

Personal Finance

A Simulation of Managing Financial Activities in Everyday Life

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Standards

The nationwide movement for high standards not only determines what students should learn, but also mandates that students demonstrate what they know. *Personal Finance* is a standards-based program addressing National Economics, Social Studies, Math, and English Language Arts Standards. *Personal Finance* provides many opportunities for performance assessments as students, working in teams, demonstrate their understanding of checkbooks, wages, payroll taxes, consumer loans, and the need to plan economically for the future. The cooperation and group decision-making required in *Personal Finance* address Applied Learning Standards.

National Council on Economic Education Standards

Standard 2: Effective decision making requires comparing the additional costs of alternatives with the additional benefits. Most choices involve doing a little more or a little less of something; few choices are “all or nothing” decisions.

Students will be able to use this knowledge to:

- Make effective decisions as consumers, producers, savers, investors, and citizens.

Standard 4: People respond predictably to positive and negative incentives.

Students will be able to use this knowledge to:

- Identify incentives that affect people’s behavior and explain how incentives affect their behavior.

Standard 11: Money makes it easier to trade, borrow, save, invest, and compare the value of goods and services.

Students will be able to use this knowledge to:

- Explain how their lives would be more difficult in a world with no money or in a world where money sharply lost its value.

Standard 13: Income for most people is determined by the market value of the productive resources they sell. What workers earn depends, primarily, on the market value of what they produce and how productive they are.

Students will be able to use this knowledge to:

- Predict future earnings based on their current plans for education, training, and career options.

Standard 16: There is an economic role for government in a market economy whenever the benefits of a government policy outweigh its costs. Governments often provide for national defense, address environmental

concerns, define and protect property rights, and attempt to make markets more competitive. Most government policies also redistribute income.

Students will be able to use this knowledge to:

- Identify and evaluate the benefits and cost of alternative public policies, and assess who enjoys the benefits and who bears the cost.

NCSS Curriculum Standards for Social Studies

Strand 4: Individual Development & Identity

The student can:

- relate such factors as physical endowment and capabilities, learning, motivation, personality, perception, and behavior to individual development.
- identify and describe ways family, groups, and community influence the individual's daily life and personal choices.
- work independently and cooperatively to accomplish goals.

Strand 6: Power, Authority, & Governance

The student can:

- examine persistent issues involving the rights, roles, and status of the individual in relation to the general welfare.
- analyze and explain ideas and governmental mechanisms to meet needs and wants of citizens, regulate territory, manage conflict, and establish order and security.

Strand 7: Production, Distribution, and Consumption

The learner can:

- distinguish between needs and wants.
- explain and demonstrate the role of money in everyday life.
- explain and illustrate how values and beliefs influence different economic decisions.

Strand 10: Civic Ideals & Practices

The learner can:

- identify and interpret sources and examples of the rights and responsibilities of citizens.

National Standards for School Mathematics

Number and Operations Standard

- Understand numbers, ways of representing numbers, relationships among numbers, and number systems.
- Understand meanings of operations and how they relate to one another
- Compute fluently and make reasonable estimates.

Problem Solving

- Solve problems that arise in mathematics and other contexts.
- Apply and adapt a variety of appropriate strategies to solve problems.

Connections

- Recognize and apply mathematics in contexts outside of mathematics.

NCTE Standards for the English Language Arts

Standard 3: Students apply a wide range of strategies to comprehend, interpret, evaluate, and appreciate texts. They draw on their prior experience, their interactions with other readers and writers, their knowledge of word meaning and of other texts, their word identification strategies, and their understanding of textual features (e.g., sound-letter correspondence, sentence structure, context, graphics).

Standard 4: Students adjust their use of spoken, written, and visual language (e.g., conventions, style, vocabulary) to communicate effectively with a variety of audiences and for different purposes.

Standard 11: Students participate as knowledgeable, reflective, creative, and critical members of a variety of literacy communities.

California Applied Learning Standards

Standard 6: Students will understand how to apply communication skills and techniques. Students will demonstrate ability to communicate orally and in writing.

Standard 8: Students will understand the importance of teamwork. Students will work on teams to achieve project objectives.

Standard 9: Students will understand personal skill development and its impact on their employability and success. Students will exhibit self-confidence, honesty, perseverance, self-discipline, and personal hygiene.

Purpose

Purpose

During the last 35 years, the financial world of students has become very sophisticated. Once students earned spending money mowing lawns or babysitting. Now students enter the workforce, sometimes spending more hours on the job than in the classroom. Once a loan meant “borrowing ten dollars from dad.” Now students rack up debt on credit cards. In most cases, students are ill-prepared to face this sophisticated world because no one has given them the tools to understand the financial concepts necessary to make good financial decisions.

Personal Finance not only teaches financial concepts, but also allows students to make simulated financial decisions and discover the consequences. *Personal Finance* deals with realistic scenarios and financial data. It requires students to use the tools of finance including savings accounts, checking accounts, debit cards, and credit cards. It requires students to make informed decisions about purchases, loans, insurance, and retirement. After participating in *Personal Finance*, students will be better prepared to make financial decisions in their own lives.

Specifically, your students will gain understanding of:

Knowledge

- Meaning of percent
- Difference between gross and net wages
- Difference between debit cards and credit cards
- Reasons for payroll taxes
- Difference between hourly and salaried jobs
- Meaning of benefits
- Cost of borrowing money
- Vocabulary of finance, for example APR, PIN, ATM
- Elements of borrowing including down payment, mortgage, balance, minimum payment, interest rate, and co-signature

Skills

- Using simple percent to determine taxes, interest, and finance charges
- Maintaining savings and checkbook registers
- Writing a check
- Auditing another team's records
- Completing a job application
- Determining the cost of a loan
- Calculating net worth
- Working cooperatively to make decisions
- Writing to a standard described in a rubric

Attitudes

- Appreciate why we need to save
- Appreciate the need for insurance
- Appreciate the need for FICA and Medicare taxes to support those no longer able to work
- Appreciate the difficulty faced by people living on minimum wage or on Social Security
- Appreciate the benefit of controlling debt and paying off debt quickly
- Appreciate the need to reflect on decisions

Overview

In the simulation, students learn how to conduct personal finance. They work in teams of four and rotate roles of accountant, identity, planner, and secretary. Each role has specific duties that help the team function within the simulation and maintain the records.

Phase One

Personal Finance begins when each student team chooses an **Identity Card** that describes a fictitious person. Together the teams create a persona for the identity, and during the next three weeks, they make financial decisions for him/her from the first minimum-wage job to retirement. They help their adopted identity to apply for a job and determine both the gross and net wage. They create and maintain savings and checkbook registers. They pay bills and manage credit card debt. They make important decisions including buying a car and determining the added cost of its insurance, fuel, and maintenance.

Phase Two

The teams help their identity to apply for a higher paying salaried job. In this phase they also choose a health plan, mortgage a house, and decide how to save for retirement. All the while they pay bills and maintain financial records.

Phase Three

During the last days of the simulation the teams determine the identity's retirement income and compute his/her net worth. As a final activity students individually demonstrate their learning with a three-part assessment. In the first part they write a short essay that reflects on the financial choices the team made on behalf of the identity. In the second part, they complete a matching test defining finance-related vocabulary. The final part of the assessment tests personal skills—writing a check and maintaining a register. Rubrics define standards for the essay and skills test. Determine your own classroom standard for the vocabulary test.

Teams draw **Fate Cards** and/or roll the dice daily to determine Fates that impact their identity. Teams make daily decisions about what to buy, how much to save, and whether to donate to charities. The planners document all discussions and decisions for regular team review.

Success in the simulation is determined primarily by how much the students learn. However, the teacher may choose to determine the identities' net worth as one measure of success. Students will realize that the final value of net worth reflects a combination of good planning, hard work, and good **Fate Cards**. This realization can be generalized to real life where good planning, hard work, and Fate all contribute to success.

Elements of the Simulation

Authenticity

The topics in *Personal Finance* were carefully researched. The information was gathered from websites and interviews with professionals in various financial careers, and is based on information early in the 21st century.

Fate Cards and Fate Charts

Fate drives much of the action in the *Personal Finance*. The scenarios presented on the cards are realistic and present opportunities for students to experience what life may hold in store for them.

Life Skills

In *Personal Finance* the students learn life skills that will make them more competitive when applying for jobs and more confident in handling money. Favorable consequences reinforce choices of living within their means, paying off debt quickly, buying adequate insurance, and saving for retirement.

Cooperative Learning

Personal Finance requires teamwork and group learning. In this way it mirrors the world of work where most people work as part of a team whether it is in an office, a school, or factory.

Reflection

Teams must maintain records of their group discussions and decisions on **Daily Decisions Records**. This component increases the effectiveness of *Personal Finance* as a learning experience in three ways. First the record allows students to look back at decisions they have made and fully appreciate the consequences of these decisions. Secondly, students must formulate coherent arguments for or against a course of action. Finally, education research shows that writing a reflective piece increases students' long-term understanding of a concept.

Peer Audits and Teacher Ongoing Assessment

Every few days in *Personal Finance*, the lessons call for a *Peer Audit*. In this case, the accountants for the day visit another group and check their figures. There is a reward to an accountant who finds an error on another team's registers. There is also a reward for a team whose records are error-free. *Peer Audits* provide an incentive for students to recheck their own work and alert the teacher if a team has made an error. If a teacher opts not to use *Peer Audits*, then he or she should schedule regular register checks for all teams. Even with *Peer Audits*, however, the teacher should set up a schedule to look at teams' work including registers and **Daily Decisions Records**.

Elements of the Simulation

Standards

The lessons in *Personal Finance* are all standards-based. The assessments clearly test what all students should learn and understand during the simulation.

Assessment

The comprehensive test at the end of the simulation includes both traditional and rubric assessment. The matching **Vocabulary Test** asks students to identify 48 financial terms. The **Essay** requires assessment by rubric. The **Skills Test** requires both traditional and rubric assessment.

There are also rubrics available throughout the simulation that address a certain task (**Job Application** and **Interview Essay Rubrics**) or student behavior (**Cooperative Group Work Rubric**). Teachers should share rubrics with the students before they begin any work. Under the new philosophy of standards, teachers must require students who do not complete work at standard (*Expected* level) to redo that work. To meet standard, a student might only need to recopy the work more neatly, or might retake a test after the teacher provides additional instruction.

Multiple Intelligences and Special Needs Students

Personal Finance accommodates all students. The inherent teamwork not only allows for peer instruction and assistance, but it also offers opportunity for leadership. *Personal Finance* appeals especially to students who love numbers, but it also provides many opportunities for students to use their verbal and interpersonal talents. Teachers should work with the Resource and Tag teachers within their schools to optimize the experience and assessment of all students.

Setup Directions

1. Understanding Personal Finance

Before beginning the simulation with your class, read through all parts of the *Personal Finance* Notebook. Collect the necessary materials, assemble the pocket folders, and assess your students' math skills. If your students need pre-instruction in how to compute percents, incorporate the optional **Percent Perceiver** activities before beginning the unit (teaching directions begin on page 90).

2. Establishing a Classroom Atmosphere

- a. Establish a *Personal Finance* bulletin board with space for displaying teams' work and posting assessment **Rubrics**.
- b. Collect advertisements from local banks or financial magazines, and post some provocative questions to remind students that they have decisions to make that will ultimately affect their standard of living and quality of life. Sample questions: *How do you finance a car? How can you afford a house? How can you protect your retirement years?*
- c. Post items around the room. Make enlarged copies of checks, deposit slips, charge cards, applications, and want ads. Copy currency (\$20 or \$50 dollar bills, etc.) and color with markers, crayons, or poster paint. Students will be interested to find whose pictures are on the currency. Award money for students who can recite from memory the portraits appearing on American currency from \$1 to \$100.

Portraits on United States Paper Money

- \$1 coin—Sacajawea (guide for Lewis and Clark)
- \$1 Presidential Coin
- \$1—George Washington (1st U.S. President)
- \$2—Thomas Jefferson (3rd U.S. President)
- \$5—Abraham Lincoln (16th U.S. President)
- \$10—Alexander Hamilton (1st Sec. of the Treasury)
- \$20—Andrew Jackson (7th U.S. President)
- \$50—Ulysses Grant (18th U.S. President)
- \$100—Ben Franklin (Statesman)