The following are the main ideas that we learned about within each of these lessons. Hopefully all of this looks vaguely familiar! You should be comfortable with each of these concepts for the test.

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❶ How to Really Be a Millionaire

- Most millionaires didn't inherit their money or win the lottery. Most millionaires are not big CEOs or movie stars. In fact, the majority of millionaires are regular folks who get a good education, work hard, make smart decisions about their money, live below their means, and invest in the stock market.
- Many of the choices that you make today will have major **consequences** for your future ("What occupation should I pursue?" "Should I go to college?" "Should I get a credit card?" "Are all credit cards alike?" "Should I start saving now or wait until I have more of what I need?")
- **There is no such thing as a free lunch**! Why? Because of **scarcity**, we can't have everything we want-whether it's clothes, cars, or lunches. Every time we choose something, we have to give up something else. In other words, everything has a cost.
- Why do some people have more money than others? They have made wiser decisions regarding education, money management, and lifestyle.
- How will studying personal finance improve my life? This information will help you make better choices; better choices can lead to greater wealth and a more satisfying life.

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❷ The Economic Way of Thinking (The Handy Dandy Guide to Economic Thinking)

- **People Choose**. This may seem obvious, but think for a minute about how many people say they "have no choice. " In fact, we ALWAYS have a choice.
- **All Choices Involve Costs**. Choices come with costs. Economists say there is an **opportunity cost** for every choice. The opportunity cost is the most valued option that you gave up because you chose what you did. The opportunity cost is your next best option.
- **People Respond To Incentives In Predictable Ways.** An **incentive** is a benefit or cost that influences a person's decisions. One powerful incentive is money. Money is important because of the stuff we can buy with it and the freedom it gives us to make more choices. By managing your money more carefully, you can keep more of the benefits of your hard work by having the money to accomplish other goals.
- **People Create Economic Systems That Influence Choices And Incentives**. The American economic system relies on markets, choices, and incentives. Americans are free to start a business, get an education, choose an occupation, and buy or not buy an incredible variety of goods and services. Every decision has **costs and benefits**. The system creates incentives that guide our behavior.
- **People's Choices Have Consequences That Lie In The Future**. Life is not a lottery. Sound decision making – not luck – will affect your future. The choices you make today will affect your future.

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❸ Decision Making

- SCARCITY occurs because our resources are limited and our wants are unlimited. Scarcity exists because human wants always outstrip the limited resources available to satisfy them.
- People's WANTS are never satisfied. No matter what we already have, we would like to have more.
- Unfortunately, our RESOURCES are limited. We have only so many human resources, natural resources, and capital resources.
- HUMAN RESOURCES are the physical, intellectual, and creative talents of people. When you get a better education, you improve your human resources. When a nation is better educated, it has more human resources-and a higher standard of living.
- NATURAL RESOURCES are gifts of nature. Natural resources include water, forests, natural gas, oil, and climate. Natural resources are not the only resources a nation needs to become rich.
- CAPITAL RESOURCES include all the resources made and used by people to produce and distribute goods and services. Tools, factories, and office buildings are examples of capital resources. In economics, capital refers to items used to produce something else, not money.
- Because of scarcity, we must make choices. Every choice involves an OPPORTUNITY COST. The opportunity cost of a decision is the next best alternative that is not chosen. It is the value of what you give up in order to get what you want.

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❹ Invest in Yourself; Doing What Matters Most; Why Some Jobs Pay More Than Others

- **Human capital** is the knowledge, talent, and skills that people possess.
- People are able to **invest in their human capital** by going to school, pursuing additional training, and developing skills. The more you learn … the more you earn!
- Would you rather have a job or a career? A job provides you with the basics—cash and something to do to earn it. A career is your chosen occupation. It too provides an income and an activity. But it also provides challenges, opportunities for advancement, and real satisfaction with what you do.
- Your career choice affects how much income you can potentially make. Most likely, a higher-paying job means you can achieve your goals faster. But your career choice also determines your lifestyle—how much time you'll have in your life for other things.
- Money does not always equal more happiness. Earning a lot of money can bring you financial stability and influence within your community. It can also give you more flexibility in making lifestyle decisions. The one thing money can't do, though, is make you happier.
- Not everyone makes the same amount of income. The money that a person receives in exchange for work or use of property is called **income**. Income can come from many sources.
- What causes earnings to vary so much from one occupation to another? One factor is the market for different occupations. People with more natural ability in their occupation tend to make more money than those with less natural ability. People who work hard earn more income than people who don't work hard. People who get along with others and are self-disciplined tend to earn more income than people who are hard to get along with or are less disciplined.

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❺ Understanding Your Paycheck; Uncle Sam Takes A Bite; W is for Wages … W-4 and W-2

- METHODS OF PAYING EMPLOYEES: Paper Paycheck, Direct Deposit, Payroll Cards (be able to compare and contrast these)
- W-4: The form you fill out when you first get a job – tells the employer how much to withhold from each paycheck for taxes
- W-2: The form you receive at the end of the year detailing how much money you made and how much you paid in taxes.
- Form 1040EZ: The tax form that you file with the IRS by April 15 each year. This is required if you make over $9350 a year … and optional if you don't. But if you don't file the form, you will not get your refund (if you had too much money withheld from your paycheck, which many people do).
- Gross Pay: The total amount of earnings before any deductions … be able to calculate this!
- Deductions: These can be required (taxes, social security, medicare) or optional (life insurance, retirement)
- Net Pay: The amount left after all of your deductions are taken out … be able to calculate this!
- What are taxes? What does the government do with our taxes?

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❻ Budgeting: Making the Most of Your Money

- A spending plan, or budget, is a plan for managing your money during a given period of time. It's not about depriving yourself of favorite things. It's about seeing all your options and making smarter choices so you can get the stuff you really want. It'll help you find more money for the important things— often just by skipping little purchases you don't care that much about.
- Your budget will change as your income grows and your priorities change. Right now you probably spend a lot of your money on clothes and entertainment, and maybe you're saving for a car or college. But in 10 years, you'll probably be making a lot more money. A big chunk of your income will be going toward renting an apartment or paying for a home mortgage. Your primary savings goal may be to start a business or finance your children's education.
- Fast forward another 10 years, you'll be earning even more. But you may still be paying for your mortgage and possibly for your children's education. At that point, your primary savings goal may be to save for retirement. Throughout all this, your spending plan can evolve to help you meet your responsibilities and achieve your goals.
- Your spending plan allows you to prioritize your spending and saving. So what happens when you don't use a spending plan? Basically, you're pretty much operating in the dark when making money decisions. You're also spending your money haphazardly—meaning that you probably end up spending more on things you really don't need. What happens is that you run out of money and have nothing left for the

things that are really important to you. Or, worse, you overspend and end up in debt. However, a spending plan helps you avoid all this and helps you make the most of your money.

- Fixed expenses cost the same amount every time. Your parents' mortgage (home loan) is usually a fixed monthly payment or fixed expense. A car loan is also usually a fixed monthly payment or fixed expense. You typically know exactly how much is needed each month for a fixed expense. For example, a person might pay $250 every month to pay off a car loan.
- Variable expenses fluctuate in amount, so you usually have more control over how much they'll be. Food is a variable expense because eating out more or less frequently will change the amount you spend. You can probably predict that a variable expense is in an approximate range of spending.

Successful Spending/Saving Principles

- Create a budget and stick with it.
- Keep track of your cash transactions.
- Balance your bank accounts.
- Keep receipts of financial transactions.
- Double-check your math.
- Pay your bills on time.
- Pay yourself first by saving before you spend.
- Save for unexpected expense

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❼ Banking Basics

- Financial institutions help people manage, protect, and increase their money. Individuals may use different types of financial institutions in different stages in their lives. While there are several different sorts of financial institutions to study, we will examine four: Commercial banks, Savings and loan associations (S & Ls), Credit unions, and Brokerage firms.
- In the past, each type of financial institution offered specific and limited services. Banks took deposits in the form of checking accounts, savings accounts, and certificates of deposit and they granted credit to qualified individuals. Savings and loans offered savings accounts and home mortgages. Credit unions were a type of member-owned cooperative. Credit unions made low-interest loans available
- to their members. Brokerage firms were businesses that bought and sold stocks on an exchange, and offered other financial services. Deregulation in the financial industry has blurred the lines between these institutions and increased competition among them. Deregulation means that laws were enacted to remove some of the restrictions (or regulations) that affected the industry.

DEPOSIT SERVICES: Checking accounts, savings accounts, ATMs, direct deposit, deposit insurance
CREDIT SERVICES: Credit cards, installment loans, mortgages, home equity loans, student loans, small business loans
INVESTMENT SERVICES: Retirement accounts (IRAs, SEPs, KEOGHs), stocks, bonds, and mutual funds

- Financial institutions offer many kinds of services. Perhaps the most widely used financial service is the checking account. A checking account allows you to deposit money into an account. You then can write checks or drafts to withdraw money from the account as you wish. This type of account is also called a demand account because you can demand or use the money in your account as you wish.

BE ABLE TO WRITE A CHECK, RECORD TRANSACTIONS IN A CHECK REGISTER, AND WRITE DEPOSIT SLIPS.
