EVERFI ACHIEVE® – ANSWER GUIDE

Smart Budgeting

MoneyMagnifier® Teens GRADES 9-12

Question #1

W Lattes - $26

W V Streaming Service - $14 per month

N Cell Phone Bill - $80 per month

W Lunch at Café - $15

W New Backpack - $20

N Laptop repair - $50

Answers will vary between each individual student. Examples/acceptable answers:

- **Become your own barista at home (make coffee at home instead of purchase at the coffee shop)**
- **Pack lunch instead of eating at the cafe**
- **Look for additional streaming options that are less than $14/month**
- **Save for backpack over the next few months or look for a less expensive option, a gently used backpack, etc.**

Question #2

50% of your money should go towards your **NEEDS**, like paying your cell phone bill.

20% of your money should go towards **SAVINGS** and paying off money you owe others (debts).

30% of your money can be spent on things you **WANT** but don't necessarily **NEED**, such as buying lattes at the coffee shop.

Question #3

Credit Score: **A credit score is calculated based on someone's creditworthiness, or whether they are likely to pay back money on time, based on how they've repaid credit in the past.**

Terms: **Credit cards come with terms, such as interest. It's typically a set percent rate charged on the balance of what you owe.**

Cost of Borrowing: **If you charge something to your credit card and you don't pay off the balance on time, you're charged interest. This means you may owe more than just the original cost of the purchase.**

Interest: **Interest is the "price" of a loan. You're charged interest if you don't pay off your full balance by the due date each month. Interest is charged daily if you don't pay off the balance.**

Question #4

Some examples / acceptable answers:

- **Missing a payment**
- **Taking out a student loan**
- **Buying a boat or RV**
- **Buying a house**
- **Etc.**

Explain how:'Missing a payment'
Claudia's score will decrease due to the negative impact of her missed payment.

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Question #5

Virtual Tutor

Question #6

Answers will vary based on what's important to each individual student.

Question #7

- **Grants**
- **Scholarships**
- **College Savings Plan (529)**
- **Personal Savings**
- **Student Loans (Federal and Private)**
- **Work-study Programs**
- **Etc.**

Question #8

Investing: **Putting money in something in order to get more money back. Because of the time value of money, the earlier you invest money, the more it can grow over time.**

Question #9

Answers will vary based on what's important to each individual student. It's important that they understand the importance of setting goals and the difference between short-term and long-term goals.

Question #10

Savings Accounts: **Low Risk, Low Reward**

Bonds: **Low Risk, Low Reward**

CDs or Share Certificates: **Low Risk, Low Reward**

Stocks: **High Risk, High Reward**

Question #11

Warranties: **A warranty is a little different than insurance. It's a written guarantee from a manufacturer. It promises to repair or replace something within a certain time frame under certain conditions.**

Ticket insurance: **Ticket insurance protects the cost of your ticket if you can't make it (like you get sick or your flight is delayed). That means you'll get the cost of the ticket back if something unexpected happens.**

Travel insurance: **Travel insurance protects the cost of your travel (like a plane ticket) if you can't travel for some reason. That means you'll be reimbursed or be able to change the flight or train trip without having to pay an additional fee.**

Health insurance: **Travel insurance protects the cost of your travel (like a plane ticket) if you can't travel for some reason. That means you'll be reimbursed or be able to change the flight or train trip without having to pay an additional fee.**

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Question #1

Emergency Savings: **Money that we save for unexpected costs.**

A person's emergency savings should cover their living expenses like **rent**, **food**, and **utilities**.

Emergency savings should last for at least **three months** of living expenses.

Question #2

Answers will vary based on what's important to each individual student. It's important that they understand the importance of setting goals and the difference between short-term, mid-term and long-term goals.

Question #3

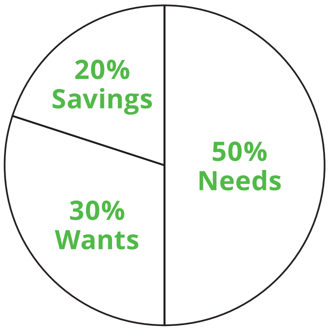
1. **Do-It-Yourself Buckets.**
2. **Checking Accounts**
3. **Savings Accounts**
4. **Prepaid Cards**

Answers will vary based on which technique they feel works best for them. It's important to tie the technique back to their short-term goals and what will help them achieve the goals they've set.

Question #4

Answers will vary based on each student's banking style must-haves.

Question #5



Question #6

- **Reduce Wants**
- **Reduce Needs**
- **Increase Income**

Question #7

1. **Paper & Pen**
2. **Spreadsheets**
3. **Apps**

My Preferred Budgeting Tool:

Answers will vary based on each student's preferred budgeting style. Encourage students to research different budgeting tools and what may work best for them. There are plenty of worksheets, electronic and printable, online, free apps and more. For a few options to get started, visit WPCU.coop/Education.

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Smart Savings

Question #8

Certificates of Deposit (CDs) or Share Certificates: **A CD is purchased through a financial institution. CDs have a maturity period of anywhere from a few months to many years. When the CD matures, you can withdraw your money with the added interest. If you try to withdraw money before a CD matures, you will be charged a fee.**

Bonds: **You can purchase bonds from a broker or from the government. When you purchase a bond, you are lending money to the government or a company. You will be paid interest on the loan when you are paid back. Long-term bonds earn more than short-term bonds.**

Stocks: **Stocks can be purchased through brokers. When you buy stock in a company, you are buying a piece of the company. The amount you earn depends on the company's performance. If the company makes money, so will you. If the company loses money, so will you.**

Mutual Funds: **Like stocks, you can buy mutual funds from a broker. While stocks are an investment in one company, a mutual fund is an investment in a combination of different assets that may include stocks, bonds, and real estate.**

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Smart Investing

Question #1

The law of supply and demand: **A theory that explains the relationship between buyers and sellers in a marketplace. Low supply of an item that is in high demand will push prices up. High supply of an item in low demand will drive prices down.**

Question #2

Goods and Services Market: **Market where a company engages in the selling of their products and offering services for those products.**

Labor Market: **Market companies participate in that offers jobs and pays good salaries.**

Financial Market: **Market where a company will offer shares and may also apply for loans to help expand the business.**

Question #3

Gross Domestic Product (GDP):
The measurement of all the goods and services produced in a country during a given amount of time.

Question #4

1. **Peak**
2. **Trough**
3. **Contraction**
4. **Expansion**

Question #5

Bootstrapping means to fund a company using personal savings and hopefully the money is earned as the business gets started.

A business loan means borrowing money from a financial institution and being charged interest as you pay the money back.

Answers will vary based on each student's business. It's important they understand the difference between funding options.

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Question #6

	Low Risk	High Risk	Short-Term Goals	Long-Term Goals	Low Rate of Return	High Rate of Return
Savings Accounts	X		X		X	
Investments		X		X		X

Question #7

Social Security Benefits: **The Social Security tax that is taken out of your paycheck goes to support the elderly, workers who become disabled, or families where a parent or spouse dies. You can collect this benefit when you qualify, but your payment will be based on how much money you earned while working. Social Security benefits usually don't cover all expenses.**

Employer Sponsored Plan: **Some employers offer full-time employees retirement plans in which they will match what you put into it, like 401ks or 403bs. These plans limit how much money you can put in, but you should aim to add the maximum amount, especially if your employer will match it.**

Personal Investments: **There are no guarantees that Social Security benefits and employer sponsored plans will meet all your needs when you retire. You can invest in an Individual Retirement Account (IRA) which can help you put your money in the types of investments that meet your risk tolerance and time horizon for retirement. IRAs are designed to grow until retirement which is why there are penalties for taking money out early. There are also limits to the amount of money you can invest each year.**

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Question #8

Large-cap Companies	Have thousands of shares for sale and are slightly newer companies than large-cap ones. May have more risk than other companies, but they also may have more growth potential.
Mid-cap Comp	Have the fewest shares for sale and are very new. They usually have the most risk since they don't have a proven track record, but they have the greatest possibility for high growth if they are successful.
Small- and Micro-cap Companies	Have tens of thousands of shares for sales and are well known and well established; their shares have slower growth, but they're usually less risky.

Question #9

Mutual fund: **A mutual fund uses money from many investors to invest in a diverse group of stocks, bonds, and other assets. You can buy a mutual fund through a financial broker. The fund will be actively managed by professional money managers, who will charge fees.**

Index funds: **An index fund is designed to match the index, or average, of a market. For example, the Standard & Poor's 500 (S&P 500) index tracks 500 companies. An index fund would pick enough stocks to try to match the performance of these 500 stocks. You can buy index funds through a financial broker. The fund is passively managed (not run by financial professionals), so there are fewer fees than mutual funds.**

Exchange-Traded Funds: **An exchange-traded fund (ETF) is an investment that follows an index (like an index fund), but the difference is that you can buy ETFs directly on a stock exchange instead of through a broker. With ETFs, you can purchase as little as one share, and they often have lower fees than mutual and index funds.**

Question #10

- **By sector (for example, technology, health, etc.)**
- **By geography (by city, state, country)**
- **By market size (large-cap companies, mid-cap companies, and small- and micro-cap companies)**

When you invest your portfolio in many different sectors, one event would be less likely to sink your entire portfolio. Your portfolio may lose some value but not all at once. It will allow you to lose some money in one area while you're still earning in other areas.

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