

## 1-1 Personal Financial Decisions

### **OBJECTIVES**

- *Discuss how the job market changes over time.*
- *Explain how career choices affect earning potential.*
- *Explain how goals, values, and education are related to career choices.*
- *Describe how a person's education may affect the amount of money that person earns.*

Understanding income is the starting point for learning about financial literacy. Income is money you receive for work or from investments. Decisions you make now will affect the income you will earn for the rest of your life. In this part, you will learn how to make good personal financial decisions. You will discover how career choices affect future income. You will learn about types of income, deductions, and the value of benefits packages. You will also learn about inflation and how it will affect your shopping decisions.

The choices you make now when you are in school may affect your income in later life. Your personal values and the goals you set for yourself will influence the education and training you pursue. Your career and education choices can help pave the way for financial security. You should consider the economy and how it will affect your choices. You should also think about how to pay for the preparation you need to enter the job market in the career of your choice.

### **THE CHANGING JOB MARKET**

Change is a vital part of all aspects of life, and the job market is no exception. The job market refers to the wide variety of job and career choices that will be available to you when you are prepared to go to work. The local job market may be different from the statewide or national job market in the short run. Over time, however, they tend to be very similar.

The job market changes as needs for different types of workers evolve. Jobs and careers that once were popular and paid good wages have disappeared as technology and needs of employers have changed. For example, telephone installer and typist are jobs that were common 20 years ago but are not popular today. Different types of careers, with new and unique job skills, have emerged. For example, the job web site designer requires knowledge of current web design programs. The job physician assistant requires knowledge of current medical procedures. Job skills are specific things you can do, such as prepare a spreadsheet or operate a machine, that are needed to be successful on the job. Other less technical job skills, such as being able to work well with others, are also important. Job skills are dynamic. That means they are changing. As new goods and services are developed, job skills needed to create or provide them will change also.

As you think about the type of work you would like to do later in life, consider the jobs that may exist in the future. Will the type of work you want to do be in demand? Will this type of work pay well? Begin asking questions and reading about jobs that sound interesting to you. You can do online or library research about careers that you might like to pursue in the future. The U.S. Department of Labor publishes and places online The Occupational Outlook Handbook. The Handbook has data about the major job areas in the United States. From this book, you can learn about jobs in a wide range of fields.

### **CAREER CHOICES AND INCOME**

Some jobs pay a lot more than others and are in greater demand than others. Generally, the more skill, training, or education that you are required to have for a job, the more you can expect to earn. For example, a doctor must complete several years of education and training to prepare for his or her job. Typically, doctors are well paid. A salesclerk in a store may need only a high school education and some on-the-job training to prepare for his or her job. A salesclerk typically earns a much lower salary than a doctor. The number of jobs in a career area can also affect the income workers in that job are likely to make. When many workers compete for a few jobs, some of the workers will likely not find jobs in their chosen career area.

In some jobs, earnings may not be related to formal education. For example, some entertainers, supermodels, and professional athletes make a lot of money. However, these types of careers often last just a few years. They may require natural talent, beauty, or athletic ability that few people have. They can also be very hard on the mind or body. For every person who succeeds in such a career, many others do not.

## **JOB TITLES AND DESCRIPTIONS**

As you look for information about careers, you may see jobs listed by job titles. A job title is a name given to a particular job. It may be a word or phrase that describes the main duties or tasks of the job. For example, the job title Long Haul Truck Driver indicates clearly what the job involves. A person with this job drives a truck for long distances. Sometimes a job title alone is not enough to tell you what a person in this job does for a living. For example, reading the job title Systems Analyst might leave you wondering what a person would do for that job. A job description gives details about a job. It lists the job tasks and duties, the skills needed, and the education and experience required. It may contain other information such as the hours worked or details about the work site or location. A sample job description is shown.

## **LIFELONG LEARNING**

Learning new skills and information to help you become or stay qualified for a job is important for your financial security. When you are hired for a job, you will probably have the education and skills you need to do that job. As time goes by, however, the skills or education needed for the job may change. You may need to update your job skills. Workers and consumers need to continue learning throughout life. This lifelong learning will help prepare you to be a skilled worker and an informed consumer. As an informed consumer, you can make better choices regarding your personal finances.

### **JOB DESCRIPTION**

#### **Job Title**

Sales Associate

#### **Job Summary**

A sales associate sells merchandise and serves as a retail cashier. This worker assists in restocking, display, and price marking of merchandise. A positive, friendly attitude is a must for this position.

#### **Salary**

\$9.00 per hour starting salary

#### **Principal Duties**

- Provide friendly, courteous, and efficient service to customers
- Answer customers' questions about merchandise and advise customers on merchandise selection
- Record all sales in cash register, receive payment for sales, and issue correct change
- Assist in coding and price marking of merchandise
- Stock shelves, racks, and tables and arrange merchandise displays to attract customers
- Take special orders and handle returns
- Help monitor inventory levels and receive and unpack products
- Keep the store and the stockroom neat and well organized
- Open or close the store and work alone at times
- Attend weekly staff meetings and other meetings as needed
- Perform other related duties as required

#### **Qualifications**

- High school diploma required
- Must have worked at least 6 months in a sales position
- Must have a courteous and cooperative attitude
- Must have good reading, math, and communications skills
- Must be able to operate a cash register
- Must be able to understand and carry out directions
- Must be honest, dependable, and punctual
- Must be willing to work any day of the week and both day and evening hours
- Must present a clean, neat, and well-groomed appearance
- Must dress in business or business casual attire
- Must be able to lift 40 pounds

## **CHOICES DEPEND ON VALUES AND GOALS**

As you think about a career that you might pursue, consider the values and goals that are important to you. A value is a principle that reflects the worth you place on an idea or action. For example, if you think being honest is important, honesty would be one of your values. Values are important. They influence the choices and decisions people make. Think about what you want to accomplish now and in later life. For example, if you think making a difference in other people's lives is important, then that value could be a reason for choosing one job over another. You might choose to be a teacher or a counselor rather than a construction worker. Many people set goals that they want to accomplish. A goal is a plan that is based on values or desired outcomes. A person's goals affect his or her behavior. If you value good health, your goals may include eating properly and exercising regularly. If you want to buy a digital camera, your goal may be to save enough money for the purchase. What goals do you want to accomplish?

## **EDUCATION CHOICES**

Some jobs require little education. Other jobs require training that takes several years to complete. Education helps prepare you to do a job well. Education can be formal or informal. Formal education involves attending classes. Students must show that they have learned certain skills and concepts. The class in which you use this textbook is probably part of your formal education. Informal education may involve on-the-job training or learning as you go. You may learn new skills from reading and practicing on your own. For example, learning to use a digital camera by reading the instructions provided is a type of informal education. The amount and type of education you complete can affect the amount of money you earn. Generally, people with more education earn more than people with less education. If the pay for a job is high compared to the education required, there is often a reason. The job might require high personal risks, a short career span, or completing tasks that others are not willing to do. For example, the employee might have to handle dangerous materials or work in a country where a war is going on. Think about the type of education you want to complete and how well it will prepare you for the career or job you want later in life. Making choices about education is a serious responsibility. Your choices will affect the jobs you may be able to do. Your jobs will affect the amount of money you are able to earn.

## 1-2 Career Planning

### **OBJECTIVES**

- *Describe how economic conditions can affect prices and income.*
- *Discuss training and skills that workers need for job success.*
- *Explore tuition costs for colleges and other educational programs.*
- *Explore the options available to pay for education and training.*

## **ECONOMIC CONDITIONS AFFECT INCOME**

Regardless of where you live, you are affected by the economy. The word economy means all the activities related to making and distributing goods and services in an area. An economist is a person who studies the economy. Economists try to predict what will happen, using current and projected data. As an individual, you are faced with many decisions. For example, you must decide what to purchase for a friend's birthday or how much to save for the future. As you consider what to do and how to prepare for your future, you must also consider the economy. The economy will affect your income, and your income will affect the choices you make.

### **THE ECONOMY AFFECTS PRICES**

The United States has a market economy. In a market economy, the price for an item is set at a point that consumers are willing to pay and sellers are willing to accept. In other words, sellers charge what the market will bear. Producers wish to increase their profits. Consumers wish to get high value for each dollar spent. The willingness and ability of consumers to buy products and services is called demand. The quantity of goods and services that producers are willing and able to provide is called supply. Products and services that are very popular among consumers are said to have high demand. When demand exceeds supply, businesses may charge higher prices for the products. These prices affect your decisions on which items to buy as you spend your income. The study of economics is often said to be the study of scarcity. Although consumers' incomes are often limited, their needs and wants may be unlimited and growing. Consumers must make good decisions to save and spend wisely and get the most value from the dollars spent.

### **THE ECONOMY AFFECTS INCOME**

For many people, their main source of income is wages (hourly pay) or monthly salary. If you choose to work in a career field that is growing and in a job that is in demand, you will likely be able to earn a good income. Income is not the only reason people work. However, the money earned allows workers to meet basic needs and other goals. When the economy is growing, people are buying goods and services. Jobs are being created, and businesses are hiring workers. Finding and keeping a job that will provide financial security is easier in a growing economy. On the other hand, when the economy is slowing, people often buy fewer goods and services. The lower demand for goods and services may mean that businesses are not growing. Workers may be laid off or dismissed from their jobs. Fewer new workers are hired. Finding and keeping a job that will provide financial security can be harder in a slowing economy. When the demand for products or services that are produced by your employer is very low, your job may be in danger. When faced with this situation, some people decide to prepare for a new career field. This process is called retraining. Others will spend weeks or months pursuing job openings for which their skills and education may not be good matches. They may or may not find a new job without getting new training. Understanding how the economy affects prices of products, the job market, and your income can help you make better financial decisions.

## **TRAINING AND SKILLS FOR JOB SUCCESS**

Many jobs require very specific skills. To get those skills, you will need education and training. The skills needed may include both hard skills and soft skills. Hard skills are the ability to perform tasks or complete procedures. Examples of hard skills include the ability to safely run medical equipment or to give first aid to an accident victim. The ability to install plumbing in a house is another example of a hard skill. Several months or years of training may be needed to learn hard skills. As you consider which career field to pursue, consider the hard skills required for jobs in that career area.

In addition to hard skills, employers want workers who have certain soft skills. Soft skills are nontechnical skills needed by most workers. Examples of soft skills are listed below.

- Leadership skills
- Teamwork skills
- Effective communication skills

- The ability to deal with difficult people and situations
- Problem-solving skills
- Time management skills
- The ability to prioritize tasks

Some soft skills come naturally to some people, but not to others. For example, some people have natural leadership skills, while others do not. Soft skills can be learned through education and practice. As you get education and training to learn hard skills, you also need to develop soft skills that will help you be successful on the job and in other areas of your life. Having both good hard skills and good soft skills will improve your earnings potential.

### **COSTS OF EDUCATION AND TRAINING**

You will need to invest both time and money in your education. Tuition is the charge for instruction at a school. Students must pay for textbooks, pay fees, and meet other expenses that are not covered in tuition. Money is also needed for living expenses such as rent, food, clothing, and travel. Some schools have housing for students. At other schools, students must find housing on their own. Typically, students want to live close by the school. Rent and other costs may be higher in those areas.

When choosing a career, think about the cost and the rewards of each career you are considering. Will it pay well and offer job security? The cost of a college education may be high. However, you will likely be rewarded for the money you spend on education. According to U.S. Census Bureau estimates, people who have a bachelor's degree (or higher) can earn nearly twice as much as workers with only a high school diploma. This difference can amount to more than \$1 million over a lifetime.

### **COLLEGE EDUCATION: PUBLIC OR PRIVATE?**

The cost of attending a public college or university is often less than the cost of private schools. A bachelor's degree is earned in a four-year college or university program. At a public school, earning this degree could cost \$25,000 or more in tuition. At a private college or university, the tuition may be \$100,000 or more for a bachelor's degree.

### **CAREER AND TECHNICAL SCHOOLS**

Career and technical schools teach specific skills. These schools may be public or private schools. The tuition for public schools is often less than for private schools. Public school programs often cost \$5,000 or less in tuition. Private programs usually cost two or three times as much as public programs do. The completion time for career and technical school programs is often less than for college programs. Typical career and technical school programs last a few months to a year or more. Books must be paid for, along with living expenses. Students are also responsible for fees and other charges.

### **GRADUATE AND ADVANCED PROGRAMS**

Some jobs require advanced training before the worker can start work. For example, a medical doctor needs advanced training beyond a four-year college degree. Others jobs require that you update skills as you continue working. If advanced degrees are needed in the job you choose, you should consider their cost. A master's degree is a graduate degree (beyond a bachelor's degree). It usually requires one to three years of study. The time needed depends on your background and the type of degree. A doctorate degree requires three to seven years of study beyond a master's degree in the same field. The course of study often requires doing research. Some programs require internships or have residency requirements. Residency means that classes must be taken in person on campus. Tuition is higher at the graduate level. A graduate degree may cost \$15,000 or more at a public school and \$45,000 or more at a private school.

### **PAYING FOR EDUCATION AND TRAINING**

When you choose to pursue formal education and training, you must consider ways to pay for them. Do you or your parents have the money needed? Will you be able to get grants or scholarships? Do you qualify for financial aid? Will you work part-time to earn money as you attend classes? These options and others may be available to you.

### **LOANS AND GRANTS**

Financial aid is money you receive from some outside source to help pay for education. Loans and grants are available from a variety of sources, including the federal government, local banks, and other lenders. A loan is money that you borrow and must repay. A grant is money that you are given to pay for educational expenses and do not repay.

### **FEDERAL FINANCIAL AID**

The federal government offers financial aid to students who qualify. For those under 23 years of age, parents (or a custodial parent) must fill out papers showing their income and assets. Assets are money or things of value that are owned, such as a

house or car. The student's income must also be reported. If you are able to show that you need financial aid, then you may receive loans or grants.

Interest is money paid for the use of money. In the case of a student loan, interest is the money the student pays the lender in addition to the amount borrowed. Interest may be considered the cost of borrowing money. Interest charged on student loans is much lower than for other types of loans. A subsidized student loan is a loan on which interest is not charged until after you graduate. With an unsubsidized loan, interest is charged from the time the loan is made. With both types of loans, you do not have to begin repaying the loan until after you graduate from college. Federal financial aid can be applied for online at the FAFSA Web site.

## **PRIVATE STUDENT LOANS**

Some private lenders, such as banks and credit unions, make loans to students. These loans typically have higher interest rates than loans from the government. The loans are usually unsubsidized. This means that interest is charged from the time that you take out the loan. These sources of loans require that you have income and a good credit history. If your income is too high to qualify for federal financial aid, a private student loan may be a good option for you. You will need to fill out an application for the loan. You may need to show tax returns and proof of income.

## **SCHOLARSHIPS**

A scholarship is a gift of money or other aid (free tuition or books) made to a student to help pay for education. Scholarships may be available to students with high grades, strong athletic skills, or high test scores. Some scholarships are given based on need. Scholarships are available from local, state, and national organizations, including the federal government. Money from scholarships generally is not taxable. Scholarships vary in amounts. A partial scholarship may be given to pay for some educational costs. A full, four-year scholarship may cover the entire tuition for a bachelor's degree. To learn about scholarships for which you can apply, talk to a teacher or counselor. The college you wish to attend can also provide information on scholarships that may be available. Search the Internet using the term scholarships to find other sources.

## **WORK AND SAVE**

Some students decide to work and save money, starting college or a training program a few years after high school. As they complete their education, some students continue to work part-time. Others work full-time and complete their education part-time. This often means taking night classes or online classes. Such students may attend community or junior colleges where the tuition is low. Although these plans take a longer period of time, students can complete the educational program they choose. A benefit to this path may be the job experience students will gain as they work to pay for their education.

### ***FOCUS ON: Job Scouts***

*Technology is changing the way people find and use information. The Internet allows users to find and share information about many topics, including jobs. When you are ready to begin working full-time, you may want to use a job scout to help you find job openings. A job scout is a type of computer program that is called an intelligent agent. Such a program does tasks using rules or options you set. In the case of a job scout, the task is searching the Internet to find job listings and returning those listings to you. The rules you set might state the type of job and the location of the job (city or state). You may choose to have the job listings sent to you daily or weekly. Job scouts are also called job agents. Using a job scout can help you find a job that will allow you to build financial security.*

## **Chapter Summary**

- ***The job market is continually changing. Job skills needed are evolving as well.***
- ***The career you choose will affect your income over your lifetime.***
- ***Decisions and choices you make, both personal and career, are based on values and goals.***
- ***The more and higher formal education you gain, the more you will probably earn over your lifetime.***
- ***The economy, or business activity as a whole, will affect your job and your career in terms of earnings and job security.***
- ***The state of the economy (growing or slowing down) will affect the prices you pay for goods and services.***
- ***Both hard skills and soft skills are necessary for career success.***
- ***Formal education and training programs require time and cost money.***
- ***Many options for paying for educational programs are available.***
- ***Financial aid is money received from outside sources to help pay for education. A loan is money that is borrowed and must be repaid. A grant is money that is given to a student to pay for educational expenses and is not repaid.***
- ***Some students work to earn money to pay for education while attending college or a training program.***