

Name _____

Date _____

How Can I be Out of Money?! (I still have checks!!)

Let's look into the future. You're out of school. You're working and making money. You are now financially independent. You're FREE! Free to move out of your parents' house and live where you want, free to buy a car and go where you want, eat where and what you want, etc., etc. And you're free to pay for it all yourself.

So like everyone else who pays bills, you need to establish priorities. In other words, you will decide what to spend money on, and what not to spend money on. And you will begin to pay your important bills as soon as you get paid.

In the following pages you will do some research and make some decisions about how to use your money. Here are just a few of them:

1. How big a house or apartment can you afford?
2. You will need a car. How nice a car? Lease a new car, or buy used?
3. Of course you need a phone. Is it the new iPhone, or just a phone?

All these decisions will depend on how much they cost, and how much money you have.

Here's what you start with:

1. Furniture and appliances

To help you get started, generous family members have given you some basic necessities: a refrigerator, stove, and microwave. They also gave you some basic furniture: table and chairs, a couch, bed, and dresser, and basic kitchen needs. And luckily for you, you have a decent desktop computer.

2. Income

Your teacher will give you a "checkbook" == a register in which you'll record all your income and expenses. You'll start by entering the deposit for your first monthly paycheck. Then you will write checks (and record them in the register) to pay your expenses.

3. Here's what you DON'T have

Unfortunately, you don't have a TV, a tablet or iPod, a phone, or any gaming or entertainment devices. You'll need to buy those after you've paid your important bills - if you can afford them.

Here are the steps you'll take each month:

1. You will deposit your salary by filling out a deposit slip and entering the amount in your checkbook register. You will record all your income and expenses in your checkbook. You'll deposit all your money in your checking account and pay all your expenses by writing checks. **You do not have a credit card.** This means you cannot spend more money than you have in your account.
2. You need to calculate the balance in your checkbook every time you make a deposit or write a check.
3. You will deposit some money into a savings account every month. This is money you can't spend.
4. Every so often you'll receive a Wild Expense or a Surprise Income card. This will be something you didn't expect – a car repair bill, or a surprise birthday gift.
5. How do you know what your income and expenses are? Your teacher may simply give you the numbers. Or you'll spend some time researching and calculating them.

We will all follow these two basic rules:

- Rule 1: You must pay ALL your regular bills immediately after receiving your salary at the beginning of each month.**
- Rule 2: If you overdraw your account, you will be charged \$25 per check. No Exceptions!**

Now you're ready for your first paycheck.

Income and Deductions

You earn an annual salary of \$26,000. This project will be about seeing where all that money goes.

Here are some finance words and terms you need to be familiar with.

Income	Money that you receive
Expense	Money that you pay
Salary	The money you receive for working. This is a flat amount per week, per month, or per year.
Deduct	To take out of, or subtract. Taxes are subtracted from your salary.
Deduction	Money that is taken out of your salary before you receive your paycheck. Examples of deductions are income tax and medical insurance.
Gross income	Your salary – the amount you’re paid before taxes and other deductions are taken out.
Net income	Income after deductions are taken out. Net income is less than gross.
Annual	Yearly – once a year
Monthly	Once a month. How many times a year is this? _____

You are paid on the first day of each month. Money is deducted (taken out) of your salary before you get paid. There are 5 deductions listed on the back of this page. The other deductions are taxes. You need to calculate their amounts both for the year and for each month.

First, write down how you will do these calculations.

How do you convert an annual amount into a monthly amount? _____

How do you find a percentage of an amount? _____

How do you calculate your monthly salary after you know how much is deducted? _____

Your Deductions

Medical Insurance

Your medical insurance costs you only **\$200 per month** (that's cheap). It covers all big medical problems that are likely to happen, including dental and vision. But remember that every time you walk into a doctor's office or clinic, you will need to write a check for your "co-pay" -- your share of the bill. Usually that is \$25.

Taxes

Your other deductions are taxes. The amount of tax you pay is calculated as a percent of your income.

Use this table to calculate how much money is deducted from your salary both annually and monthly. The tax rates are simplified to make the calculations easier.

You don't need to fill in the cells that are gray.

Name of Deduction	Tax Rate	Annual Amount	Monthly Amount
Federal withholding tax (income tax)	15% of gross income		
Social Security/Medicare tax	7% of gross income		
State income tax	20% of federal income tax		
Medical insurance			\$200
Total monthly deductions			

Your Income

Now you can calculate your net monthly income - in other words, how much you get paid each month.

Your gross annual income (listed at the top of the other side) _____

Your gross monthly income: _____

Total monthly deductions: _____

Net monthly income: _____

This is the amount you deposit in your checking account on the first of each month.

Expense 1: Housing

Look through the Real Estate section of the newspaper to find a house or apartment for rent. You may share the place with other people if you want – it's cheaper.

Cut the ad out and staple it at the right.

What is the monthly rent? _____

Who else will live there? _____

What is your share of the rent? Write the equation. _____

Expense 2: Wheels

Go shopping for a car. Look in the newspaper's classified ads, a car shopping paper, or go online.

Cut the ad out and staple it at the right.

One way to get a new car is to lease one. In some ways, this is simpler. You will then have a flat monthly payment. Of course, you then either give the car back after 3 years, or pay off the rest of the cost all at once. More information on leasing is on the back.

The other choice is to buy a car, either new or used. To buy a car, you will need to take out a loan. You'll also need to insure the car. Information on car loans is on pages 7 and 8.

Paying for your car – Lease or Buy?

There are 2 ways you can pay for your car: leasing or buying. Either way, you are going to make monthly payments. And either way, you will pay a lot more than the advertised price of the car.

Leasing

Leasing a car is a little like “renting” it. You pay a certain amount each month for the use of the car, like renting an apartment or house. But most car leases only last for about 3 years. At the end of that time, you either return the car to the leasing company, or buy it from the company by paying a price that the leasing company sets. You would need to take out a loan to do that.

Leasing is cheaper than buying for the first 2 or 3 years. However, the total cost of leasing a car is higher than buying. You can only lease a new car – it is usually impossible to lease a used car.

To calculate the cost of leasing a car:

1. To calculate the cost of leasing, start with the per-month lease payment: _____
2. Multiply it by the number of months on the lease. Write the equation: _____
3. Read the ad carefully and find the amount that is “due at signing:” _____
This includes various fees, registration, and perhaps a down payment. Usually you pay this in cash at the start, but we’ll include this in your lease.
4. Add the total of the lease payments (Line 2) to the amount due at signing (Line 3): _____

This is the total lease amount. This is what you’ll pay for just the 36 or 39 months of the lease. If you want to keep driving it after that, you need to buy the car. This is why the total cost of leasing a car is usually more than buying it in the first place.

If you still want to lease your car, divide the total lease amount on Line 4 by the number of months in the lease.

This is your monthly payment. Write the equation here: _____

Buying a New Car with a Loan

How much does it REALLY cost?

More than the price in the ad, unfortunately. In almost every state, new car buyers pay at least 3 other charges: sales tax, registration, and some kind of dealer charge (delivery or preparation fee).

Write the state **sales tax rate** here: _____ Calculate the **sales tax** on your car: _____

Someone needs to research what it costs to register a car.

Let's say that the dealer preparation/delivery/conveyance charge is \$200 (it's often much more).

Fill in the table below and add these 3 charges to find the total cost of your car.

Price of the car	
Sales tax	
Registration	
Dealer charges	\$ 200.00
Total price of car	

Getting a loan

Buying a car involves going to a bank or loan company and getting a loan. You will pay interest on the loan, and pay off the amount you borrowed, plus the amount of the interest, in monthly payments that last for 2 to 6 years. At the end of that time, you own the car.

To calculate how much the car loan will cost, we need to know some terms.

Principal The amount of money you borrow to pay for the car.

Down payment The amount of cash you are paying (not borrowing).
The down payment + the principal = Price of the car

Interest The money that the bank charges you for the money they loan you.
Interest is given as an annual percentage rate. If the rate is 5%, the bank is charging you 5% of the amount you haven't repaid yet each year.

Total cost: Principal + Total interest paid = Total loan cost

Since you're just starting out and may not have any money saved, let's pretend that your bank is not going to ask you for a down payment. In real life, that doesn't happen often.

You can choose how long you take to pay off a loan (up to 6 years). The longer it takes, the less you pay each month. **HOWEVER**, remember that you are paying interest on all the money you haven't repaid to the bank. So if you take 6 years to repay a loan, your total interest is much higher than if you repaid the loan in 3 years.

Calculating how much your loan would cost is complex, so we will use a Loan Calculator. There are many computer programs and websites that do this. Here is one of them:

<http://www.statefarm.com/learning/calc/carloan.asp>

To calculate your loan cost, you need to know these 3 numbers:

1. The total price of the car from above (including sales tax and other charges)
2. The interest rate (you can get this from a bank's website)
3. The number of monthly payments (how do you calculate the number of months?)

You can enter 36 as the number of payments if you want to repay the loan in 3 years, and the Loan Calculator will figure out the amount of your monthly payment.

You should use the Loan Calculator more than once. This lets you compare the total cost of repaying your loan quickly (2 years is very quick) and slowly (6 years is the maximum). This will give you an idea of how much more it costs you to repay the loan slowly.

Fill out the table below to see the difference. Then circle or highlight the loan schedule you choose.

Number of Years	Number of Monthly Payments	Principal	Interest Rate	Monthly Payment	Total Cost (Principal + Total Interest)	Total Interest Paid
2						
3						
4						
5						
6						

Buying a Used Car with a Loan

The process is exactly the same as shown on these 2 pages, except of course the price is much less. However, sometimes interest rates are higher for used car loans than they are for new cars.

If you're buying a used car, complete the table above just as you would for a new car.

Expense 3: Driving your car

3A: Insurance

All drivers need to have insurance. There are 2 basic types of insurance: liability insurance, (to pay for other people's expenses if you cause an accident), and collision insurance (for damage to your own car). There are other expenses that insurance can cover, but these are the most important.

Car insurance for young drivers can be very expensive, especially if they cause accidents or get tickets. Insurance companies give lower rates to drivers who go years without doing either of these, and also for drivers in school who get good grades.

You, of course, are a responsible driver with straight As. Let's say your insurance company charges you **\$100 per month** for car insurance. That's pretty cheap for a brand new driver.

3B: Fuel

Assume that you drive 200 miles per week. How many miles is this per month? _____

Find out the mileage rating for your car. In other words, how many miles will this car drive on one gallon of gas? _____

How many gallons of gas will your car need per month? Write the entire equation: _____

What is the cost of a gallon of gas these days? Use an actual amount. _____

How much will you spend on fuel each month? Write the entire equation. _____

3C: Maintenance

Even if you have a brand-new car, you'll still pay something for maintenance and repair: oil changes, getting a flat tire fixed, etc. Let's say you'll spend **\$10 per month** on this.

If you have a used car, expect this figure to be higher.

Expense 4: Utilities

Utilities are things or services which are delivered to you and are necessary for you to live comfortably. Examples include electricity, heat (oil, gas, electricity, wood, or coal), water, garbage pickup, and sewage disposal. The last 3 are usually provided by the city or town and are discussed on the next page.

If you share your house/apartment, you split these expenses equally with the other people.

4A: Electricity

This covers electricity for appliances and lighting only – not for heating.

If you have an actual electric bill for a house or apartment about the size of the one you're renting, you can use that amount.

If you don't, assume you will pay \$25 per room per month for electricity. Write the equation here: _____

4B: Heating

How is your apartment or house heated? _____

If you have an actual bill for that type of heat for a house or apartment about the size of the one you're renting, you can use that amount.

If not, use the figures below. Heating a house cost more per room than heating an apartment. **You need to calculate the cost per month for your type of heat.**

You only pay for heating from October 1 through May 1. You write a check to the heating supplier on those dates and for every month in between.

Type of Heat	House	Apartment	Cost per Month for your House/apartment (Number of rooms × Cost per room)
Electricity	\$50 per room per month	\$40 per room per month	
Natural gas	\$40 per room per month	\$30 per room per month	
Oil	\$50 per room per month	\$40 per room per month	
Wood or coal	\$30 per room per month		

Expense 5: Communications & Entertainment

Telephone, TV, and Internet

These expenses are often “bundled” – more than one service is provided by a single company for a single reduced price which is less than you could find if you bought them from separate companies. **HOWEVER**, you buy all bundled services even if you don’t use them all. And the phone service is for a landline, not for cell phones. If you want a cell phone, you’ll have to pay for that separately.

5A: Cell phone service

Research the cost of a cell phone and plan. Pay attention to what a plan offers and make sure it includes what you need (enough telephone minutes and text messaging at least) and doesn’t include what you don’t need. Same with the phone – do you really need an iPhone?

A reliable insurance policy in case your phone is stolen or ruined will cost around \$10 per month extra. That’s a lot, but this insurance policy pays everything with no deductible.

Cost of phone (one-time cost): _____

Cost of plan (per month): _____

Add insurance (\$10 per month) if you want it: _____

5B: Cable TV

Research the cost of cable or satellite TV service. There is an installation charge.

Installation (one-time cost) _____

Cost of service (per month): _____

5C: Internet

Research the cost of Internet service. There is an installation charge. Cable internet is provided by Cable TV companies. DSL Internet services are provided by phone companies. The costs are bundled, but remember that the phone is a landline, not a cell phone.

Installation (one-time cost) _____

Cost of service (per month): _____

Expense 6: City Services

Water, Garbage, Sewage

Most of us take these for granted. But someone has to pay for them. If you rent a house, you will usually pay for these separately. If you rent an apartment, the cost of these is probably included in your lease and you don't need to pay them.

Research the cost of each of these services per month. Perhaps your parents or someone you know will give you a bill to work from. Garbage and sewer fees are usually a flat fee, so the size of your house doesn't matter. If the city provides your water, you pay according to how much you use.

Monthly cost of garbage pickup: _____

Monthly cost of sewage service: _____

Average monthly cost of water: _____

Shared Expenses

If you live with other people, everyone splits the cost of utilities equally.

Complete this table. Supply the number of people in your house or apartment. Write the total monthly cost down and calculate your share. In the last column, you need to write the equation that gives your share.

One expense not listed above is household supplies – things like a broom, cleaners, dish soap, garbage bags, etc. These will cost **\$20 per month**. Calculate your share of this expense below.

Number of People	Name of Expense	Total Monthly Cost	Your share (write the equation)
	Electricity		
	Heat		
	Cable/satellite TV		
	Internet		
	Telephone (landline)		
	Garbage		
	Sewage		
	Water		
	Household supplies		

Expense 7: Food

You have two types of food expenses: food that you buy in a store and cook at home, and food that you buy in a restaurant.

For now, assume that you spend **\$100 per month** on store-bought food. This will also cover personal supplies like toothpaste, soap, and so on that people often buy in supermarkets.

Complete the table below to calculate how much you'll spend in restaurants. This includes anyplace you buy food ready-to-eat at: a pizza place, a diner, deli, or bakery, McDonald's, or a fancy restaurant.

Think about where you like to eat, and how much a typical meal costs.

Name of Restaurant	Number of meals per month at this restaurant	Cost per meal	Total per month spent at this restaurant
Total spent in restaurants			

Add the amount you spend on store-bought food:

+ \$100.00

Total spent on food per month:

Expense 8: Charity

Everyone has a responsibility to contribute to society. That doesn't mean paying taxes - it means voluntarily doing things that are good for everyone (cleaning your neighborhood or building a bus shelter, for instance). It can also mean helping people less fortunate than you.

One important way of helping is to donate money to an organization that works for the good of society. Examples of such organizations are the Red Cross, the Salvation Army, St. Vincent DePaul, Goodwill, the Lions Club, and so on. Churches, hospitals, clinics, and tutoring services are other examples.

As a working member of society, you are now in a position to help others. Donating at least **\$50 per month** to a charity of your choice is a good start.

Expense 9: Savings

Think of saving money as paying yourself in the future. This is another good habit that many people don't develop until much later in life.

Every dollar that you save now will earn interest for as long as you don't spend it. People who make no more money than you can retire as millionaires by putting money away each month. You should write a check for at least **\$100 per month** to a savings account.

Your Basic Monthly Expenses

Your take-home salary is _____ **per month**. This is the amount of your paycheck after taxes and medical insurance have been deducted.

There is a list of your essential bills on the back. These are the first expenses that you pay each month, right after depositing your salary. The amounts for your living expenses are based on your sharing a house or apartment with 2 or 3 other people. These expenses include rent, electricity, heat, water, garbage, sewage, landline phone, TV, Internet, and household expenses.

You may not need to pay each of these – if you decide not to get cable TV, Internet, and a landline phone, for instance.

To fill out the deposit slip:

1. Write your name and the date on the correct lines (Your name would be printed on real slips.)
2. Enter the amount you're depositing (the full amount of your paycheck) on the **Check 1** line.
3. Enter the same amount on the **Subtotal** line.
4. If you want a few dollars in cash, enter that amount on the Less Cash line and subtract that amount from the Subtotal. Sign for it on the signature line.
5. Enter the difference on the **Total** line.

Paying your bills:

You need to supply the names of the people, businesses, or groups that you make the checks payable to. These are the **Payees**. Find out the name of the electric company, the bank which gave you your car loan, etc. You can always make up a name if you need to.

If you've never written a check:

Not many people write checks these days. In case you've never learned what to do, or need reminding, here are the steps:

1. Use a non-erasable pen!

2. Write your name in the upper left.
3. Write the check number in the upper right. The first check you write will be **101**.
Your name and the check numbers are already printed on real checks.
4. Write the name of the Payee on the "Pay to the Order of" line.
5. Write the amount of the check in the small box. Be sure you include the decimal point and the number of cents.
6. On the full line, write the amount in words. Write the number of cents as a fraction with 100 as the denominator. **Example:** \$112.35 = one hundred twelve and 35/100
7. On the "For" line, write a note explaining what the check is for.
8. Sign the check.

Complete the table on the back. In the bottom rows, add up the total of these expenses, and calculate how much of your monthly salary is left after paying them.

Basic Monthly Bills

		Write the amount of your deposit at right. Total Deposit	
Expense	Name of Check Payee	Amount per month	
Rent			
Electricity			
Heat			
Car payment			
Car insurance		\$100	
Fuel			
Car maintenance		\$10	
Cell phone			
Landline phone			
TV			
Internet			
Garbage			
Sewage			
Water			
Food (stores only)		\$100	
Household supplies			
Donations		\$50	
Savings		\$100	
	Total monthly bills (Write it again at the far right)		
		How much is left? Subtract total of bills from the amount of your deposit	

Basic Monthly Bills

		Write the amount of your deposit at right Total Deposit	
Expense	Name of Check Payee	Amount per month	
Rent		\$300	
Electricity		\$40	
Heat		\$35	
Car payment		\$350	
Car insurance		\$100	
Fuel		\$110	
Car maintenance		\$10	
Cell phone		\$30	
Landline phone		Phone, TV, Internet	
TV		are bundled for	
Internet		\$40 total per month	
Garbage		\$8	
Sewage		\$8	
Water		\$8	
Food (stores only)		\$100	
Household supplies		\$10	
Donations		\$50	
Savings		\$100	
	Total monthly bills (Write it again at the far right)		
		How much is left? Subtract total of bills from the amount of your deposit	

Basic Monthly Bills

		Write the amount of your deposit at right. Total Deposit	
Expense	Name of Check Payee	Amount per month	
Rent			
Electricity			
Heat			
Car payment			
Car insurance			
Fuel			
Car maintenance			
Cell phone			
Landline phone			
TV			
Internet			
Garbage			
Sewage			
Water			
Food (stores only)			
Household supplies			
Donations			
Savings			
	Total monthly bills (Write it again at the far right)		
		How much is left? Subtract total of bills from the amount of your deposit	

