

Work Packet



MONDAY 10/9

Today's Topic: "Money Management Review"

On Your Own Review Activities

- Fill-In-The-Blank
- Checkbook Register and Endorsements
- 10-in-10 PowerPoint Pair Review
- Article: "Tyranny of the Average"

QOD: Where are you in the College Search/Application/Scholarship Process? (please don't answer: "should I have started that already?")

**TURN THIS PACKET INTO THE SUB BY THE END OF THE BELL
IF YOU WANT CREDIT FOR THESE ASSIGNMENTS!!!**

Beneficiary	Loss	Stop Payment
Bounced Check	Money Order	Stop-Loss Provision
Budget	Net Worth	Umbrella Policy
Co-Pay	Phishing	Variable Expenses
Discount Rate	Postdated Check	Stale Check
Federal Funds Rate	Premium	Blank Endorsement
Fixed Expenses	Prime Rate	Restrictive Endorsement
Identity Theft	Probability	Special Endorsement

1. _____ A bank service that directs the bank not to honor a check you wrote
2. _____ A check that has been returned by the bank for non-sufficient funds
3. _____ A check that is dated six months or more before it is presented for payment or deposit
4. _____ A check written with a date that will occur in the future
5. _____ A feature of a health care plan that provides 100% coverage after a certain amount is paid toward medical expenses
6. _____ A spending and saving plan based on expected income and expenses
7. _____ A type of check used to pay bills or make a payment for which the money is guaranteed
8. _____ An e-mail scam designed to get individuals to give out personal information such as bank account numbers
9. _____ Coverage for very large expenses that is in addition to home and car insurance coverage
10. _____ Expenses that can go up or down each month
11. _____ Expenses that do not change every month, such as rent
12. _____ Some type of physical injury, damage to property, or absence of property or other assets

13. _____ The act of using someone's personal information without her or his permission to commit fraud or other crimes
14. _____ The amount a patient pays each time for using a medical service
15. _____ The amount of your assets (what you own) minus your liabilities (what you owe)
16. _____ The interest rate charged to the most creditworthy business customers such as corporations
17. _____ The likelihood of some risk actually resulting in a loss
18. _____ The money paid for insurance
19. _____ The person to whom the face value of an insurance policy is paid
20. _____ The rate at which banks can borrow money from the excess reserves of other banks
21. _____ The rate banks are charged to borrow money from the Federal Reserve
22. _____ This is the least secure type of endorsement
23. _____ Writing "For Deposit Only" on the back of a check and then signing it
24. _____ You would use this type of endorsement to sign a check over to a third party

PFIN Unit II Review (Chapters 4, 5, 6)

Checkbook Register

For each transaction, record the information in the register on the next page. Then write the check or complete the deposit slip, if one is needed, for the transaction. Use the current year in dates. Keep a running balance, and double-check your work.

- Beginning balance \$845.12
- Cash withdrawal at ATM for \$40.00 on October 8
- Deposit a check for \$115.00 and receive \$5 in cash back from the deposit on October 10
- Debit card purchase (DC) of \$33.00 on October 11 at Wal-Mart for food
- Write check number 501 on October 15 to Jim's Lawn Care \$100.00 for lawn care services
- Cash withdrawal at ATM for \$40.00 on October 18
- Debit card purchase of \$3.99 at Family Video on October 25 for movie rental
- Bank service charge on October 28 for \$5.00

DC-Debit Card Purchase DEP-Deposit ON-Online Payment WD-ATM Withdrawal SC-Service Charge							
CHECK NO. OR CODE	DATE	DESCRIPTION OF TRANSACTION	PAYMENT AMOUNT (-)	✓	FEE	DEPOSIT AMOUNT (+)	BALANCE

Deposit Form	Student Name 125 Fourth Street Middlefield, OH 44062-1250	72-439 515
	Date _____ 20 _____	
	Sign here if cash is received. First Bank Middlefield, Ohio	
		CASH
	List	
	Checks	
	Singly.	
	Total From Back	
	Subtotal	
	Less Cash Received	
Net Deposit		
051504393 3 88953 4 0226		

Student Name 125 Fourth Street Middlefield, OH 44062-1250	501 72-439 515
	_____ 20 _____
Pay to the order of _____	\$ _____
	_____ Dollars
Memo _____	
051504393 3 88953 4 0226	

PFIN Unit II Review (Chapters 4, 5, 6)

Endorsements

Indicate which type of endorsement (BLANK, RESTRICTIVE, SPECIAL) should be used and then sign the back of the check appropriately (making sure to use the name(s) in the case, not your name).

1. John Dough wants to sign his check over to May Kinmoney.

Type of Endorsement: _____

ENDORSE HERE

2. Pai Mee receives a check and wants to endorse it in a way that doesn't allow anyone else to cash it.

Type of Endorsement: _____

ENDORSE HERE

3. Stinky Joe receives his paycheck and just signs it.

Type of Endorsement: _____

ENDORSE HERE

4. Thomas Phault receives a check and wants to deposit it.

Type of Endorsement: _____

ENDORSE HERE

5. Oliver Sutton decides on a whim that he wants to sign over his paycheck to his girlfriend, Anita Bath.

Type of Endorsement: _____

ENDORSE HERE

Working in pairs, your task is to answer the 10 questions below in a 10-slide PowerPoint. You do not need to rewrite the questions – just number your answers. You may use any resources you'd like for help with the questions.

- 1.** What is the purpose of creating a monthly budget? Give a few examples of each of the following budget categories for you (now or next year): Income, Fixed Expenses, Variable Expenses.
- 2.** What does it mean to save? What are some of the reasons why people save?
- 3.** Explain in your own words what this statement means: "Pay yourself first."
- 4.** A friend asks you what sort of interest – simple or compound – is better. What would your answer be, and why?
- 5.** What is the rule of 72? Give an example.
- 6.** Let's say you have \$100 in savings for one year at an interest rate of 10%. How much simple interest will you earn by the end of year 1? Over 5 years? How long will it take you to double your \$100 using SIMPLE interest? How many years would it take to double your \$100 using COMPOUND interest? (Hint: use the rule of 72)
- 7.** What is opportunity cost? What is the opportunity cost of buying things today?
- 8.** Explain the difference between short-term, medium-term and long-term savings goals? Give an example of each for you personally.
- 9.** Why might a long-term goal for one person be a medium-term goal for another?
- 10.** Why are long-term savings goals more difficult to achieve than short-term goals?

Why It Matters: The Tyranny of the Average

“Average” is all around us: your GPA, the unemployment rate, Joey Votto’s batting performance. Using averages can help us make sense of a large amount of data. But it can also lead us to incorrect assumptions. For example, if one of your projects for math class were to calculate the average wealth of all your classmates’ families, you’d probably come up with a number that fairly accurately reflects the economic circumstances of most of those in your class. But what if one of your classmates were Bill Gates’ child? With his current wealth sitting at \$72.9 billion, your average calculation will suddenly give the appearance that everyone in your class lives in a billionaire family.

ASSIGNMENT

1. Read over this article.
2. Summarize the information in **10 BULLET POINTS** ... you figure out what info is most important.
3. Email to me.

While this example of a misleading average is more amusing than substantive, there are plenty of examples that hit much closer to home. Let’s talk about car insurance. If you are a male driver under the age of 25, your car insurance premium is probably higher than that of a comparable young woman. In fact, if a female version of yourself existed, equal in all respects (same driving record, grades, car model, residence), odds are you will pay about \$676 more in premiums than your she-clone. But wait, you exclaim, insurance companies aren’t being fair! Enter the tyranny of the average.

Car insurance premiums for young males are generally higher than young women’s because, on average, young men are worse drivers. Men are more likely to be in a crash than women, especially fatal crashes. Women wear seatbelts 27% more often than men do. Men have twice as many DUI citations as women do. Men also drive more than women do—1.5 times more. So, men--especially young men--are on the road more than women, and once there, take greater risks--on average.

The problem in the insurance market is called adverse selection. In this case, adverse selection simply means that you have more information about your driving habits than the insurance company does. But the insurance company has to somehow determine an appropriate premium to charge you. What to do? The company relies, to some extent, on those averages. If a certain category of driver is, on average, involved in more crashes and engages in more risky behavior than other categories, and you fit into that category, you’re likely to pay higher premiums. Your individual behavior can certainly mitigate the effect of belonging to that risky category, such as getting better grades or taking driver training classes, but if you’re a young man, your premium is still likely to be more than that of a similar young woman.

This may not seem fair, but it is legal in the U.S. because insurance companies are not charging different premiums simply on the basis of gender. They are using gender as an indicator of risk because—on average—gender is associated with the greater likelihood of an accident on the part of young men. Gender is not the major factor in setting premiums, and the difference in premiums is becoming smaller as the driving habits of young men and women become more alike. This doesn’t mean that the tyranny of the average no longer exists; it simply means that the averages are more equal. If you’re a young male driver, don’t take your higher premium personally. Your insurance company doesn’t have anything against you, it’s just playing the averages.