC", etc. "AAA" rating is the highest, meaning best score, making it easier and less expensive to get loans / credit. Credit ratings estimate the level of risk lending money to a business or other entity, including national and state governments and government agencies. **Moody's Investors Service** and **Standard & Poor's (S&P)** together control 80% of the global credit rating business and **Fitch Ratings** controls a further 15%. Countries are issued "*sovereign"* credit ratings. This rating analyzes the "*creditworthiness*" of a country's government. A country's credit rating analyzes the success of countries' economies, including how honest the country is about its ability to pay its debts / bills. Credit Ratings also assess a country's overall political and economic conditions, i.e. if politicians are able to put aside political differences to collaborate and compromise to get things done. **On August 1, 2023, Fitch Ratings, one of the country's three major credit rating agencies, announced that it had downgraded the United States credit rating from AAA to AA+** because of **America's rising debt** and also the **continuous arguing and divisiveness between politicians in Congress.** Investors rely on credit ratings to decide whether to lend or invest in a country / state/ city, etc. Rating downgrades lead to negative publicity for a company or city / state / national government which means higher interest charges if it is able to borrow money. When an issuer of debt has its credit rating downgraded, they pay higher interest rates because of the fear lenders have of the country defaulting (not paying) on its loans.

CREDIT SCORES are expressed as numbers ranging from 850 to 300. The average credit score in the United States is 718, according to the latest FICO data from April 2023. By law, a person can get a free credit report each year from three major credit reporting agencies: **Equifax, Experian, and TransUnion**. Their reports contain information about a person, company, and country / municipality's payment history - how much credit they have and use, whether they have and still pay the loans ON TIME, ALL THE TIME and other information. The closer the score comes to 850, the more creditworthy the person, country, city, state, etc is and consequently, the easier it is to get a loan with the lowest possible interest charge.

T**he best way to establish a good credit rating is having a credit card and *paying your monthly bill ON TIME, ALL THE TIME.*** Late credit card payments or missing payments cause low / poor credit scores making it difficult to get a loan and, if you are able to get a loan with a low credit rating, the higher interests fees will increase the cost you pay for your car, home, and any other investment loan.

QUESTION 3 *- What is 'INTEREST INCOME' WHEN YOU SAVE MONEY?*

When you put money in a savings account, the bank pays you interest income. This is like a small reward or fee the bank gives you for letting it use your money. Banks often lend out your deposits to other people or businesses, and in return, they share a little bit of that money with you as interest.

It's very important to place your savings in a bank that is FDIC-insured. That way, if the bank ever goes out of business, the federal government guarantees you'll get your money back (up to certain limits).

Here's a simple, concrete example to see how interest income works:

- If you put $100 in a savings account and the interest rate is ***2% per year,*** the bank will pay you $2 after one year.
- After ***1 year, you have $102*** (your $100 **plus** **$2 interest**).
- After 2 years, you'll earn interest on the new total ($102), so you get a little more than $2 the second year. This is called compound interest — interest paid not just on your original savings, but also on the interest you've already earned. So ***you earn $2.04 in interest Year 2. - Savings goes from $102 (year one balance to $104.04 after 2 years.***

How Banks Pay Interest

- ***Daily*** calculation
- ***monthly*** credit (most common today): The bank figures out how much interest you earn each day, then adds it to your account once a month.
- ***Quarterly*** credit (every 3 months): Some banks or credit unions pay interest four times a year.

Semiannual or annual credit (*less common now*): **A few banks, credit unions, or certificates of deposit (CDs) may only credit interest twice a year, or once at year-end.**

The key thing: **How often interest is added to your account matters. If interest is credited more often, your money grows faster because you start earning "interest on interest" sooner (compound interest).**

ACTIVITY - ***COMPARE*** what happens deposit $250 each year for 10 years in a savings account at 4% compounded annual interest **versus** $250 a year for 10 years in a shoe box placed under your bed.

-**SHOEBOX** TOTAL _______________ **BANK SAVINGS ACCOUNT AT 4%** ANNUAL INTEREST _______

see the savings account statement on the next page.

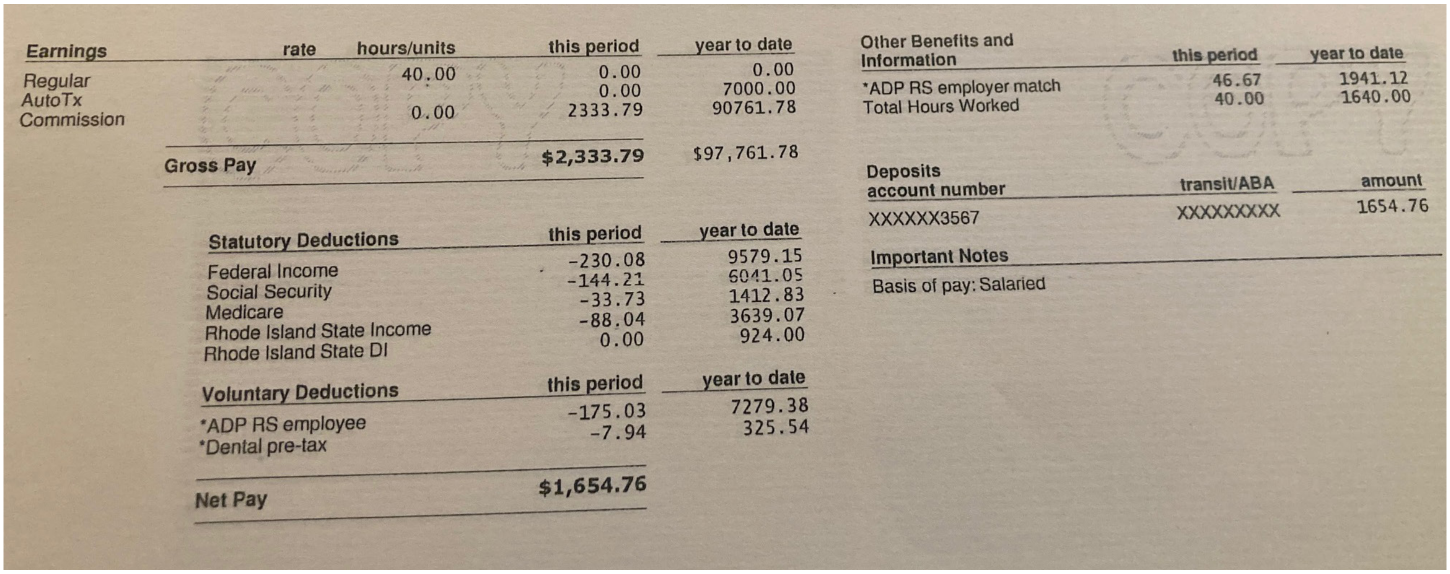
Annual Growth Of $250 Deposits At 4% Interest

	Year	Balance End of Year	
1	1	$260.00	
2	2	$530.40	
3	3	$811.62	
4	4	$1,104.08	
5	5	$1,408.24	
6	6	$1,724.57	
7	7	$2,053.56	
8	8	$2,395.70	
9	9	$2,751.53	
10	10	$3,121.59	

QUESTION - what is the difference in the amount of money after 10 years of saving $250 a year for 10 years in a 4% annual interest earning account versus putting $250 a year for 10 years in a checking account earning no interest?

Information on a PERSON'S pay check.

Please answer THE FOLLOWING questions after examining the pay check summary below:



Earnings	rate	hours/units	this period	year to date
Regular		40.00	0.00	0.00
AutoTx			0.00	7000.00
Commission		0.00	2333.79	90761.78
Gross Pay			$2,333.79	$97,761.78

Statutory Deductions	this period	year to date
Federal Income	-230.08	9579.15
Social Security	-144.21	6041.05
Medicare	-33.73	1412.83
Rhode Island State Income	-88.04	3639.07
Rhode Island State DI	0.00	924.00

Voluntary Deductions	this period	year to date
*ADP RS employee	-175.03	7279.38
*Dental pre-tax	-7.94	325.54
Net Pay	$1,654.76	

Other Benefits and Information	this period	year to date
*ADP RS employer match	46.67	1941.12
Total Hours Worked	40.00	1640.00

Deposits account number	transit/ABA	amount
XXXXXX3567	XXXXXXXXX	1654.76

Important Notes

Basis of pay: Salaried

- **GROSS** TOTAL INCOME for this pay period: $______________________
- **GROSS** TOTAL INCOME ***year to date*** (***income for the first 39 weeks of the year***) __________________
- **NET** INCOME for this pay period: $____________________________
- Explain **WHY there is a difference** between the GROSS INCOME and NET INCOME on this person's pay stub. ____
- What is the amount of this difference between this person's gross income and net income/ $______
- IDENTIFY THE NAME OF THE **LARGEST DEDUCTION** IN THIS PERSON'S PAY for this pay period? _____________________________
- WHAT IS THE $ AMOUNT OF THE LARGEST **FEDERAL** DEDUCTION IN THIS PERSON'S PAY? ___
- WHAT IS THE $ AMOUNT OF THE LARGEST **STATE** DEDUCTION IN THIS PERSON'S PAY?_____
- Please explain what the ***ADP RS employee deduction*** for this pay period shown on this pay stub is. ________ ____
- Please explain what the ***benefit deduction of $46.67 is*** for this pay period shown on this pay stub. __________
- The ***state income tax rate in Rhode Island*** is no income to $79,900 in income is taxed at 3.75% / $79,900 – $181,650 is taxed at 4.75% *(on the portion over $79,900)* // Over $181,650 is taxed at 5.99% (*on the portion over $181,650* Example - $80,000 income -you pay an income tax of $3,001 $120,000 income - tax $4,901

Please identify the State income tax in: Florida - _____

Texas - ______

California - ____

New Hampshire - _____

North Carolina - _______

PERSONAL TAXES are part of adult's life and impacts every paycheck. ***The Internal Revenue Service***, better known as ***the IRS,*** is a American government agency which collects taxes, and enforces America's tax laws. Every year, millions of people send the IRS a form (like **the 1040 form below**) showing how much they earned and how much tax they already paid. The IRS checks those returns and either gives you a refund or tells you if you owe MORE. ***ACTIVITY*** - **Imagine you work at** ***TACO BELL***.

Form **1040** Department of the Treasury—Internal Revenue Service
U.S. Individual Income Tax Return **2024** OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.

For the year Jan. 1–Dec. 31, 2024, or other tax year beginning ________ , 2024, ending ________ , 20 ____ See separate instructions.

Your first name and middle initial	Last name	**Your social security number**
If joint return, spouse's first name and middle initial	Last name	**Spouse's social security number**
Home address (number and street). If you have a P.O. box, see instructions.	Apt. no.	**Presidential Election Campaign** Check here if you, or your spouse if filing jointly, want $3 to go to this fund. Checking a box below will not change your tax or refund. ☐ **You** ☐ **Spouse**
City, town, or post office. If you have a foreign address, also complete spaces below.	State / ZIP code	
Foreign country name	Foreign province/state/county / Foreign postal code	

Filing Status
Check only one box.
- ☐ Single
- ☐ Married filing jointly (even if only one had income)
- ☐ Married filing separately (MFS)
- ☐ Head of household (HOH)
- ☐ Qualifying surviving spouse (QSS)

If you checked the MFS box, enter the name of your spouse. If you checked the HOH or QSS box, enter the child's name if the qualifying person is a child but not your dependent: ________

☐ If treating a nonresident alien or dual-status alien spouse as a U.S. resident for the entire tax year, check the box and enter their name (see instructions and attach statement if required): ________

Digital Assets At any time during 2024, did you: (a) receive (as a reward, award, or payment for property or services); or (b) sell, exchange, or otherwise dispose of a digital asset (or a financial interest in a digital asset)? (See instructions.) ☐ **Yes** ☐ **No**

Standard Deduction **Someone can claim:** ☐ You as a dependent ☐ Your spouse as a dependent
☐ Spouse itemizes on a separate return or you were a dual-status alien

Age/Blindness **You:** ☐ Were born before January 2, 1960 ☐ Are blind **Spouse:** ☐ Was born before January 2, 1960 ☐ Is blind

Dependents (see instructions):
If more than four dependents, see instructions and check here ☐

(1) First name Last name	(2) Social security number	(3) Relationship to you	(4) Check the box if qualifies for (see instructions): Child tax credit	Credit for other dependents
			☐	☐
			☐	☐
			☐	☐
			☐	☐

Income

Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld.
If you did not get a Form W-2, see instructions.

1a	Total amount from Form(s) W-2, box 1 (see instructions)	1a	
b	Household employee wages not reported on Form(s) W-2	1b	
c	Tip income not reported on line 1a (see instructions)	1c	
d	Medicaid waiver payments not reported on Form(s) W-2 (see instructions)	1d	
e	Taxable dependent care benefits from Form 2441, line 26	1e	
f	Employer-provided adoption benefits from Form 8839, line 29	1f	
g	Wages from Form 8919, line 6	1g	
h	Other earned income (see instructions)	1h	
i	Nontaxable combat pay election (see instructions) 1i		
z	Add lines 1a through 1h	1z	

Attach Sch. B if required.

2a	Tax-exempt interest	2a	b Taxable interest	2b	
3a	Qualified dividends	3a	b Ordinary dividends	3b	
4a	IRA distributions	4a	b Taxable amount	4b	
5a	Pensions and annuities	5a	b Taxable amount	5b	
6a	Social security benefits	6a	b Taxable amount	6b	

Standard Deduction for—
- Single or Married filing separately, $14,600
- Married filing jointly or Qualifying surviving spouse, $29,200
- Head of household, $21,900
- If you checked any box under *Standard Deduction*, see instructions.

c	If you elect to use the lump-sum election method, check here (see instructions) ☐		
7	Capital gain or (loss). Attach Schedule D if required. If not required, check here ☐	7	
8	Additional income from Schedule 1, line 10	8	
9	Add lines 1z, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your **total income**	9	
10	Adjustments to income from Schedule 1, line 26	10	
11	Subtract line 10 from line 9. This is your **adjusted gross income**	11	
12	**Standard deduction or itemized deductions** (from Schedule A)	12	
13	Qualified business income deduction from Form 8995 or Form 8995-A	13	
14	Add lines 12 and 13	14	
15	Subtract line 14 from line 11. If zero or less, enter -0-. This is your **taxable income**	15	

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11320B Form **1040** (2024)

20 hours per week last year. You were paid $15. per hour.

Your total <u>GROSS</u> ANNUAL INCOME working at TACO BELL *DURING THE PREVIOUS YEAR* WAS -

$?____

Fill out the 1040 form on page 28 and 29. Let's see what you owe or what the government will return to you because you've had too much tax taken out of your pay check for the PREVIOUS year when you worked. Did you ***OWE*** the government money? **Yes** <u>or</u> **No** **OR** Will you get a ***REFUND*** from the government because you had too much tax taken out of your paychecks? **Yes** <u>or</u> **No**

Form 1040 (2024) Page **2**

Tax and Credits	16	**Tax** (see instructions). Check if any from Form(s): 1 ☐ 8814 2 ☐ 4972 3 ☐	16
	17	Amount from Schedule 2, line 3	17
	18	Add lines 16 and 17	18
	19	Child tax credit or credit for other dependents from Schedule 8812	19
	20	Amount from Schedule 3, line 8	20
	21	Add lines 19 and 20	21
	22	Subtract line 21 from line 18. If zero or less, enter -0-	22
	23	Other taxes, including self-employment tax, from Schedule 2, line 21	23
	24	Add lines 22 and 23. This is your **total tax**	24
Payments	25	Federal income tax withheld from:	
	a	Form(s) W-2	25a
	b	Form(s) 1099	25b
	c	Other forms (see instructions)	25c
	d	Add lines 25a through 25c	25d
	26	2024 estimated tax payments and amount applied from 2023 return	26
If you have a qualifying child, attach Sch. EIC.	27	Earned income credit (EIC)	27
	28	Additional child tax credit from Schedule 8812	28
	29	American opportunity credit from Form 8863, line 8	29
	30	Reserved for future use	30
	31	Amount from Schedule 3, line 15	31
	32	Add lines 27, 28, 29, and 31. These are your **total other payments and refundable credits**	32
	33	Add lines 25d, 26, and 32. These are your **total payments**	33
Refund	34	If line 33 is more than line 24, subtract line 24 from line 33. This is the amount you **overpaid**	34
	35a	Amount of line 34 you want **refunded to you.** If Form 8888 is attached, check here ☐	35a
Direct deposit? See instructions.	b	Routing number	c Type: ☐ Checking ☐ Savings
	d	Account number	
	36	Amount of line 34 you want **applied to your 2025 estimated tax**	36
Amount You Owe	37	Subtract line 33 from line 24. This is the **amount you owe.** For details on how to pay, go to *www.irs.gov/Payments* or see instructions	37
	38	Estimated tax penalty (see instructions)	38

23

Third Party Designee Do you want to allow another person to discuss this return with the IRS? See instructions ☐ **Yes.** Complete below. ☐ **No**

Designee's name | Phone no. | Personal identification number (PIN)

Sign Here Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Your signature | Date | Your occupation | If the IRS sent you an Identity Protection PIN, enter it here (see inst.)

Joint return? See instructions. Keep a copy for your records.

Spouse's signature. If a joint return, **both** must sign. | Date | Spouse's occupation | If the IRS sent your spouse an Identity Protection PIN, enter it here (see inst.)

Phone no. | Email address

Paid Preparer Use Only

Preparer's name | Preparer's signature | Date | PTIN | Check if: ☐ Self-employed

Firm's name | Phone no.

Firm's address | Firm's EIN

Go to *www.irs.gov/Form1040* for instructions and the latest information. Form **1040** (2024)

If you made $15,600 working part-time and had $750 taken out of your paychecks for federal tax, the IRS would say you only owe $100. Since you already paid $750, you'd get a $650 refund—just for filing your 1040."

COMPANY /ORGANIZATION FINANCIAL REPORT below.

The chart below is a sample of a ***monthly financial report.*** ***It shows*** the plan (***budget)*** the leadership team of a company or organization (CEO - chief executive officer, CFO, - chief financial officer, and others) collaborated to create showing the ***income/revenue the company leadership hoped to earn***, the fixed and variable ***expenses they thought they'd spend*** and ***the PROFIT they hope to make***. **PROFIT is** the money the company has after paying expenses. This FINANCIAL REPORT also shows the ***ACTUAL revenue / income*** the company **earned**, the ***company's ACTUAL*** fixed and variable ***expenses AND*** the difference between the ACTUAL and the BUDGET in THE ***DIFF*** COLUMN. The report finally shows how much the company made (PROFIT) after paying expenses. ***YTD*** is how their income, expenses, and, **most importantly, PROFITS,** accumulate / add up after each month through the year.

COMPANY/ORGANIZATION BUDGET -- APRIL Financial report

INCOME (NET)	BUDGET	ACTUAL	DIFF	BUDGET YTD	ACTUAL YTD	DIFF YTD
sales (income/revenue)	$10,000	$16,200	$6,200	$40,000	$37,400	-2,600
other income	$200	$500	$300	$800	$1,400	$600
investment(s) - $						
Total revenue/income	$10,200	$16,700	$6,500	$40,800	$38,800	($2,000)
EXPENSES						
office rent	$1,000	$1,000	0	$4,000	$3,200	$800
loans	$440	$400	$40	$1,760	$1,660	$100
data security soft	$100	$100	0	$400	$400	0
car payment	$350	$350	0	$40	$40	0
truck rental payment	$2,000	$2,000	$0	$8,000	$8,000	$0
credit card	$1,000	$800	$200	$4,000	$4,500	($500)
phone	$50	$50	0	$200	$200	0
WiFi/ cable TV	$300	$300	0	$1,200	$1,200	0
employee training	$100	$200	$100	$400	$500	($100)
Gym membership	$100	$100	0	$400	$400	$0
landscaping	$50	$50	0	$200	$225	($25)
office cleaning	$50	$50	$0	$200	$200	$0
employee food	$100	$200	$100	$400	$600	($200)
marketing	$200	$2,500	($2,300)	$800	$50,000	($3,900)
OTHER	$100	$1,000	($900)	$400	$1,300	($900)
Total Expenses	$4,260	$9,100	($4,840)	$22,400	$26,375	($4,725)
PROFIT / (LOSS)	$5,940	$7,600	$1,660	$18,400	$17,725	($675)

NOTES - MARCH AND APRIL started **unbudgeted marketing plan** - META & Joe Rogan podcast advertising new services

Other expenses for APRIL include employee training on new software application

OTHER INCOME - sub leasing extra office space

BUSINESS BUDGET SURVEY

ANSWER THE FOLLOWING QUESTIONS about THE FINANCIAL REPORT ON PAGE 26.

1. What was the **NET INCOME** (not profit) this company actually earned in the **month of April** according to the financial report on the previous page? ______________________

2. HOW MUCH **NET income did this company plan (budget) to earn in April** according to the budget they created for their 2024 BUDGET? ______

3. Did this company achieve a PROFIT just in the MONTH OF APRIL? yes **OR** no

   - If YES (profitable in April), what was the profit? **$**___________
   - If NO, the company lost money in April, how much money did the company lose in April? **$**_______

4. Did this company achieve a ***BUDGET SURPLUS, BUDGET DEFICIT*** **or** ***a BALANCED BUDGET for the month of April ONLY***? ______________________________

5. What was the **largest BUDGETED EXPENSE** this company planned for the month of **APRIL**? _________

6. What was the **largest ACTUAL EXPENSE** for the month of APRIL? _____________

7. Did this company **spend LESS *on any expense*** than it **planned in their** budget ***YTD***? Please identify the expense - _________ ____

8. Does this company achieve a **SURPLUS, DEFICIT or a BALANCED BUDGET *YTD (year to date)* at the end of April**)? **Circle one**: SURPLUS - DEFICIT - BALANCED

   - According to this financial report, ***is this company profitable YTD***? yes **OR** no
     - ***If no***, please explain WHY this company was NOT PROFITABLE **APRIL *YTD*** ______________________________ ____
     - ***if yes***, WHAT WAS THE ***APRIL YTD*** PROFIT of this company? $_____
       1. Please explain WHY this company is PROFITABLE YTD APRIL? ________________________
   - Please offer **2 SUGGESTIONS** HOW this company can INCREASE PROFITABILITY -
     - ____
     - ____

8. If you could ask the CHIEF OPERATING OFFICER (***CEO - the head of the company***) ***ONE QUESTION*** about the company budget AND this April report on the previous page, what would that question be ? _____________________________

9. WHICH is more important - YTD totals **OR** one month's results AND WHY do you feel your answer is correct? YTD **or** MONTH

   WHY - ____

BUILDING YOUR PERSONAL BUDGET. You can **CREATE YOUR BUDGET BY** following these instructions:

1. ***First, describe a LIFESTYLE you wish to live.*** This means, do you wish to own a house or rent an apartment? do you wish to own a car? do you want to save for retirement? do you wish to take a vacation each year? do you wish to buy nice clothes? do you wish to have a family and provide the family with a great education at a excellent school? etc. ***DESCRIBE THIS LIFESTYLE in a COLLABORATION with one other person. IDENTIFY THE COSTS WHICH MUST BE PAID TO SUPPORT THIS LIFESTYLE.***

2. ***NEXT, PREDICT a REALISTIC amount of money (INCOME) you MUST earn / collect each month / year to pay for the things you want in your LIFESTYLE.*** ***WE CALL THIS*** ***FIXED INCOME*** for YOUR budget. For example, FIXED INCOME IS money earned from your job and investments; if you own property / real estate, payments the people who rent your property pay to you each month; if you have social media sponsor payments, etc. **MAKE SURE YOUR NET FIXED INCOME IS ENOUGH MONEY TO PAY FOR YOUR EXPENSES.** ***GO TO PAGE 29 STEP 2 FOR INCOME COMPENSATION SAMPLES FOR A VARIETY OF JOBS.***

3. ***THEN, identify EXPENSES YOU WILL PAY TO SUPPORT THE LIFESTYLE YOU WANT TO LIVE. There are 2 kinds of expenses - FIXED and VARIABLE.*** ***GO TO PAGE 28 FOR APPROXIMATE COMPENSATION FOR A VARIETY OF JOBS..***

   - identify a **FIXED** EXPENSE, i.e. an ***amount*** of money you must ***PAY*** **ON TIME**, weekly, monthly. For example, identify ***FIXED EXPENSES*** you **MUST** pay like rent, food, CREDIT CARD payment, TAXES, transportation (gas, Uber, etc), mobile phone, Mother Day gifts, etc

   - THEN, **VARIABLE** ***EXPENSES, i.e other expenses*** not required but you spend on extra things because you simply like - entertainment, Netflix, savings, investments, prom tickets, birthday card for your teacher, or an emergency fund to pay for unexpected events like replacing a lost or damaged phone, etc

Personal MONTHLY budget WORKSHEET SAMPLE - Please imagine supporting yourself living on your own or with a roommate(s) AND being responsible to earn enough money to support the lifestyle you wish to live. Please examine THE **EXPENSE SECTION and then,** your **FIXED and VARIABLE EXPENSES. In** our BUDGET worksheet, you MUST HAVE A BALANCED BUDGET OR A BUDGET WITH A SURPLUS. **NO DEFICIT SPENDING!!!!** Research realistic expenses. For example, if you want to rent an apartment in Providence, RI, Google what the rent for a one room or two room apartment is today. New York City, Miami, and Manchester (New Hampshire) will have different rates. ***Geography matters.*** If you are buying a car, google the COST of the kind of car you want to buy, what the monthly loan from the bank would be BASED ON YOUR CREDIT RATING, AND what the monthly insurance cost would be. You also need to determine how much gas you'll need to buy based on the amount of miles you'll drive your car each month. Feel free to ***ask me questions. Remember, questions are always more important than answers.***

PERSONAL BUDGET

Your *MONTHLY* FINANCIAL PLAN

INCOME (NET)			BUDGET
	primary job		$
	2nd job		$
	other income		$
	investment		$
	Total Income		$
EXPENSES			
	rent		$
	food		$
	savings		$
	WiFi		$
	car insurance (if your own car)		$
	transportation costs: gas, UBER, etc		$
	credit card		$
	phone		$
	netflix		$
	education/tuition		$
	cosmetics/beauty		$
	buy clothes		$
	laundry /dryclean		$
	other		$
			$
			$
	Total Expenses		$
	BUDGET BALANCE		BALANCED OR SURPLUS

Sample Lifestyle Cost Estimates for High School Students Thinking Ahead

✻ *geography, or where a person lives, can affect costs for all below. For example, the cost of living in Miami, Florida, or New York City, is much higher than Fort Mills, South Carolina.*

Housing

- Rent for 1-bedroom apartment in a mid-sized city: $1,200–$1,800/month
- Rent in a large city (NYC, LA, Boston): $2,500+/month
- Owning a modest home: $1,600–$2,200/month mortgage (not including property tax & insurance)

Car/Transportation

- Car payment (used car): $300–$450/month
- Car payment (new car): $500–$700/month
- Insurance, gas, maintenance: $200–$400/month
- Alternative: Public transportation pass: $70–$125/month

Investments & Savings

- Good starter goal: 10% of monthly income toward savings/investments
- Example: $250/month if earning $30,000/year

Vacations/Trips

- Modest domestic trip: $1,500/year (~$125/month)
- International trip: $3,000/year (~$250/month)

Technology

- New phone: $1,000 every 3 years (~$30/month)
- Laptop: $1,200 every 5 years (~$20/month)

Monthly Lifestyle Costs (averages for a single adult)

- Food & groceries: $400–$600
- Utilities (electricity, water, internet, phone): $250–$350
- Health insurance: $300–$500
- Streaming & entertainment: $30–$70
- Misc. (clothes, gifts, church/charity, dates, etc.): $200–$300

Total monthly costs for a modest lifestyle: $2,500–$3,500

Total monthly costs for a more expensive lifestyle: $4,500–$6,000+

Step 2: ***STARTING*** ***Salary Sample for some Jobs*** (Approximate U.S. Averages)

- Retail / Food Service (part-time, entry-level): $22,000–$28,000/year (~$1,800–$2,300/month before taxes)
- Skilled Trades (plumbing, electrician, mechanic): $40,000–$55,000/year (~$3,300–$4,500/month)
- Teaching (starting K–12 teacher): $40,000–$50,000/year (~$3,300–$4,200/month)
- Nursing (RN starting salary): $55,000–$65,000/year (~$4,600–$5,400/month)
- Computer Science / IT (entry-level): $65,000–$75,000/year (~$5,400–$6,200/month)
- Business / Finance (entry-level analyst): $55,000–$65,000/year (~$4,600–$5,400/month)

Rule of Thumb: Take-home pay *AFTER TAXES* (NET) is about 75% of gross salary.

So, a $60,000/year job pays closer to $3,750/month in spendable money.

Step 3: ***Case Study -Student Lifestyle Goal - SAMPLE COSTS***

- Apartment: $1,500/month
- Car + insurance: $600/month
- Food & utilities: $800/month
- Vacation savings: $125/month
- Tech + misc.: $150/month
- Investments/savings: $300/month
- Total = $3,475/month ($41,700/year)

Case Study - Student's Career SAMPLE - INCOME = $45,000/year

- Monthly take-home (after taxes): ~**$2,800/month**

Predictive Analysis

- Lifestyle costs: $3,475
- Income: $2,800

PREDICTIVE ANALYSIS FINDINGS - **BUDGET Deficit**: –$675/month ***!***

ADJUSTMENTS NEED TO BE MADE when running a DEFICIT

This Case Study PERSON is running a DEFICIT with their finances; this means they're spending more money each month than they earn in income*! Every month, more money goes out than comes in. That gap doesn't just disappear — it often gets worse and debt increases.*

On a ***Personal Level, a financial deficit means:***

- *"Imagine you earn $100 a week from your part-time job. But you spend $120 on food, sneakers, and going out. You're short $20. Where does it come from? You either borrow from a friend, put it on a credit card, or skip paying something important. Next week, you're already $20 behind — plus whatever you owe. That's how debt snowballs."*

POTENTIAL DEFICIT CONSEQUENCES FOR THE PERSON

- Debt Piles Up: If you spend more than you make every month, you end up borrowing — from friends, credit cards, or loans. That debt doesn't go away; THE DEBT GET BIGGER WITH INTEREST CHARGES.

- Stress & Worry: Constantly being short on money causes anxiety AND STRESS. STRESS AFFECTS A PERSON'S MENTAL AND PHYSICAL HEALTH. It's hard to focus on school, work, or health when you're worrying about bills.

- Lost Opportunities: Instead of saving for college, a car, or a house, money goes to paying off debt. You get stuck in survival mode, not growth mode.

- Damaged CREDIT SCORE: For teens, this means when you grow up, lenders won't trust you — making it harder to get a car loan, apartment, or even some jobs.

WHAT A PERSON CAN DO TO FIX THEIR DEFICIT

- Choose a less expensive apartment or live with roommates
- Delay buying a new car (take public transit)
- Reduce vacation or investment contributions at the start
- Look for side income (tutoring, coaching, part-time work)

On a **Family Level:**

- *"Think of your household. If your family earns $3,000 a month but bills add up to $3,500, that $500 doesn't vanish. It means unpaid rent, late fees on bills, or borrowing money that has to be paid back with interest."*

POTENTIAL DEFICIT CONSEQUENCES FOR THE FAMILY

- Late Bills & Evictions: If the family runs a deficit, rent, utilities, and groceries become harder to cover. That can mean eviction, lights being shut off, or skipped meals.

- Cycle of Borrowing: Families often rely on payday loans or credit cards to cover deficits — but those come with huge interest rates that make the deficit worse.

- Stress on Relationships: Financial struggles cause fights and STRESS ***inside the household. Parents may have to work extra jobs in order to pay their bills, leaving less time with kids.***

- ***F***ewer Choices for Kids: Chronic deficits mean less money for education, activities, vacations, or even stable housing.

WHAT CAN A FAMILY DO TO FIX THEIR DEFICIT

- ____

- ***On a* Business Level:**
  - *"Even a store can fall into this trap. If a sneaker shop makes $10,000 in sales but spends $12,000 on rent, employees, and inventory, it's losing $2,000. If that keeps happening, eventually the shop closes and goes out of business!! . "*

POTENTIAL DEFICIT CONSEQUENCES FOR A BUSINESS

- Operating at a BUSINESS COMPANY FINANCIAL Loss: If a store or company is losing money because it spends more each month than it earns, it can't survive long.
- Debt Spiral: To cover deficits, businesses borrow more money; by borrowing more money, the business has to pay interest charges on the money it borrow, this increasing the debt. If sales don't improve, loans pile up and interest charges increase.
- Layoffs & Cuts: To survive, businesses ELIMINATE PEOPLE'S JOBS, reduce wages, or cut quality — which can make things worse.
- Bankruptcy & Closure: In the end, chronic deficits **force many businesses to shut down** completely.

WHAT CAN A BUSINESS DO TO FIX THEIR BUSINESS SO THEY DON'T GO OUT OF BUSINESS

- ____

LIFESTYLE CHOICES:

- DO YOU WISH TO **OWN** **OR** **RENT** A HOUSE/CONDO/APARTMENT -
- if ***OWN*** - list the associated costs:
  - home/condo ***purchase price*** - $ ________________ in the city of ______________________
  - mortgage - ***interest rate*** __% (*the borrowing rate the bank will charge to borrow the money to buy the house)*
    - *what is your **credit score** that affects the interest rate the bank charges you to borrow money?__*
  - monthly ***mortgage payment*** $________ (*how much you pay the bank for the money borrowed)*
  - homeowners/condo MONTHLY ***insurance*** payment $__________________
  - monthly ***property tax*** payment $__________________
  - ***utilities payments:*** heat, electricity, water, etc $ _______________________
  - home ***maintenance*** costs (grass cut, fixing things when broke, etc) $________
    - **OR** condo fee ***HOA*** (home owners association fee) - $___________
- If ***RENT*** - MONTHLY RENT COST - $ _____________ (*in this activity, utilities to be included in rent)*

  Explain WHY you owned or rented a place to live in this city ____
- OWN **or** LEASE A CAR - YES or NO
  - What is your monthly **car payment** ________ what is the year and make of the car _________
  - *what is your **credit score** that affects the interest rate the bank charges you to borrow money?*______

- ? **Clothing expense** (monthly ***buying of new clothes*** and regular ***dry cleaning)*** $ _______
- ? Retirement/ savings/investments - Monthly $ ____________
- ? FOOD - per month $________________________
- ? Vacation - yes OR no = if yes, expenses $ __________________
- ? *OTHER LIFESTYLE CHOICES* and their expenses -- name & monthly cost:

  1) ____ ***$***________

NET INCOME:

the income / money you hope to earn after taxes and other deductions that will support the **Lifestyle** you hope to enjoy AND the INCOME you intend to earn in

- **name of the JOBs/CAREERs of each person in the group- #1** ___________ **#2.** _____________
- ANNUAL ***NET*** INCOME from each JOB/CAREER - **#1. $**_____________ #2 ***$*** _____________
- OTHER NET INCOME (examples - investments, 2nd jobs, etc $ _________________________________
- **TOTAL *NET*** ANNUAL INCOME FROM BOTH JOBS - ***$*** ___________________________

EXPENSES - FIXED EXPENSES vs VARIABLE

a) IDENTIFY the most IMPORTANT ***FIXED expenses (PRIORITIZE*** *your list of at least 7*)

1. ____ $ _______________
2. ____$ ________________
3. ____$ ________________
4. ____$ _________________
5. ____$ ________________
6. ____$ ________________
7. ____$ ________________
8. ____$ ________________
9. ____$ ______________
10. ____$ ______________

b) NOW list ***VARIABLE MONTHLY EXPENSES*** (name **at least 5 variable expenses** and the amount of money for each variable expense - **for example,** *fun $20, snacks $30, Netflix $17, Amazon Plus $16, savings $5 at an FDIC bank, $5 investment* *in stocks, bonds, crypto, commodities* like pork or soybeans, minerals like lithium, nickel, energy like oil, natural gas, coal, wind, hydro, collectibles like baseball cards, vinyl, etc), *Disney World monthly vacation savings account* - $100, etc

1. ______________________________
2. ______________________________
3. ______________________________
4. ______________________________
5. ______________________________

PERSONAL BUDGET

Your *MONTHLY* FINANCIAL PLAN

INCOME (NET)		BUDGET
primary job		$
2nd job		$
other income		$
investment		$
Total Income		$
EXPENSES		
rent		$
food		$
savings		$
WiFi		$
car insurance (if your own car)		$
transportation costs: gas, UBER, etc		$
credit card		$
phone		$
netflix		$
education/tuition		$
cosmetics/beauty		$
buy clothes		$
laundry /dryclean		$
other		$
		$
		$
Total Expenses		$
BUDGET BALANCE		BALANCED OR SURPLUS

BUSINESS OPERATIONS

IMAGINE! (**creative thinking!** use your native creativity! **Every person has it** residing in the deep recesses of your brain. Have the **<u>courage</u>** to release and express it!) - ***Imagine*** you are an owner of **EMILIO's RESTAURANT,** a popular and very successful restaurant serving the community of Providence, RI.

Your accountant / controller / bookkeeper has just given you the financial statement for the '*month of April*' **as well as** the '*Year to Date*' information appearing on page 25 in this text book. As you can see from your financial statement, you are running a **YEAR TO DATE DEFICIT** or **LOSS** of *(write in the deficit amount from your financial statement on page 25)* **$**______________. You and your fellow investors in the restaurant have always agreed to never accept a **YEAR TO DATE DEFICIT or LOSS** (***deficits*** *or* ***losses*** *are often expressed as* ***'in the red'*** *hence the color red in the word deficit or loss*) in your business. **CONSEQUENTLY**, you must come up with a plan to turn this "***DEFICIT into a PROFIT***" **<u>within 3 months</u>!**

You, your fellow investors / owners, AND a few of your smartest, most trusted staff are now tasked to ***<u>COLLABORATE</u>*** to decide what **EMILIO'S RESTAURANT** will do to **CHANGE** your YEAR TO DATE financial statement **from DEFICIT to PROFIT** <u>within 3 months.</u>

THE PLAN - (Be specific with your plan. For instance, if you plan to cut expenses, name the expenses you'll cut and the amount of savings those cuts will provide the operation of the company and how those cuts will change the YEAR TO DATE financial statement from **LOSS** to **PROFIT.** OR, if you have another plan for changing a **LOSS** into a **PROFIT** within 3 months, be specific describing the plan and what the Year to Date **PROFIT** will be in 3 months. Make sure, in your projections, you include any *costs for the plan.* For example, if you plan to have an *EXOTIC FISH TANK* outside the restaurant front door welcoming guests, you must subtract the cost of feeding the *EXOTIC FISH and cleaning the fish tank* from the extra amount of money the *EXOTIC FISH TANK* will create for the restaurant. FEEL FREE TO ASK ME ANY QUESTIONS DURING YOUR COLLABORATION. **Your plan will be judged by the teacher and your peers which group came up with the most REALISTIC plan most likely to change the company's YEAR TO DATE financial statement from LOSS to PROFIT.**

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"The second vice is lying. The first is running in debt."

—Benjamin Franklin