



UCHICAGO  
STEM EDUCATION



MAGNETAR  
YOUTH INVESTMENT  
ACADEMY

# Student Handouts

## Icebreaker Questions

A great way to get to know one another is to ask questions that allow you to express your personality. Below is a list of "icebreaker" questions.

Your teacher will start by choosing a student and asking one of the questions below for the student to answer. Then it will be that student's turn to choose someone else in the class to go next. Be sure to choose someone who has not yet gone until everyone has had a turn. Each student will take one turn and share their name before they answer.

1. What is one goal you would like to accomplish during your lifetime?
2. Are you a spender or a saver?
3. What's your ideal job?
4. If you had a million dollars, what is the first thing you would do?
5. Would you rather have a job you loved with a small salary or a job that bored you and a larger salary?
6. What would your dream life look like in 20 years?
7. How much money do you need to make each year to live the life you want?
8. What is a goal you have accomplished this year?
9. On a scale of 1 to 10, 10 being highest, how important is money to you? Why?
10. Who's the wealthiest person you know?
11. Do you have a personal hero or role model? Who do you look up to and why?
12. What's your favorite thing to do in the summer?
13. If you had to describe yourself using three words, they would be...

## Magnetar Academy Student Contract

We are pleased to welcome you as a member of the Magnetar Academy! Over the next several weeks, you are going to learn how to manage and plan your financial future as well as how to invest money in the stock market. You will also have the chance to win a \$1,000 college scholarship as part of the Magnetar Academy Alumni Investment Competition among your classmates.

Please complete this form and return to your teacher.

Date: \_\_\_\_\_ School: \_\_\_\_\_

Grade: \_\_\_\_\_ Instructor Name: \_\_\_\_\_

Student Name: \_\_\_\_\_ Email Address: \_\_\_\_\_

Class Start Date: \_\_\_\_\_ Class End Date: \_\_\_\_\_ Class Meeting Time: \_\_\_\_\_

As a participant in the Magnetar Academy class and the Portfolio Competition, we expect the following from you:

Participate in each class to the fullest of your ability;

Listen to and respect the questions and comments from fellow students; and

Please also remember to keep cell phones off and to BE CURIOUS and ASK QUESTIONS.

Student Agreement:

I want to succeed and I understand that I must take individual responsibility for my own success. I will be allowed to participate in the Magnetar Academy course only if I meet the student expectations listed above.

Signature: \_\_\_\_\_

I want to complete this program because:

My hobbies/interests:

### Group Portfolio (continued)

Investment Group Name: \_\_\_\_\_

Investors: \_\_\_\_\_

	Company 1	Company 2	Company 3	Company 4	Company 5
Company Name					
Sector					
Stock Symbol					
/-					
/-					
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/-					
/-					
/-					
/-					
/-					

**Magnetar Academy Stock Universe (continued)**

8	Large	SBUX-US	STARBUCKS CORP	Consumer Discretionary	Starbucks Corporation retails, roasts, and provides its own brand of specialty coffee. The Company operates retail locations worldwide and sells whole bean coffees through its sales group, direct response business, supermarkets, and on the World Wide Web. Starbucks also produces and sells bottled coffee drinks and a line of ice creams.
9	Large	SPLS-US	STAPLES INC	Consumer Discretionary	Staples, Inc. retails office supplies, furniture, and technology. The Company's customers include consumers and businesses in the United States, Canada, the United Kingdom, and Germany. Staples serves its customers through office superstores, mail order catalogs, the Internet, and a contract business.
10	Large	TIF-US	TIFFANY & CO	Consumer Discretionary	Tiffany & Co. operates jewelry stores and manufactures products through its subsidiary corporations. The Company operates retail stores in the Americas, Asia-Pacific, Japan, Europe and the United Arab Emirates, and also engages in direct selling through Internet, catalog and business gift operations.
11	Mid	WSM-US	WILLIAMS-SONOMA INC	Consumer Discretionary	Williams-Sonoma, Inc. retails cooking and serving equipment, home furnishings, and home accessories through retail stores, mail order catalogs and e-commerce. The Company offers its merchandise under the Williams-Sonoma, Pottery Barn, Pottery Barn Kids, Pottery Barn Teen, and West Elm.
12	Small	ZQK-US	QUIKSILVER INC	Consumer Discretionary	Quiksilver, Inc. is an outdoor sports lifestyle company, which designs, produces and distributes a diversified mix of branded apparel, footwear, accessories, snowboards and related products. The Company's apparel and footwear brands represent a casual lifestyle for young-minded people that connect with its board riding culture and heritage.
13	Large	CCE-US	COCA-COLA ENTERPRISES	Consumer Staples	Coca-Cola Enterprises Inc. markets, sells, manufactures, and distributes non-alcoholic beverages. The Company provides refreshments, including sparkling waters, juices, isotonic, teas, and sodas. Coca-Cola Enterprises operates internationally.
14	Mid	ENR-US	ENERGIZER HOLDINGS INC	Consumer Staples	Energizer Holdings, Inc. manufactures dry cell batteries and flashlights. The Company offers a full line of products, including alkaline, carbon zinc, miniature, and rechargeable batteries, as well as lighting products. Energizer also manufactures and markets a range of razor and shave related products on a global basis.
15	Mid	FLO-US	FLOWERS FOODS INC	Consumer Staples	Flowers Foods, Inc. produces and markets packaged bakery foods for retail and foodservice customers. The Company offers fresh packaged and frozen bakery products as well as pastries, doughnuts and bakery snack products.
16	Large	HSY-US	HERSHEY CO/THE	Consumer Staples	The Hershey Company manufactures chocolate and sugar confectionery products. The Company's principal products include chocolate and sugar confectionery products; gum and mint refreshment products; and pantry items, such as baking ingredients, toppings and beverages.

### Magnetar Academy Stock Universe (continued)

26	Large	HAL-US	HALLIBURTON CO	Energy	Halliburton Company provides energy services and engineering and construction services, as well as manufactures products for the energy industry. The Company offers services and products and integrated solutions to customers in the exploration, development, and production of oil and natural gas.
27	Small	IO-US	ION GEOPHYSICAL CORP	Energy	ION Geophysical Corporation provides geophysical technology, services, and solutions for the global oil and gas industry.
28	Small	MDR-US	MCDERMOTT INTL INC	Energy	McDermott International, Inc. is a worldwide energy services company. The Company and its subsidiaries provide engineering, fabrication, installation, procurement, research, manufacturing, environmental systems, project management, and facility management services to a variety of customers in the energy and power industries, including the U.S. Department of Energy.
29	Large	MRO-US	MARATHON OIL CORP	Energy	Marathon Oil Corporation is an independent international energy company engaged in exploration and production, oil sands mining and integrated gas. The Company's operations are focused in North America, Africa and Europe.
30	Mid	NE-US	NOBLE CORP PLC	Energy	Noble Corporation provides diversified services for the oil and gas industry. The Company provides contract drilling services with its fleet of offshore drilling units located in markets worldwide. Noble also provides labor contract drilling services, well site and project management services, and engineering services.
31	Mid	PTEN-US	PATTERSON-UTI ENERGY INC	Energy	Patterson-UTI Energy, Inc. provides land-based drilling services to major and independent oil and natural gas companies. The Company conducts drilling operations in Texas, New Mexico, Utah, Oklahoma, Louisiana, and western Canada. Patterson-UTI is also involved in pressure pumping, oil and gas exploration and production, and drilling and completion fluids services.
32	Small	PVA-US	PENN VIRGINIA CORP	Energy	Penn Virginia Corporation explores for and produces oil and natural gas. The Company also collects royalties and overriding royalty interests on various oil and gas properties, coal mineral rights, and related royalties. Penn explores for crude oil and condensate and natural gas in the Appalachian Basin. The Company operates in VA, WV, and KY.
33	Small	SFY-US	SWIFT ENERGY CO	Energy	Swift Energy Company is an independent oil and gas company that explores, develops, acquires, and operates oil and gas properties. The Company focuses on United States onshore and inland water areas of the Texas and Louisiana Gulf Coast.
34	Mid	TDW-US	TIDWATER INC	Energy	Tidewater Inc. provides offshore supply vessels and marine support services to the offshore energy exploration, development, and production industry. The Company tows and anchors mobile drilling rigs and equipment, transports supplies and personnel, and supports pipe laying and other offshore construction activities.

### Magnetar Academy Stock Universe (continued)

44	Small	KRC-US	KILROY REALTY CORP	Financials	Kilroy Realty Corporation is a real estate investment trust engaged in the ownership, acquisition, development and operation of office and industrial properties located in California and Washington.
45	Mid	LRY-US	LIBERTY PROPERTY TRUST	Financials	Liberty Property Trust is a self-administered and self-managed Maryland real estate investment trust. The Trust's industrial properties consist of a variety of warehouse, distribution, service, assembly, light manufacturing and research and development facilities. Its office Properties are multi-story and single-story office buildings.
46	Small	PJC-US	PIPER JAFFRAY COS	Financials	Piper Jaffray Companies, Inc. is a financial services firm. The Company provides investment advice and services to businesses, institutions, and individuals. Piper's investment banking business focuses on the needs of emerging growth companies in the healthcare, technology, financial, consumer, and industrial growth sectors.
47	Mid	WABC-US	WESTAMERICA BANCORPORATION	Financials	Westamerica Bancorporation is the holding company for Westamerica Bank and Bank of Lake County. The Banks provide a full range of services to individual and corporate customers in northern and central California. The Company's other subsidiaries finance accounts receivable and inventory lines of credit and term business loans, as well as provides data processing services to the Company.
48	Mid	WDR-US	WADDELL & REED FINANCIAL-A	Financials	Waddell & Reed Financial, Inc., through its subsidiaries, serves as investment advisor and exclusive underwriter and distributor for a family of mutual funds. The Company's funds include the Waddell & Reed Advisors Funds, W&R Funds, Inc., Ivy Funds, and the W&R Target Funds, Inc.
49	Large	AET-US	AETNA INC	Health Care	Aetna Inc. is a diversified health care benefits company that provides healthcare and related benefits, serving health care members, dental members, and group insurance customers. The Company offers medical, pharmacy, dental, behavioral health, group life and disability plans, and medical management capabilities and health care management services for Medicaid plans.
50	Large	AGN-US	ALLERGAN INC	Health Care	Allergan, Inc. is a multi-specialty health care company that develops and commercializes pharmaceuticals, biologics, medical devices and over-the-counter products for the ophthalmic, neurological, medical aesthetics, medical dermatology, breast aesthetics, obesity intervention, urological and other specialty markets globally.
51	Small	CBM-US	CAMBREX CORP	Health Care	Cambrex Corp. supplies products, services, and technologies for the Life Sciences and fine chemicals industry. The Company builds platforms for use in manufacturing small molecule Active Pharmaceutical Ingredients (APIs) and pharmaceutical intermediates including drug delivery. Cambrex's services include process & analytical development, scale-up in addition to generic APIs.



### Magnetar Academy Stock Universe (continued)

60	Mid	TFX-US	TELEFLEX INC	Health Care	Teleflex Incorporated is a global provider of medical technology products. The Company primarily develops, manufactures and supplies single-use medical devices used by hospitals and healthcare providers for common diagnostic and therapeutic procedures in critical care and surgical applications.
61	Large	BA-US	BOEING CO/THE	Industrials	The Boeing Company, together with its subsidiaries, develops, produces, and markets commercial jet aircraft, as well as provides related support services to the commercial airline industry worldwide. The Company also researches, develops, produces, modifies, and supports information, space, and defense systems, including military aircraft, helicopters and space and missile systems.
62	Small	BGG-US	BRIGGS & STRATTON	Industrials	Briggs & Stratton Corporation designs, manufactures, markets, and services air cooled gasoline engines for outdoor power equipment. The Company's engines are aluminum alloy gasoline engines ranging from three to 25 horsepower. Briggs & Stratton markets and services its products to original equipment manufacturers worldwide.
63	Large	CAT-US	CATERPILLAR INC	Industrials	Caterpillar Inc. designs, manufactures and markets construction, mining and forestry machinery. The Company also manufactures engines and other related parts for its equipment, and offers financing and insurance. Caterpillar distributes its products through a worldwide organization of dealers.
64	Mid	CR-US	CRANE CO	Industrials	Crane Co. manufactures engineered industrial products. The Company's products include vending machines, airplane braking devices, pumps, valves, and other industrial goods. Crane serves the aerospace manufacturing, power generation, hydrocarbon processing, commercial and residential building, plumbing, and food and beverage production industries.
65	Mid	JBLU-US	JETBLUE AIRWAYS CORP	Industrials	JetBlue Airways Corporation provides nonstop passenger flight service through its Airbus A320 aircraft. The Company's airline is based in New York's John F. Kennedy Airport and currently flies to various destinations in the United States.
66	Large	LUV-US	SOUTHWEST AIRLINES CO	Industrials	Southwest Airlines Co. is a domestic airline that provides primarily short-haul, high-frequency, point-to-point service. The Company offers flights throughout the United States.
67	Small	MINI-US	MOBILE MINI INC	Industrials	Mobile Mini, Inc. provides portable storage solutions through its lease fleet of portable storage units. The Company operates various branches in southwestern and western states. Mobile Mini's customers include retailers, small and large businesses, construction companies, schools, governmental entities, and homeowners.
68	Mid	MLHR-US	HERMAN MILLER INC	Industrials	Herman Miller, Inc. researches, designs, manufactures, and distributes interior office furnishings, furniture systems, products, and services. The Company markets its products to companies, organizations, and individuals.



### Magnetar Academy Stock Universe (continued)

78	Large	HPQ-US	HEWLETT-PACKARD CO	Information Technology	Hewlett-Packard Company provides imaging and printing systems, computing systems, and information technology services for business and home. The Company's products include laser and inkjet printers, scanners, copiers and faxes, personal computers, workstations, storage solutions, and other computing and printing systems. Hewlett-Packard sells its products worldwide.
79	Mid	IT-US	GARTNER INC	Information Technology	Gartner, Inc. provides research and analysis on the computer hardware, software, communications, and related information technology industries. The Company's business segments include research, consulting, measurement, events and executive programs.
80	Mid	JKHY-US	JACK HENRY & ASSOCIATES INC	Information Technology	Jack Henry & Associates, Inc. develops, markets, and installs integrated computer systems for in-house and service bureau data processing to banks and other financial institutions. Jack Henry also performs data conversion and software installation and customization for the implementation of its systems along with continuing customer maintenance.
81	Large	MSFT-US	MICROSOFT CORP	Information Technology	Microsoft Corporation develops, manufactures, licenses, sells, and supports software products. The Company offers operating system software, server application software, business and consumer applications software, software development tools, and Internet and intranet software. Microsoft also develops video game consoles and digital music entertainment devices.
82	Small	MTSC-US	MTS SYSTEMS CORP	Information Technology	MTS Systems Corporation manufactures computer-based testing and simulation systems for determining the mechanical behavior of materials, products, and structures. The Company also manufactures measurement and control instrumentation products for the automation of manufacturing processes.
83	Small	PRGS-US	PROGRESS SOFTWARE CORP	Information Technology	Progress Software Corporation develops, markets, and distributes application development, deployment, and integration software to business, industry, and government worldwide. The Company's products include databases, application servers, messaging servers, and development tools for Internet/Web, extranet, and intranet applications as well as for client/server and host applications.
84	Large	YHOO-US	YAHOO! INC	Information Technology	Yahoo! Inc., is a global Internet media company that offers communications, content, and a community platform that delivers consumer experiences and advertising solutions across digital screens. The Company's site includes a hierarchical, subject-based directory of Web sites, which enables users to locate and access information.
85	Large	AA-US	ALCOA INC	Materials	Alcoa Inc. produces primary aluminum, fabricated aluminum, and alumina, and participates in mining, refining, smelting, fabricating, and recycling. The Company serves customers worldwide primarily in the transportation, packaging, building, and industrial markets with both fabricated and finished products.

### Magnetar Academy Stock Universe (continued)

95	Mid	VAL-US	VALSPAR CORP	Materials	The Valspar Corporation manufactures and distributes coatings, coating intermediates, and specially chemical products. The Company manufactures products such as wood coatings, metal coatings, composites and glass coatings, polymers, resins, and dispersions products. Valspar distributes its products to customers in North America and other countries around the world.
96	Large	X-US	UNITED STATES STEEL CORP	Materials	United States Steel Corporation is an integrated steel producer flat-rolled and tubular products with production operations in North America and Europe. The Company uses iron ore and coke as primary raw materials for steel production.
97	Small	ATNI-US	ATLANTIC TELE-NETWORK INC	Telecomm Services	Atlantic Tele-Netw, Inc. provides telecommunications services to rural, niche, and other under-served markets and geographies. The Company, through subsidiaries, provides both wireless and wireline connectivity to residential and business customers. Atlantic Tele-Netw also provides a range of mobile wireless solutions, local exchange services and broadband internet services.
98	Large	CCI-US	CROWN CASTLE INTL CORP	Telecomm Services	Crown Castle International Corp. operates as a real estate investment trust. The Company owns, operates, and leases towers and other infrastructure for wireless communications. Crown Castle manages and offers wireless communication coverage and infrastructure sites in the United States and Australia.
99	Large	CTL-US	CENTURYLINK INC	Telecomm Services	Centurylink Inc. is an integrated communications company that provides communications services, including voice, local and long-distance, network access, private line (including special access), public access, broadband, data, managed hosting (including cloud hosting), colocation, wireless and video services.
100	Small	LMO5-US	LUMOS NETWORKS CORP	Telecomm Services	Lumos Networks Corp. is a fiber-based service provider in the Mid-Atlantic region serving carrier, business and residential customers over a dense fiber network offering data, voice and IP services. With headquarters in Waynesboro, VA, Lumos Networks serves Virginia, West Virginia and portions of Pennsylvania, Kentucky, Ohio, and Maryland.
101	Mid	LVLT-US	LEVEL 3 COMMUNICATIONS INC	Telecomm Services	Level 3 Communications, Inc. is an integrated communications network company that provides Internet Protocol and data services, content distribution services, colocation services, and softswitch and voice services.
102	Small	NIHD-US	NIH HOLDINGS INC	Telecomm Services	NIH Holdings Inc., provides mobile communications for business customers in Latin America. The Company has operations in Argentina, Brazil, Chile, Mexico, and Peru, offering a fully integrated wireless communications tool with digital cellular service, text/numeric paging, wireless internet access, and Nextel DirectConnect, a digital two-way radio feature.
103	Mid	SBAC-US	SBA COMMUNICATIONS CORP-CL A	Telecomm Services	SBA Communications Corporation owns and operates wireless communications infrastructure in the United States. The Company offers both site leasing and site development services. SBA leases antenna space on its multi-tenant towers to a variety of wireless service providers under long-term lease contracts. The Company also offers site development consulting and construction.

### Magnetar Academy Stock Universe (continued)

113	Large	D-US	DOMINION RESOURCES INC/VA	Utilities	Dominion Resources, Inc., a diversified utility holding company, generates, transmits, distributes, and sells electric energy in Virginia and northeastern North Carolina. The Company produces, transports, distributes, and markets natural gas to customers in the Northeast and Mid-Atlantic regions of the United States.
114	Small	EE-US	EL PASO ELECTRIC CO	Utilities	El Paso Electric Company generates, distributes, and transmits electricity in west Texas and southern New Mexico. The Company also serves wholesale customers in Texas, New Mexico, California, and Mexico. El Paso Electric owns or has partial ownership interests in electrical generating facilities.
115	Small	LG-US	LACLEDE GROUP INC/THE	Utilities	The Laclede Group, Inc. is the parent company for Laclede Gas Company, a public utility involved in the retail distribution of natural gas. The Company serves an area in eastern Missouri, including the city of St. Louis, St. Louis County, and parts of several other counties. Laclede also operates underground natural gas storage fields and transports and stores liquid propane.
116	Small	NJR-US	NEW JERSEY RESOURCES CORP	Utilities	New Jersey Resources Corporation provides retail and wholesale energy services to customers in New Jersey and in states from the Gulf Coast to New England, and Canada. The Company's principal subsidiary, New Jersey Natural Gas Co., is a local distribution company serving customers in central and northern New Jersey.
117	Mid	OGE-US	OGE ENERGY CORP	Utilities	OGE Energy Corp., through its principal subsidiary Oklahoma Gas and Electric Company, generates, transmits, and distributes electricity to wholesale and retail customers in communities in Oklahoma and western Arkansas. The Company, through Enogex Inc., operates natural gas transmission and gathering pipelines, has interests in gas processing plants, and markets electricity.
118	Mid	PNM-US	PNM RESOURCES INC	Utilities	PNM Resources Inc. is a holding company. The Company, through its subsidiaries, generates, transmits, and distributes electricity. PNM Resources also transmits, distributes, and sells natural gas.
119	Large	SO-US	SOUTHERN CO/THE	Utilities	The Southern Company is a public utility holding company. The Company, through its subsidiaries, generates, wholesales, and retails electricity in the southeastern United States. The Company also offers wireless telecommunications services, and provides businesses with two-way radio, telephone, paging, and Internet access services as well as wholesale fiber optic solutions.
120	Mid	WTR-US	AQUA AMERICA INC	Utilities	Aqua America Inc. is a water utility company. The Company supplies water to residential, commercial, industrial, and public customers. Aqua America serves residents through its water and wastewater operations in the Northeastern Southeastern, and Midwestern United States.

## SMART Goals

**S** **Specific**  
detailed, not general or vague

**M** **Measurable**  
includes some quantity or element that can be measured

**A** **Attainable**  
ambitious but reasonable; often breaks large goals into smaller pieces

**R** **Realistic**  
person is willing and able to do the work involved with this goal

**T** **Timed**  
establishes a time frame for accomplishing the goal

### Action Steps to Achievement

One short-term goal I have is:

The steps I will take in order to achieve this goal are:

One long-term goal I have is:

The steps I will take in order to achieve this goal are:

Having the right people in your corner is an important part of your plan to achieving your personal and professional goals. Below, list three people that you might reach out to who could support you in reaching your goals:

## The Financial Life Cycle

Just as each person goes through natural chapters and cycles of their lives personally, these chapters also are part of a person's financial life cycle.

As people move through their lives, planning for their and their family's financial life cycles is an important part of achieving personal goals.

### The Financial Life Cycle: Chapters

People naturally move through different financial chapters throughout the course of their lives. As people move through the chapters of childhood, high school, adulthood (which may include starting a family), and growing their career and money to prepare for retirement, constant planning is needed to make sure that a person's personal and financial goals are met.

Because every person is different, every individual will have different financial cycles through the course of his or her life. For instance, someone who begins working at 18 will have a different financial life cycle than someone who goes to college and begins working when they are 22 (one of the reasons being that people who have gone to college tend to earn more money).

Generally, the financial life cycle (almost) every person goes through is as follows:

#### Preparing for the Future: Childhood; High School; College

During this period of life, a person is preparing for his or her future. This occurs when a person is a child and teenager, and includes:

- ↳ Going to school
- ↳ Learning what money is, and how to use/spend money
- ↳ Planning, preparing, and training for a career

#### Establishing Finances and Household: Young Adult; Starting a Family

During this period of life, people begin their careers, start growing/accumulating income, and begin to establish their own households/families. This can happen at different ages, and may include:

- |  |   |
|--|---|
| ↳ Establishing a career                  | ↳ Creating a fund for children's educational future |
| ↳ Establishing credit and savings        | ↳ Investing to build wealth                         |
| ↳ Developing a financial planning system | ↳ Buying property and insurance                     |
| ↳ Repaying debt                          | ↳ Investing in retirement savings plan(s)           |
| ↳ Child bearing/rearing                  | ↳ Creating a will                                   |



## The Financial Life Cycle (continued)

### YOUNG ADULT

- First job
- Live on your own
- Plan for your future: start saving for life, dreams, retirement and emergencies
- Start to set up a financial plan
- Income increases
- Costs increase

### HIGH SCHOOL

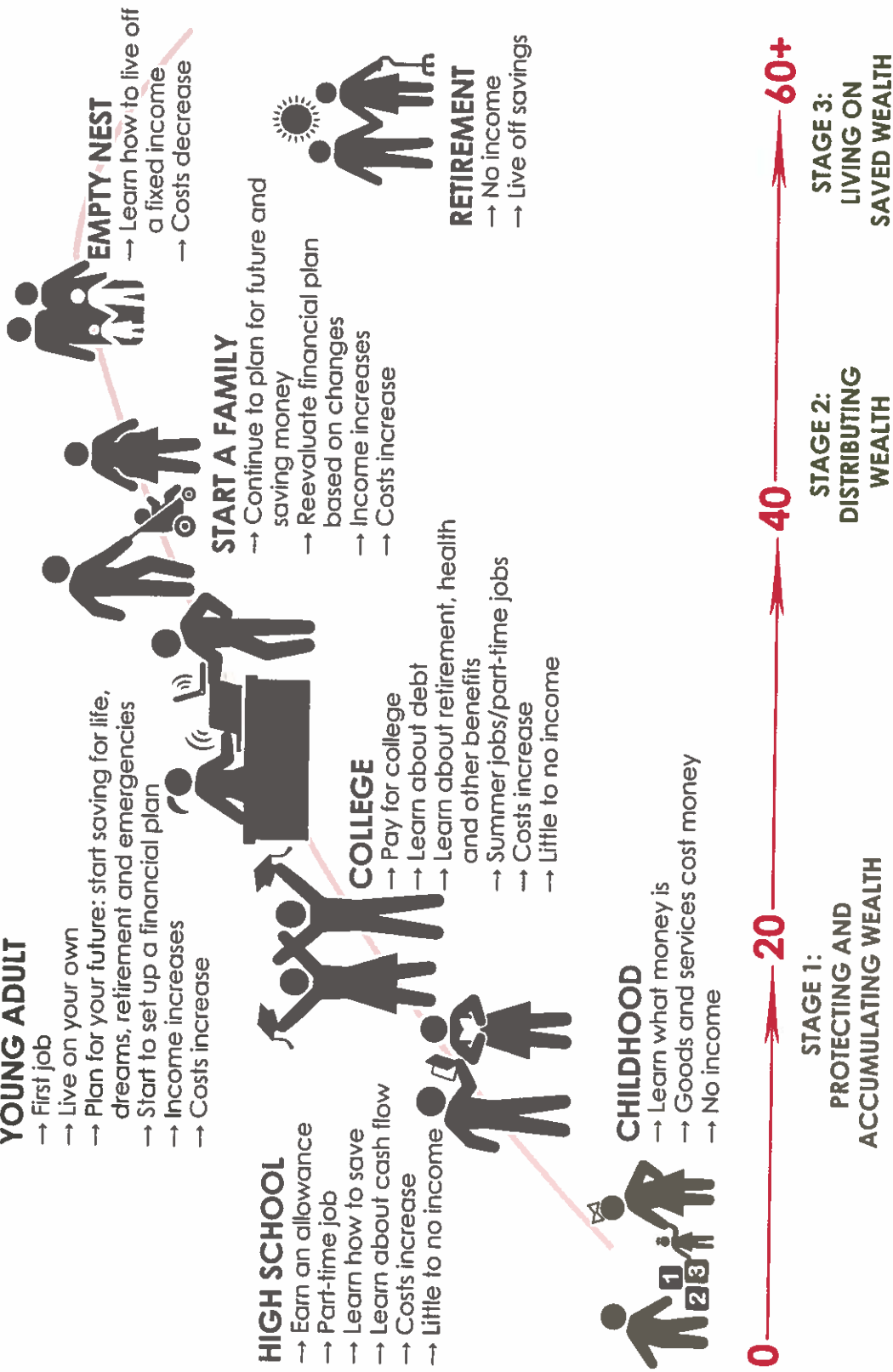
- Earn an allowance
- Part-time job
- Learn how to save
- Learn about cash flow
- Costs increase
- Little to no income

### COLLEGE

- Pay for college
- Learn about debt
- Learn about retirement, health and other benefits
- Summer jobs/part-time jobs
- Costs increase
- Little to no income

### CHILDHOOD

- Learn what money is
- Goods and services cost money
- No income





## Income Profiles

Read through each individual's profile and then identify what kind of income the person receives (*earned* or *investment*). Identify the key decisions along the way that each person made that enabled them to generate their current income in the space below each profile.



John is employed by Sony as a Senior Game Designer. He got his Bachelor's degree in computer science and started out with the company as a programmer, although he always had an interest and aptitude for design. He worked his way up to management, and then made the switch over to Design. His annual salary is \$75,000. He has a great benefits package that includes a retirement savings plan, 5 weeks of paid vacation each year, and health benefits that are helpful given that his wife is expecting twins!

Type of Income:

Key Decisions:



Rachel works as a Computer Technician for a large real estate company. She also actively invests in the stock market. She has been watching the technology industry closely for years, and her stock portfolio includes some investments in both individual technology stocks (her favorite is Apple) and some technology mutual funds. She has her savings plan in place and on automatic, and the money she invests in stocks is money she can afford to lose. Rachel also owns several buildings in Chicago, and she receives rent from her tenants on a monthly basis.

Type of Income:

Key Decisions:



Jeff is an entrepreneur and part owner of his own company in the technology industry. He spent eight years as a Computer Security Researcher, saved his money, sold some of stock, secured some investors, and started his own firm. His company develops security software for smartphones like the iPhone. His company pays him a salary as the CEO, and he also owns stock in the company.

Type of Income:

Key Decisions:

### My Career Choices: My Plan A and B

Below, list two possible career options you are interested in (Career Choice A and Career Choice B). Below each, explain how you believe these careers might fit your skill set (what you are good at) as well as your interests and what you enjoy doing.

The Bureau of Labor Statistics can be used as a resource:

<http://www.bls.gov/k12/content/students/careers/career-exploration.htm>.

Career A:	Career B:

As you research your careers, complete the following for each:

- ↳ Education/training requirements;
- ↳ Income potential;
- ↳ Primary duties; and
- ↳ Employment outlook.

Career A:	Career B:

### Savings and Insurance: Questions

Who do you currently know who saves, either from your friends, family, or community? What is their reason for saving, and does it fit with one of the risk reasons listed above?

Who do you know that currently owns insurance? What kind of insurance is it? What is their reason for owning insurance?

For what reason can you see yourself, in the future, using savings and insurance?

## Saving for Success: An Introduction to Saving

People save for different reasons such as to purchase a specific product or service or to cover expenses in case of an emergency. Why do people choose to use savings accounts? The fact is, savings accounts reduce risk and pay interest. Let's explore how.

### Savings Accounts

#### What Is a Savings Account?

A savings account is a type of bank account and probably the first account you will ever have. You can open a savings account at a bank. By depositing your savings into a savings account, you no longer have to physically hold and store the money yourself. Savings accounts allow you to keep your money in a safe place and earn a small amount of interest each month. A good savings account usually offers either a low minimum balance or has no minimum balance requirement.

#### Is Money Safer in a Savings Account?

Keeping your money in a savings account can be safer than keeping your extra money on your person or hidden at home. If you keep all your extra money on your person or hidden at home and it's lost or stolen, your money may be lost forever. Savings accounts are insured by the FDIC (Federal Deposit Insurance Corporation), which is a government agency. If something happens to your bank, the federal government ensures that you still have a right to the funds you had deposited in that bank, up to \$250,000 per bank. This insurance (free of charge to you) means that if the bank fails, you will not lose your savings. You are insured against that risk by the federal government.

#### How Do Savings Accounts Work?

- ↳ You open a savings account at a bank.
- ↳ The bank pays you interest on the money you deposit and leave in that account.
- ↳ With its deposits, the bank provides loans to other people and charges them interest on those loans.

The bank adds your interest to your account periodically, and that money becomes yours. The interest you earn then earns interest, and then that interest earns additional interest. This continues as long as you keep your money in the account. This is called compounding, and this is the key to making your savings grow.

## Saving for Success: An Introduction to Saving (continued)



### Ways to Save

<b>Savings Account</b>	A savings account is a relatively low-interest bank account from which you can typically withdraw money at any time. When you have a savings account, the bank pays you interest in return for holding your money at their institution.
<b>Money Market Account</b>	A money market account is a savings account that provides a higher interest rate in exchange for keeping a higher balance in the account. Some banks require as little as \$500 initial deposit, but many banks require a much higher amount.
<b>Certificate of Deposit (CD)</b>	<p>A CD is a type of savings account that you can get at a bank or credit union. CDs are like a savings account because they provide a secure way to save your money.</p> <ul style="list-style-type: none"> <li>↳ A CD has a fixed term (often terms of 3, 6, or 12 months and up to 5 years).</li> <li>↳ A CD has a fixed interest rate that is typically a higher interest rate than a standard savings account.</li> <li>↳ The longer the term of the CD, the higher the interest rate. Accordingly, you can potentially earn more interest with a CD.</li> <li>↳ You cannot withdraw money from CDs before the end of the term without paying a fine. Therefore, funds used for a CD are not as accessible as savings accounts.</li> <li>↳ CDs typically have minimum balance requirements.</li> </ul>
<b>529 College Savings Plan</b>	A 529 plan is an education savings plan operated by a state or educational institution designed to help families set aside funds for future college costs. 529 plans can differ from state to state. You should research the features and benefits of your plan before you invest, research other state 529 plans, and even compare between plans.
<b>Savings Bonds</b>	Savings bonds are issued by the United States government. When you buy a savings bond, you are essentially providing the US government with a loan, and they pay you interest over time in return for the loan. One example is a Series EE Bond. You can buy the bond for, say, \$25, and when it matures over time, you will receive back double that amount.

## Developing a Savings Plan

Write your savings goal below.

### Your Savings Goal

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### Action Steps to Meet Your Savings Goal

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### Joe's Budget

Joe's Monthly Budget	
<b>Income/revenue</b>	\$1,436.00
<b>Expenses/ Costs</b>	
Rent	\$500.00
Phone	\$40.00
Cable	\$35.00
Electric	\$50.00
Commuting	\$40.00
Food	\$120.00
Dunkin Donuts	\$30.00
Toiletries	\$15.00
Going out	\$100.00
Haircuts	\$25.00
Misc.	\$100.00
<b>Total expenses</b>	<b>\$1,055.00</b>
<b>Available for saving and investing</b>	<b>\$381.00</b>



Where is the money going!!!????



### Can I Afford It? Scenarios

#### Gena – Age 28 Request: An iPhone for \$499

Gena's Personal Financials

<b>Income</b>	\$4,000/month in income
<b>Expenses</b>	\$300/month in rent
<b>Debt</b>	\$5,000 car loan (her interest rate is 4.25%)
<b>Savings/Investments</b>	\$7,000 in savings

#### Elaine – Age 18 Request: A Louis Vuitton purse for \$1,060

Elaine's Personal Financials

<b>Income</b>	\$677/month in income from part-time job Lives at home with parents
<b>Expenses</b>	\$321/month
<b>Debt</b>	\$500 in credit card debt (multiple cards) (Her interest rates range from 9% to 23%)
<b>Savings/Investments</b>	\$2,000 in savings \$1,500 in investments

#### Renard – Age 56 Request: An overseas class for \$4,000

Renard's Personal Financials

<b>Income</b>	\$3,500/month in income Self-employed
<b>Expenses</b>	\$1,200/month
<b>Debt</b>	None
<b>Savings/Investments</b>	\$70,000 in savings (emergency fund) No retirement fund

## You Be the Advisor: Customer Scenarios (continued)



### Customer Scenario #2

Review the following budget in your group and decide how the customer can cut his spending and free up more money for investing. Be prepared to explain why your group chose its recommendations based on the information provided. Record your answers.

**Travis Lyle**    **Age:** 19    **Occupation:** Full-time College Student

**His need:** Travis is not working. As a full-time college student, he has to make his student loan refund last throughout a whole semester. (The student loan refund is the extra student loan money he has left over after paying his tuition and fees. He still has to pay this money back with interest after he graduates.) Breaking his refund up over the 9 months of the school year, Travis's income is about \$900 a month. Currently, he doesn't have a savings account, but wants to start one.

### Travis's Monthly Budget

INCOME: Student Loan Refund Check \$900.00			TOTAL INCOME: \$900.00		
FIXED EXPENSES		FLEXIBLE EXPENSES		OCCASIONAL EXPENSES (1/12 of Annual)	
Mortgage/Rent	\$400.00	Going Out	\$100.00	None	0
Electric	\$30.00	Groceries/Outside Meals	\$150.00		
Gas (Home)	\$40.00	Video Games	\$50.00		
Commuting	\$80.00	Clothes	\$50.00		
<i>Total</i>	\$550.00	<i>Total</i>	\$350.00	<i>Total</i>	0
TOTAL EXPENSES	\$900.00				
CASH FLOW	\$0.00				

What three suggestions do you have for Travis' budget?

How much money can he save every month for investing with your suggestions?

## You Be the Advisor: Customer Scenarios (continued)



### Customer Scenario #4

Review the following budget in your group and decide how the customer can cut his spending and free up more money for investing. Be prepared to explain why your group chose its recommendations based on the information provided. Record your answers.

**Clarence Proctor** Age: 41 Occupation: Engineer Small Business: Construction Firm

**His need:** Clarence wants to start saving \$1,500 dollars a month for his IRA to reach a maturity that can sustain him after retirement.

### Clarence's Monthly Budget

INCOME: Paycheck \$4,800.00		TOTAL INCOME: \$4,800.00			
FIXED EXPENSES		FLEXIBLE EXPENSES		OCCASIONAL EXPENSES (1/12 of Annual)	
Mortgage/Rent	\$2,150	Car Fuel	\$160.00	Savings	\$120.00
Gas	\$200	Groceries	\$100.00	Change Jar	\$0.74
Car Insurance	\$140	Hair Cut	\$30.00	Vacation	\$838.26
Taxes (IRS)	\$256	Entertainment	\$20.00		
Charity/Tithes	\$480	Landscaping	\$100.00		
Parking	\$165				
Cell Phone	\$100				
<i>Total</i>	\$3491	<i>Total</i>	\$410.00	<i>Total</i>	\$959.00
TOTAL EXPENSES	\$4,860				
CASH FLOW	(\$60)				

What three suggestions do you have for Clarence's budget and income statement?

How much money can he save every month for investing with your suggestions?

**Monthly Budget (continued)**

<b>Monthly Income: \$ _____</b>			
<b>Fixed Expenses</b>		<b>Flexible Expenses</b>	
Expense	Amount	Expense	Amount
<b>Total Fixed Expenses: \$ _____</b>		<b>Total Flexible Expenses: \$ _____</b>	
<b>Total Monthly Expenses: \$ _____</b>			
<b>Bottom Line: \$ _____</b>			

## Credit Unions and Banks – Similarities and Key Differences

Similarities	
<ul style="list-style-type: none"> <li>↳ Offer members/customers access to checking and savings accounts, loans, credit cards, and CDs.</li> <li>↳ Operate under federal and/or state charters.</li> <li>↳ Deposits up to \$250,000 are insured by the FDIC (Federal Deposit Insurance Corporation) or NCUA (National Credit Union Administration).</li> <li>↳ Subject to regulatory and federal insurance examinations.</li> </ul>	
Differences	
CREDIT UNION	BANK
<ul style="list-style-type: none"> <li>↳ Non-profit financial cooperative owned by its members and governed by an unpaid board of directors elected by members.</li> <li>↳ Exempt from paying federal income tax which then lowers the interest rates for most offered services.</li> <li>↳ Sometimes charge monthly membership fees (average less than \$20).</li> </ul>	<ul style="list-style-type: none"> <li>↳ For-profit owned by private investors and governed by a board of directors chosen by stockholders.</li> <li>↳ Must pay federal income tax.</li> <li>↳ Charge higher interest rates and multiple fees for services.</li> </ul>
<ul style="list-style-type: none"> <li>↳ Each charter defines its membership requirements. Members usually share a common bond, such as belonging to the same organization or association, church, or living in the same geographical area.</li> </ul>	<ul style="list-style-type: none"> <li>↳ Anyone in the general public can be a bank customer based on bank requirements, such as minimum balance and income.</li> </ul>
<ul style="list-style-type: none"> <li>↳ Members are given equal voting power for decisions that affect the credit union.</li> </ul>	<ul style="list-style-type: none"> <li>↳ Stockholders are given one vote per share of stock owned. Customers do not vote on decisions.</li> </ul>
<ul style="list-style-type: none"> <li>↳ Any earnings of the credit union are paid out equally to members (as a result of its non-profit status).</li> </ul>	<ul style="list-style-type: none"> <li>↳ Profits generated through interest rates, account fees, and reinvestments.</li> <li>↳ Profits given to stockholders.</li> </ul>
<ul style="list-style-type: none"> <li>↳ Usually few ATMs and branches and less variety in investment products and services.</li> </ul>	<ul style="list-style-type: none"> <li>↳ Certain banks have national and global ATM and branch networks with a wide range of products and services.</li> </ul>

## An Introduction to Checking Accounts (continued)

### How do you obtain a checking account?

Most banks offer some form of a checking account service for their customers. All you have to do is fill out an application online, or at the bank. Most banks require a minimal initial deposit before granting you a new account, along with proof of identification and address.

### Besides checks, what are other ways to access and manage account money?

Most banks have several different methods that allow checking account customers to check their balances, access money, and reconcile their records.

- ↳ Banks mail printed monthly statements of debits and credits (deposits) to individual account holders.
- ↳ ATM machines offer an option to check a current account balance and access money instantly.
- ↳ Debit cards are a hybrid between an instant check and a credit card. You swipe it like a credit card and it has a VISA or MASTERCARD logo. However, you may only use the amount of money available in your checking account.

Online banking can provide real time updates on which checks have been processed and which are still outstanding.



## Reaching the Unbanked and Underbanked

As bankers, you may find the following information useful when exploring the unbanked and under-banked in your community.

### What does it mean to be “unbanked” and “underbanked?”

*Unbanked* is an umbrella term used to describe diverse groups of individuals who do not use banks or credit unions for their financial transactions. They have neither a checking nor savings account.

*Underbanked* consumers do have a checking or savings account, but also rely on alternative financial services.

### Why are people unbanked, and where are they going instead?

Some consumers are unbanked for a variety of reasons. These include:

- ↳ A poor credit history or outstanding issue from a prior banking relationship;
- ↳ A lack of familiarity with the U.S. banking system;
- ↳ A previous negative experience with a bank;
- ↳ Language barriers;
- ↳ A lack of identification needed to open a bank account; and
- ↳ Limited and/or unstable income.

These households use non-bank money orders or non-bank check-cashing services, payday loan institutions, rent-to-own agreements, or pawn shops on a regular basis.

### Who are the unbanked and underbanked?

The FDIC estimates that the under-banked population includes about 43 million adults and 21 million households. Blacks, Hispanics and Native Americans are the most likely Americans to be under-banked.

The most common groups of unbanked persons include low-income individuals and families, those who are less educated, households headed by women, young adults, and immigrants.

In the national Census Population Survey conducted in 2009, it was found that:

- ↳ Almost one in 10 households do not use a bank at all.
- ↳ The unbanked population includes about 17 million adults, with 21.7 percent Blacks, 19.3 percent Hispanics, and 15.5 percent Native Americans.

### What are the consequences of being unbanked?

Having a checking and savings account is the first step in developing a relationship with a bank. Establishing a relationship with a bank can help you access less expensive car loans, mortgages, and other financial products offered by the bank in the future.

Being banked also permits a consumer's payroll check to be automatically deposited into a checking account at no cost, and lets the consumer arrange to have a specified amount automatically transferred to the savings account each pay period (*for savings*).



## Parts of an Income Statement

### Net Sales

Net Sales (a.k.a. Sales Revenue or Top Line) refers to income received from a company's sales of goods and services to its customers. Even though a company's "bottom line" gets most of the attention from investors, the "top line" is where it all begins.

### Cost of Goods Sold (COGS)

The direct costs attributable to the production of the goods sold by a company. This amount includes the cost of the materials used in creating the good along with the direct labor costs used to produce the good (also called Cost of Sales).

### Gross Profit Margin

Calculated as Net Sales *minus* COGS. Gross Profit Margin shows how much is available to cover all of the company's other expenses after the product costs are taken into account. The greater and more stable a company's Gross Profit Margin, the greater potential there is for positive bottom line (net income) and profitability.

### Operating Expenses (OPEX)

The costs of running a business, other than direct product costs. For example, the annual paper, toner, power and maintenance costs, rental expense for the office, marketing costs, etc., represent OPEX.

### Operating Profit Margin

Calculated as Gross Profit Margin *minus* Operating Expenses. Operating Profit Margin goes one step further than Gross Profit Margin by also taking other, non-direct costs into account. It shows how much money is available after both COGS and Operating Expenses are accounted for.

### Taxes

The government often charges taxes on a business' profit. The taxes can fund public goods and services, like schools, libraries, etc.

### Net Income

Calculated as Operating Profit Margin *minus* Taxes. Net Income (a.k.a. Net Profit or Net Earnings) refers to the bottom line, which is the most commonly used indicator of a company's profitability. If expenses exceed income, this will read as a net loss.

(Net Sales) – (COGS)	= Gross Profit Margin
(Gross Profit Margin) – (Operating Expenses)	= Operating Profit Margin
(Operating Profit Margin) – (Taxes)	= Net Income

## You Be the Advisor: Customer Scenarios

### Customer Scenario #1

Review the following income statement in your group and decide. Be prepared to explain why your group chose its recommendations based on the information provided. Record your answers.

**Lillian Smith**      **Age:** 22      **Occupation:** Hair Salon Owner      **Small Business:** Hair Salon

**Her need:** Lillian needs to expand the space of her salon business because she does not have enough room to serve her customers.

### Lillian's Business Financials

INVESTMENT ASSETS		PERSONAL ASSETS		BUSINESS ASSETS	
Stocks	\$8,064.16	Autos	\$12,000	Salon Furnishings	\$10,000
Bonds	\$30,060.00	Furnishings	\$22,000	Supplies & Equipment	\$5,000
		Cash	\$12,000		
		Home	\$192,000		
		Vacation Property	\$84,000		
<b>Total</b>		<b>Total</b>		<b>Total</b>	
BUSINESS INCOME ACCOUNTING			LIABILITIES		
Net Sales	\$250,000				
Cost of Sales	\$43,000	Home Mortgage		\$164,000	
Gross Profit	\$207,000	Credit Card Balances		\$5,000	
Operating Expenses	\$25,000	Car Loan		\$4,000	
Net Income	\$182,000		<b>Total</b>		

Is Lillian in a place financially to expand her business?

What suggestions do you have for Lillian's income statement?

### Credit Profiles: Cameron, Ronald, and Johnson

1. **Cameron** – Cameron has a good job, has been working for the same employer for 20 years, and has a wife and kids. He has always paid all of his bills on time each month. He has an emergency fund in place – nine months of salary in the bank – and his family owns their home. He has submitted an application for a credit card from the bank.
  - ↳ Would you consider him high-risk, low-risk, or somewhere in between? Explain.
  - ↳ Which risk factors stood out to you?
  - ↳ Would you extend him credit? Why or why not?
  
2. **Ronald** – Ronald recently graduated from college and just got his first "real" job. He hasn't been working very long, and he just got his own apartment. However, he did miss a couple of credit card payments when he was in college, but he didn't think it was a big deal because he was a student. He also took out 2 credit cards while he was in college. He now has about \$4,000 in credit card debt and \$28,000 in student loans he took out to pay for school. He is buying a car, and he would like a car loan.
  - ↳ Would you consider him high-risk, low-risk, or in between? Explain.
  - ↳ Which risk factors stood out to you?
  - ↳ Would you extend him credit? Why or why not?
  
3. **Johnson** – Johnson is unemployed. He plans to start his own business and is seeking a small business loan. He had a string of jobs in the past, and has kept each job maybe a year or two. He paid his bills on time when he was working, but when he wasn't, he was sometimes late by a month or even longer. He wants to purchase a Subway franchise, and believes that Subway is a great business. There is no Subway in his neighborhood, but he thinks it will do well. He is applying for a small business loan to pay the franchise fee and to secure his store.
  - ↳ Would you consider him high-risk, low-risk, or somewhere in between? Explain.
  - ↳ Which risk factors stood out to you?
  - ↳ Would you extend him credit? Why or why not?

## Example of a Credit Report

Experian | JOHN CONSUMER | Report number: 0902 4911-71 | October 02, 2014 | Print report | Logout

- Personal information
- Personal statements
- Potentially negative items
- Account(s) open/closed
- Credit inquiries
- Original delinquencies
- Experian credit monitoring
- Experian credit scores

### Dispute in 3 easy steps

Below is all the information currently in your credit report. The payment history guide and common questions will help explain your credit information. Print this page or write down your report number for future access. To return to your report in the future, log on to [experian.com/help](http://experian.com/help) and select "Credit Access" or "Disputes" and then follow the steps.

To dispute information, first select the item from the categories below and the dispute reason that most closely explains the reason you feel the information is inaccurate, or select "Other" and type in your own explanation. You can also upload any documents you may have that support your claim and/or enter any additional information to further explain your dispute.

#### Helpful Toolkit

- Experian Credit Educator™
- Fraud center
- Freeze center
- Know your rights
- Common questions
- Credit score

- Select**  
Dispute reason
- Review**  
Dispute summary
- Submit**  
Dispute

1 855 246 9409

Contact us by phone - Monday through Friday 9 a.m. to 5 p.m. in your time zone

#### Address

NCAC  
P.O. Box 9701 Allen, TX 75013

Any pending disputes will be highlighted below.

Expand all | Collapse all

Personal information			
Name(s) associated with your credit			
<b>Name</b>	<b>Name identification number</b>		
JON CONSUMER	9466 <a href="#">Dispute</a>		
J CONSUMER	14218 <a href="#">Dispute</a>		
Address(es) associated with your credit			
<b>Address</b>	<b>Address identification number</b>	<b>Residence type</b>	<b>Geographical code</b>
1234 ELM ST PORTLAND OR 97209-3482	0575721840	Apartment complex	0-500000-51-6440 <a href="#">Dispute</a>
123 FIRST ST PORTLAND OR 97209-2868	0570556850	Apartment complex	0-500000-51-6440 <a href="#">Dispute</a>
Other personal information associated with your credit			
<b>Year of birth</b>	1955 <a href="#">Dispute</a>		
<b>Spouse or co-applicant</b>	MARY <a href="#">Dispute</a>		
<b>Telephone number(s)</b>	260 555 1234 <a href="#">Dispute</a>		
	800 555 1234 <a href="#">Dispute</a>		
	306 556 1234 <a href="#">Dispute</a>		
<b>Current or former employer(s)</b>	<b>Address</b>		
XY2 CORPORATION	123 MAIN ANYTOWN, NY 11105 <a href="#">Dispute</a>		
ABC INC.	55 MAIN BLVD ANYTOWN, NY 11105 <a href="#">Dispute</a>		

[Back to top](#)

Personal information associated with your history appears here. This may include your social security number, addresses, telephone numbers, etc.



### Example of a Credit Report (continued)

Credit Inquiries

We make your credit history available to your current and prospective creditors and employers as allowed by law. Personal data about you may be made available to companies whose products and services may interest you. As required by the Fair Credit Reporting Act, we display these requests for your credit history as a record of fact.

Inquiries shared with others ?

+	Account name	Date of request	Options
+	EZ LOANS	12/20/2010	Options
+	MY CREDIT SVCS	09/28/2009	Options
+	MY CREDIT SVCS	09/14/2009	Options

Inquiries shared only with you ?

+	Account name	Date of request(s)	Options
+	MY MOTOR CREDIT	08/02/2011	Options
+	ABCD FIN SVCS	06/18/2011	Options
+	MYTOWN FINANCIAL	08/09/2009	Options

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Important messages

Experian collects and organizes information about you and your credit history from public records, your creditors and other reliable sources. By law, we cannot disclose certain medical information (relating to physical, mental, or behavioral health or condition). Although we do not generally collect such information, it could appear in the name of a data furnisher (i.e., "Cancer Center") that reports your payment history to us. If so, those names display in your report, but in reports to others they display only as "Medical Information Provider." Consumer statements included on your report at your request that contain medical information are disclosed to others.

[back to top](#)

"Inquiries" or requests for your credit history are logged on your report whenever anyone views your credit information. There are two types of inquiry.

1. Those resulting from a transaction initiated by you; including, inquiries from applications for credit, insurance, or loans.
2. Those resulting from transactions you may not have initiated. Such as, offers for employment, investment review, or account monitoring.



Source: experian.com

## Credit Applications: Customer Scenarios



### Customer Scenario #1

In your groups, review the loan application and supporting financial statements for the customer scenario below. Then make a decision about whether credit should be extended. Be prepared to justify your group's recommendation based on the information provided.

**Maria Diaz**    **Age:** 76    **Occupation:** Retired Lawyer

**FICO Score:** 800    **History of Late Payments:** None

**Loan Sought:** \$75,000 for a real estate loan

#### Maria's Personal Financials

MONETARY ASSETS		REAL ESTATE ASSETS		PERSONAL ASSETS		LIABILITIES	
Cash	\$25,000.00	Home	\$489,000	Jewelry	\$19,000	Home Mortgage	\$130,000
Bonds	\$40,068.00	Vacation Property	\$145,000	Autos	\$8,000	Credit Card Balances	\$50,000
Stocks	\$172,089.54			Furnishings	\$12,000		
				Antiques	\$6,542		
<b>Total Monetary Assets</b>		<b>Total Real Estate Assets</b>		<b>Total Personal Assets</b>		<b>Total Liabilities</b>	

#### Maria's Monthly Budget

INCOME: Pension Check \$3,384.00

TOTAL INCOME: \$3,384.00

FIXED EXPENSES		FLEXIBLE EXPENSES		OCCASIONAL EXPENSES (1/12 of Annual)	
Mortgage/Rent	\$1,439.00	Car Fuel	\$120.00	Loan to Nephew	\$103.00
Condo Assessments	\$110.00	Groceries/Outside Meals	\$200.00	Car Tune Up	\$100.00
Gas (Home)	\$160.00	Spa Treatments	\$100.00	Discretionary	\$500.00
Car insurance	\$200.00	Hair	\$50.00	Change Jar	\$0.84
Prescriptions	\$80.00	Credit Card	\$400.00		
Charity/Tithes	\$338.40				
<b>Total</b>	<b>\$2,327.50</b>	<b>Total</b>	<b>\$870.00</b>	<b>Total</b>	<b>\$703.84</b>
<b>TOTAL EXPENSES</b>	<b>\$3,901.24</b>				
<b>CASH FLOW</b>	<b>(\$517.24)</b>				



## Credit Applications: Customer Scenarios (continued)



### Customer Scenario #3

In your groups, review the loan application and supporting financial statements for the following customer scenario below. Then make a decision about whether credit should be extended. Be prepared to justify your group's recommendation based on the information provided.

**Lillian Smith**    **Age:** 22    **Occupation:** Hair Salon Owner    **Business Owner:** Hair Salon  
**FICO Score:** 780    **History of Late Payments:** Over 30 days late once in past two years  
**Loan Sought:** \$10,000 to purchase additional equipment for the business

### Lillian's Personal Financials

MONETARY ASSETS		REAL ESTATE ASSETS		PERSONAL ASSETS		BUSINESS ASSETS	
Stocks	\$8064.16	Home	\$192,000	Autos	\$12,000	Salon Furnishings	\$10,000
Cash	\$12,000.00	Vacation Property	\$84,000	Furnishings	\$22,000	Supplies and Equipment	\$5,000
<i>Total Monetary Assets</i>		<i>Total Real Estate Assets</i>		<i>Total Personal Assets</i>		<i>Total Business Assets</i>	

BUSINESS INCOME/ACCOUNTING		LIABILITIES	
Net Sales	\$250,000	Small Business Loan	\$7,000
Cost of Sales	\$43,000	Home Mortgage	\$164,000
Operating Expenses	\$25,000	Credit Card Balances	\$5,000
Gross Profit	\$207,000	Auto Loan	\$4,000
<i>Net Income (Bottom Line)</i>	<i>\$182,000</i>	<i>Total Liabilities</i>	

### Lillian's Monthly Budget

INCOME: Paycheck \$2,505.00

TOTAL INCOME: \$2,505.00

FIXED EXPENSES		FLEXIBLE EXPENSES		OCCASIONAL EXPENSES (1/12 of Annual)	
Mortgage/Rent	\$1,000	Car Fuel	\$60	Discretionary	\$300
Car Payment	\$464.90	Groceries	\$40		
Cable	\$30	Hair	\$50		
Tithes	\$207	Manicure	\$25		
Parking	\$34	Housekeeper	\$50		
Student Loan	\$280				
Cell Phone	\$100				
<i>Total</i>	<i>\$2,115.90</i>	<i>Total</i>	<i>\$225</i>	<i>Total</i>	<i>\$300</i>
TOTAL EXPENSES	\$2,640.90				
CASH FLOW	(\$135.90)				



**Frayer Model**

Write Your Term Here: \_\_\_\_\_

<p><b>Definition or Description of Term</b></p>	<p><b>Characteristics or Features of the Term</b></p>
<p><b>Non-Examples/Non-Characteristics</b> (e.g., opposites or features that are NOT true of the term)</p>	<p><b>Financial Life Implications</b></p>



## Training Quick-Sheet for New Financial Aid Officers

<p><b>Student Loan</b></p> <p>Money borrowed to pay for college that must be paid back with interest.</p>	<p><b>Remember:</b></p> <ul style="list-style-type: none"> <li>✓ A student can secure a student loan from the federal government or from private sources such as a bank or financial institution.</li> <li>✓ When taking out student loans, it is important to consider how much the monthly payments will be after the student leaves school. It's helpful to estimate what the student's expected salary will be when deciding how much student debt to accept.</li> <li>✓ Student loans made by the federal government usually offer borrowers lower interest rates and have more flexible repayment options than loans from banks or other private sources.</li> </ul>
<p><b>Student Scholarships</b></p> <p>A financial award given to a student for college that does not have to be repaid.</p>	<p><b>Remember:</b></p> <ul style="list-style-type: none"> <li>✓ In order to receive an academic scholarship to pay for school, strong grades are encouraged, as well as ranking highly among your graduating class. Extracurricular involvement is also highly regarded for students with strong GPA's.</li> <li>✓ Merit scholarships are often related to academic performance, but can also be given to a candidate displaying artistic or athletic excellence, or even a combination of both.</li> </ul>
<p><b>Student Grant</b></p> <p>A need-based form of financial aid given to college students. It does not have to be repaid.</p>	<p><b>Remember:</b></p> <ul style="list-style-type: none"> <li>✓ Grants usually come from the state (<i>for students that live in the state where their intended college is located</i>), or from the federal government. However, they can also come from the college.</li> <li>✓ Many of these grants are based on need, which means that they are based on the student's (and their family's) financial circumstances.</li> <li>✓ Colleges or the government may also provide grants in a number of special situations (beyond need-based), including for married students, single mothers, or veterans.</li> </ul>
<p><b>Federal Work-Study</b></p> <p>Provides campus-based part-time jobs for students with financial need, allowing them to earn money to help pay college expenses.</p>	<p><b>Remember:</b></p> <ul style="list-style-type: none"> <li>✓ Federal Work-Study provides part-time jobs for students with financial need, allowing them to earn money to help pay college expenses.</li> <li>✓ The program encourages community service and work related to a student's course of study.</li> <li>✓ Students are eligible to apply for work-study jobs only if they have been awarded work-study as part of their financial aid package (which is based on need).</li> <li>✓ Work-study is awarded on a first-come, first-served basis.</li> </ul>
<p><b>529 College Savings Plan</b></p> <p>An investment plan designed to encourage saving for future higher education expenses.</p>	<p><b>Remember:</b></p> <ul style="list-style-type: none"> <li>✓ Withdrawals from 529 plans that are used for qualified education expenses are free from federal income tax. In some cases, the plans are also free from state taxes.</li> <li>✓ Students can start a college savings plan, or their parent, grandparent, or guardian can start one and name the student as the beneficiary.</li> <li>✓ Because it is a personal savings plan, the money is not borrowed and does not have to be repaid. Students also do not need to have specific merit to receive the funds.</li> </ul>

### Student Profiles – Omar, Kelali, and Laura (continued)

**Laura** – Laura is starting her senior year in high school. She is an Illinois native who has always dreamed of going to Northern Illinois University (NIU). Her parents immigrated to the U.S. before Laura was born, and have only a little in savings. Laura plans to study Library Science at NIU. Laura loves helping her high school librarian and tutoring underclassmen after school. She hopes to continue to work in college. Laura has a 3.3 G.P.A. and plays soccer on her high school team. Because Laura will be an in-state student, her tuition is only \$10,000 a year. Help Laura make the best college financing decision.

⇒ Which college financial options does Laura qualify for?

⇒ Are there any that she does not qualify for? Explain.

⇒ As her financial aid advisor, which are the top two college financing options that you would recommend she focus on? Why?

## 2016–2017 Student Loan Programs (continued)

What types of federal loans are available?

Loan Program	Eligibility	Fixed Interest Rate	Who Pays the Interest?	Annual Limit	Lender
<b>Federal Perkins Loan</b>	Students enrolled at least part time who demonstrate financial need.	5%	You are responsible for interest after leaving school.	Undergraduates: up to \$5,500 Graduates: up to \$60,000	Your college
<b>Federal Unsubsidized Loan</b>	Students enrolled at least part time.	Undergraduates: 3.76% Graduates: 5.31%	You are responsible for paying interest as soon as the loan is disbursed.	\$5,500–\$20,500 (depends on year in school and dependency status)	US Dept of Education
<b>Federal Subsidized Loan</b>	Students enrolled at least part time who demonstrate financial need.	Undergraduates: 3.76%	The interest is paid while you are in school.	\$3,500–\$8,500; depending on year in school.	US Dept of Education
<b>Federal PLUS Loan</b>	Graduate students, professional students, and parents of dependent undergraduate students enrolled at least half-time.	6.31%	You are responsible for paying interest as soon as the loan is disbursed.	Total cost of attendance as determined by the school, once other financial aid is received.	US Dept of Education
<b>Federal Consolidation Loan</b>	Students who want to combine multiple extant federal student loans into one payment.	Based on the weighted average of the interest rates on the loans being consolidated.	You are responsible for paying interest on your new consolidated loan.	N/A	US Dept of Education



## Savings Scenario: Deciding Which College to Attend

### Picking a College

Marcus is a high school senior in Illinois, has a part-time job, and studies hard for school. He has just received acceptance letters to Stanford, Harvard, Yale, Columbia, Cornell, NYU, and the University of Illinois. Which one should he choose?

If Marcus picks Harvard, the total billed costs amount to \$67,000 a year. If he picks Yale, \$68,000. What about Cornell? \$67,000. When Marcus sees the cost of attending the University of Illinois is \$30,000 a year, he knows just where to go.

But the prestigious schools cost more for a reason, right? Is Marcus giving up on a better education, and more networking opportunities, and possibly a higher starting salary when he picks the University of Illinois solely based on its lower price tag?