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## 2. How to Increase my Savings and Write a Budget

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### Did you know?

#### **Savings**

Forty percent of White families, 73% of Latino families and 79% of African American families have savings that will only last three months or less (United for a Fair Economy, Boston, MA).

#### **Saving for Retirement**

Many families are not saving enough money for retirement. In 1998:

- Only 26.9% of families who earned \$10,000 a year or less had saved enough for retirement
- Only 22.6% of families who earned between \$10,000 and \$24,999 a year had saved enough for retirement
- Only 38.9% of families who earned between \$25,000 and \$49,999 a year had saved enough for retirement

(Survey of Consumer Finances, Ohio State University)



## **UNIT 2: HOW TO INCREASE MY SAVINGS AND WRITE A BUDGET**

### **Lesson 1: How to Increase my Savings**

#### **Lesson Objectives:**

- Students will understand how interest is calculated
- Students will understand the importance of saving money
- Students will know how to increase their savings

#### **Language Skills:**

- Speaking, listening, reading, writing
- Grammar review: verb identification, past tense, future tense, contractions

#### **Vocabulary:**

- To borrow
- Credit card
- Debit card
- Debt
- Expenses
- Interest/Dividend
- Loan
- To owe
- To refinance
- To save

#### **Introduction Activity: Discussion**

The discussion can give the teacher an idea of how much students already know and what experience they already have with the topic. Have students discuss these questions in a small group or with the entire class.

1. Why is it important to save money?
2. Why can it be difficult to save money?

## Vocabulary Exercise:

Define each of the following words. If you do not know a definition, you can leave it blank. Try the exercise again after reading the following dialogue. Circle the vocabulary words in the dialogue. Use the dialogue to help you find the definitions.

Remind the students that it is not necessary to know all the words in a passage in order to understand the passage. Emphasize the use of context in reading unfamiliar passages. As an alternate activity, you could have students write sentences or dialogues using the vocabulary words below.

### 1. To borrow

The action of taking out a loan. Eddy will borrow money to buy his house.

### 2. Credit card

A card that lets you buy things and pay later. It charges you interest. Stacey has many credit cards.

### 3. Debit card

A card that lets you buy things with the money in your checking account. You use it like a check. Frank received a debit card when he opened his account.

### 4. Debt

Money owed to another person or a company. Stacey has a lot of credit card debt.

### 5. Expenses

Money spent on food, clothes, bills and other purchases. Katie will look at all her expenses to know how much money she spends.

### 6. Interest/Dividend

Money we receive when we keep money in a bank or credit union. Money we pay to a bank or credit union for giving us a loan. It is calculated as a percentage (%). The credit union pays Dana interest on her savings.

### 7. Loan

Money we get from a bank or credit union. We have to pay this money plus interest. For example, a car loan or a loan for a house. Eddy received a loan to buy his car.

### 8. To owe

A person who has a loan has to pay back the money they were given. Eddy owes money to the bank because he has a loan.

### 9. To refinance

Getting a new loan at a lower interest rate. Bill wants to refinance his loan to save money on the interest rate.

10. To save

To keep money to use in the future. Frank saves money in his bank account.

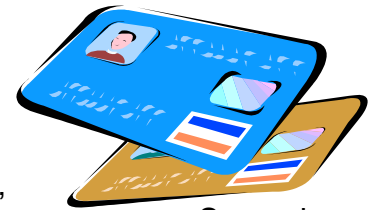
### **Dialogue 1: Listening / speaking / pronunciation**

The dialogues can be used in various ways, depending on the ability and comfort levels of the class. The teacher may record the dialogue on a cassette or videotape before class and use it as a listening exercise. Students can write down the words they hear. Two or more students can read the dialogue aloud in class. Remind students to listen for vocabulary in the context of the dialogue. Teachers can also use this dialogue as a “cloze” activity where students fill in the blank on missing words. Other ways to use the dialogues include using parts of it as a dictation and/or for pronunciation purposes.

Pedro is talking to his English teacher after class.

**Pedro:** Miss Lisa, What can I do to start saving money?

**Lisa:** There are several things you can do to save money. First, you need to open a savings account at your bank or credit union. Second, you need to lower your debt. Do you have any loans or credit card payments?



**Pedro:** Yes, both. I owe \$400 to my credit card company and I have a car loan.

**Lisa:** Well, the first thing you should do is to pay the credit card. Did you know that credit cards charge a lot of interest, sometimes as much as 20%? So do not use a credit card if you will not completely pay the bill each month. You can use a debit card instead. With a debit card you can buy things with the money you have in your bank or credit union.

**Pedro:** So, I should pay my credit card bill because I have to pay a lot in interest?

**Lisa:** That is right. Do you know how much interest you pay on your car loan each month?

**Pedro:** No. I do not remember.

**Lisa:** Well, ask how much you pay in interest on your car loan and you can try to refinance the loan with a lower interest rate.

**Pedro:** Good idea! I will ask about lower interest rates at my credit union.

**Lisa:** That is a great idea. So, how can you save money?

**Pedro:** I can open a savings account, pay my credit card bills in full each month and try to get a lower interest rate on my car loan.

**Lisa:** Very good. You can also make a list of your expenses. This means that you write down everything you buy for one week. Then you will know how you can save money.

**Pedro:** Thank you Miss Lisa, you are very helpful.

**Comprehension Questions:**

1. How can Pedro save money?
2. What does it mean to “refinance”?

**Grammar Activity:**

Include a review and a separate written exercise on contractions.

**1. Beginning level students: Circle the verbs in the dialogue**

**2. Intermediate level students: Replace the underlined words with contractions. Make a list of the contractions below. For example, the contraction for I will is I’ll.**

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_
5. \_\_\_\_\_
6. \_\_\_\_\_
7. \_\_\_\_\_
8. \_\_\_\_\_

**Class Discussion:**

1. This is Pedro’s list of all the money he will spend in one week. How can he save money?

For example:

1. Pedro can cook his own lunch instead of buying food at restaurants.
2. He can find a cheaper calling card.

|           |                         |                 |
|-----------|-------------------------|-----------------|
| Monday    | Supermarket             | \$55.50         |
| Tuesday   | Shoes                   | \$35.00         |
| Wednesday | Lunch                   | \$ 6.50         |
| Thursday  | Soda                    | \$ 0.75         |
| Friday    | Called mother in Mexico | \$10.00         |
| Saturday  | Movies with girlfriend  | \$20.00         |
|           | <b>Total:</b>           | <b>\$127.75</b> |

3. He can use discount coupons at the supermarket.
4. He can rent a video instead of going out to the movies.

2. What things can **you** do to save money?

Examples: don't keep a lot of cash; conserve electricity; pay bills on time; wait for sales before shopping; set weekly or monthly allowances; make a shopping list before going shopping; avoid check-cashing stores, pawn shops, and rent-to-own stores, etc.

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### **Grammar Exercise: Review of Past and Future Tenses / Speaking**

Complete the following sentences with the correct form of the verb to spend and read them aloud. Look at the first example.

1. Pedro spent \$55.50 at the supermarket last Monday.
2. Pedro \_\_\_\_\_ \$35.00 on shoes last Tuesday.
3. Pedro \_\_\_\_\_ \$6.50 on lunch today.
4. Pedro \_\_\_\_\_ \$ 0.75 on a soda tomorrow.
5. Pedro \_\_\_\_\_ \$10.00 to call his mother in Mexico next Friday.
6. Pedro \_\_\_\_\_ \$20.00 to take his girlfriend to the movies next Saturday.

#### **Important Note: Saving each Week**

If a wife and a husband each save \$10 every week (\$20),  
they will save more than \$1,000 in one year.

$$\mathbf{\$20 \times 52 \text{ weeks} = \$1,040}$$

They will save even more if they put the money in a  
savings account that pays interest.

## Dialogue 2: Listening / speaking / pronunciation

**Pedro:** Miss Lisa, I opened a savings account but now I am confused. Can you help me?

**Lisa:** Sure, what are you confused about?

**Pedro:** I don't understand how I can receive interest but I can also pay interest. Why are there different types of interest?

**Lisa:** I am very happy that you opened your savings account, Pedro. Your credit union will pay you interest to leave your money there. But, you will have to pay interest if you get a loan from your credit union.



**Pedro:** So interest can be a good thing but also a bad thing.

**Lisa:** That is correct. You receive interest for the money you leave in the credit union but you pay interest on money that you borrow.

**Pedro:** So what does it mean if I get 1% interest on my savings account?

**Lisa:** The interest rate is written as a percentage (%). For example, if you deposit \$100 and the credit union pays you 1 percent interest, the credit union will give you \$1 each year.

**Pedro:** I think I understand. So if I deposited \$800, I will get \$8 in interest if I leave this money in my savings account for one year. Right?

**Lisa:** That is right. The credit union will charge you interest if you borrow money. If you borrow \$100 at 8% interest, how much will you pay in interest?

**Pedro:** Well, it means I will pay \$8 in interest ( $100 \times 0.08 = \$8$ ).

**Lisa:** Yes, Pedro. Tell me if you have more questions tomorrow.

**Comprehension Questions:**

These questions could be answered individually, in small groups or as a class discussion.

1. Is interest a good thing or a bad thing?

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2. Why is it important to understand interest when saving money?

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3. Why does a bank or credit union **pay** interest when you deposit (leave) money there?

A bank or credit union pays you interest because they are using your money. They want you to deposit your money there.

4. Why does a bank or credit union **charge** interest when you borrow money?

A bank or credit union charges you interest because they are letting you use their money.

**Listening and Writing Activity:**

**Write the numbers that the teacher dictates. Look at the first example:**

Have students spell out the numbers and write them on the board.

1. Jerry deposited \$20 in his savings account.

Twenty \_\_\_\_\_

2. The credit union charges 11 percent for a loan.

\_\_\_\_\_

3. Harry paid \$25 with his debit card.

\_\_\_\_\_

4. Tom owes \$50 on his credit card.

\_\_\_\_\_

5. Leticia has \$100 in her savings account.

\_\_\_\_\_

6. Ana wants to borrow \$450 to buy a computer.

\_\_\_\_\_

7. Leslie owes \$1,000 to the bank.
8. Juan is \$2,300 in debt.
9. Jennifer has a \$10,000 car loan.
10. Carla wants to buy a \$90,000 house

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**Activity Suggestion:**

Include a math practice activity that involves calculating interest.

**Reading Practice:**

**More on Refinancing:**

Tony has a car loan for \$8,000 and pays 29% in interest. He has 3 years to pay the loan back. Tony will pay \$12,044.28 at the end of the loan, including \$4,044.28 in interest.

Tony can refinance the loan with a bank or credit union and pay less in interest. The bank or credit union will pay his original loan. He will only have to pay the new loan. If his new interest rate is 11.75%, he will pay \$9,527.44 for the car, including \$1,527.44 in interest. He will start paying \$265 each month instead of \$336. He can save \$71 each month or \$2,556 in three years!

**Comprehension Questions:**

1. If Tony refinances his loan, will he have to make more than one loan payment?

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2. How much will Tony save each month if he refinances his loan?

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**Review Activity 1:**

Complete the blanks with the correct vocabulary word.

1. Pedro would like to save money.

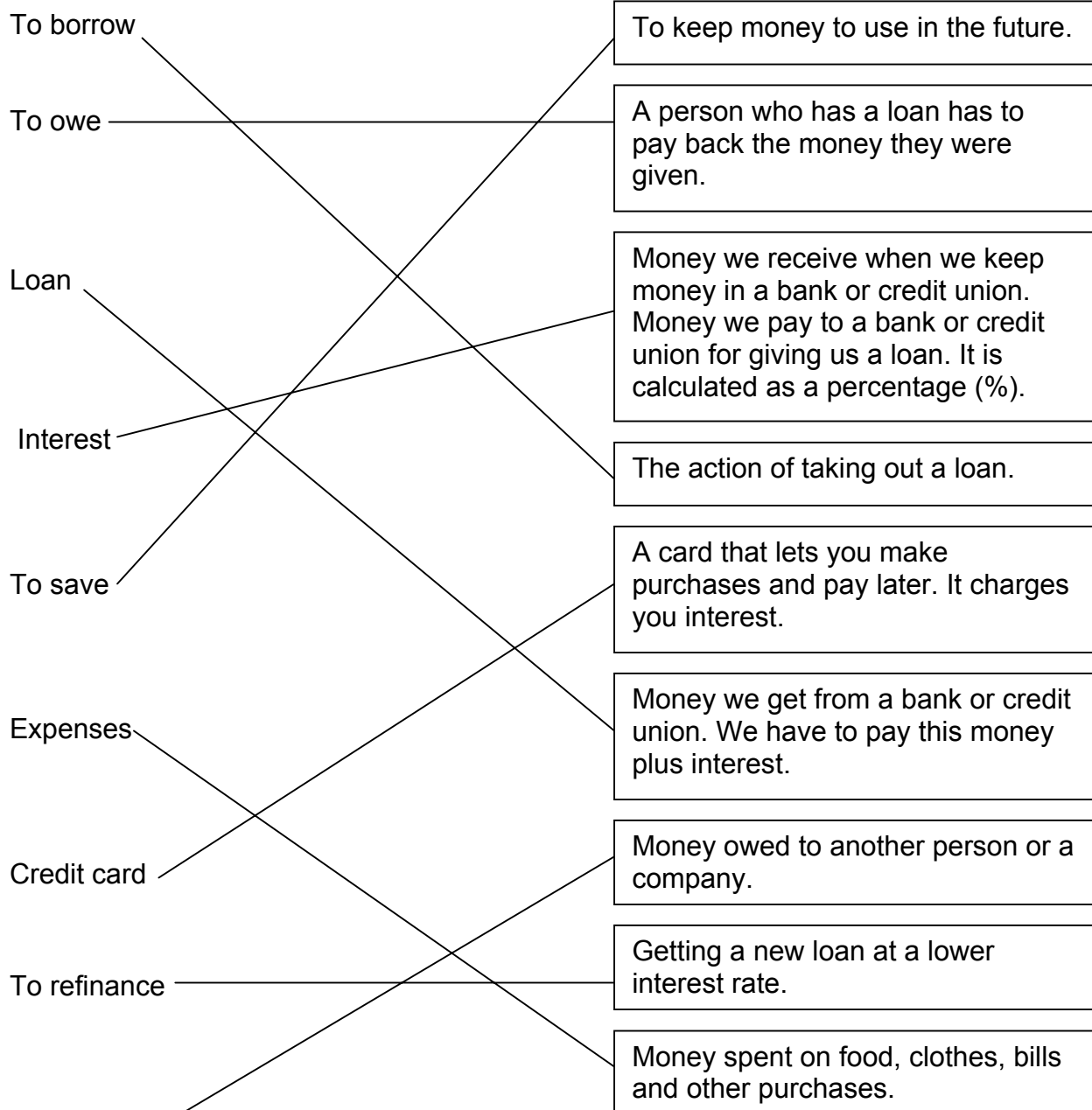
**Word choices:**

|             |          |
|-------------|----------|
| loan        | interest |
| save        | expenses |
| refinancing | interest |
| credit card | loan     |

2. He learned how much his credit union will pay him in interest.
3. Pedro is going to pay the full balance on his credit card each month and will start using a debit card.
4. He is also thinking about how much interest he is paying on his car loan.
5. He will talk to the credit union about refinancing his loan.
6. Pedro also made a list of all his expenses this week.

**Review Activity 2:**

Match the vocabulary words to their definitions.



Debit card

Debt

A card that you use to buy things with money in your account.

**Homework:**

Make a list of all the money you spend in one week. Then write 3 or 4 sentences about how you can save money. Report to the class about this.

**Evaluation:**

Write one thing you learned.

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What is one thing that you do not understand?

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**Teacher Evaluation:**

What did students find difficult or challenging about this lesson?

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What did the students learn that was NOT in the lesson plan?

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What worked well in this lesson?

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What will I change about this lesson for next time?

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Restate the lesson goals. Where they achieved?

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## **UNIT 2: HOW TO INCREASE MY SAVINGS AND WRITE A BUDGET**

### **Lesson 2: How to Write a Budget**

#### **Lesson Objectives:**

- Students will understand how to record their expenses
- Students will identify savings goals
- Students will know how to write a budget

#### **Language Skills:**

- Speaking, listening, reading, writing
- Grammar review: conditional statements, verb identification, past tense, future tense, contractions

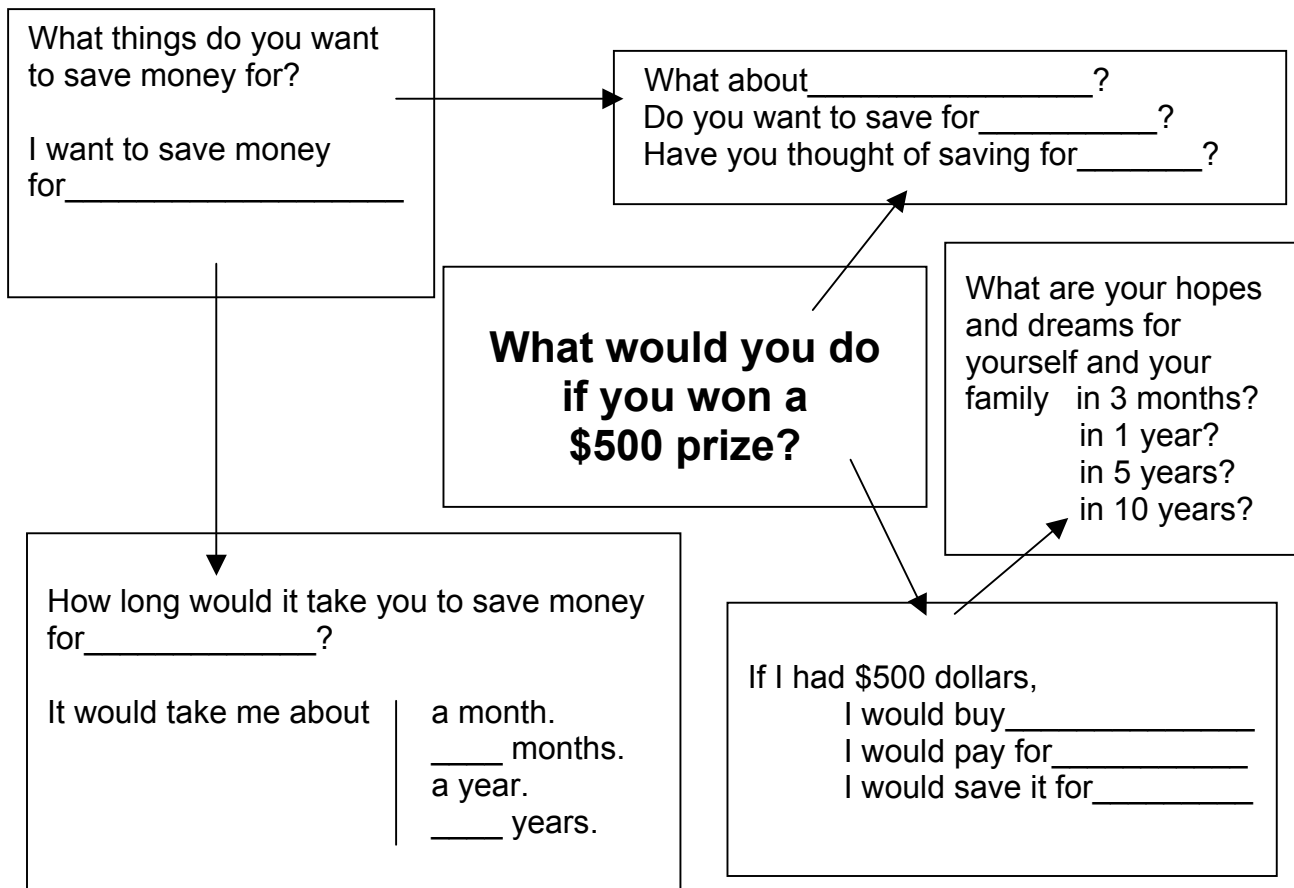
#### **Vocabulary:**

- Budget
- Expensive
- Goal
- IRA
- Little by little
- Long-term
- To pay off
- Pension
- Retirement
- Salary
- Short-term
- To spend
- Unemployment compensation
- To write down

## Introduction Activity: Discussion

The discussion can give the teacher an idea of how much students already know and what experience they already have with the topic. The diagram is intended to facilitate a free-flowing discussion among classmates. There isn't a set order to ask the questions. Students can make a collage with old magazine photos with ideas on how they would use \$500 and then share the collage with the class. You could assign a written assignment expanding on the following question: "What are your hopes and dreams for yourself and your family?"

Use the following diagram to have a discussion with a classmate.



## Grammar Activity: Conditional Statements

Expand on this activity if students need more practice.

**Write three things you would do if you had extra money.**

1. If I had \$100 dollars, I would \_\_\_\_\_

2. If I had \$500 dollars, I would \_\_\_\_\_

3. If I had \$1,000 dollars, I would \_\_\_\_\_

**Vocabulary exercise:**

**Define each of the following words. If you do not know a definition, you can leave it blank. Try the exercise again after reading the following dialogue. Circle the vocabulary words in the dialogue. Use the dialogue to help you find the definitions.**

Remind the students that it is not necessary to know all the words in a passage in order to understand the passage. Emphasize the use of context in reading unfamiliar passages. As an alternate activity, you could have students write sentences or dialogues using the vocabulary words below.

1. Budget

A plan of how much money to spend. You base your plan on your income or the money you earn.

Alicia has a strict budget because she wants to save money.

2. Expensive

Something that costs a lot of money. A Jaguar is an expensive car.

3. Goal

Something that a person wants to do. Jaime's goal is to stop smoking.

4. IRA

A type of account to save money for retirement.

Paula opened an IRA to save for retirement.

5. Little by little

To do something slowly and at different times.

Kathleen learned to ride a bicycle little by little.

6. Long-term

Extending over a long period of time. Laura wants to buy a house as a long-term investment.

7. To pay off

To pay something completely. I will pay off my credit card soon.

8. Pension

A regular payment for people who are retired or disabled. When Pat retired, he started receiving his pension.

9. Retirement

To stop working when a person is older. Money you save to use when you retire. Paula is saving money for her retirement.

10. Salary

Money that you receive for working at your job.

Paloma receives a good salary at her job.

11. Short-term

Extending over a short period of time. Larry knew that he only had money for a short-term vacation.

12. To spend

To use money to buy or pay something. Teresa likes to spend money at the mall.

13. Unemployment compensation

Money the government gives people who cannot find work. Joseph can't find a job so he receives unemployment compensation.

14. To write down

To form words on paper to express something.

Peter wrote down his name on a piece of paper.

### **Dialogue 1: Listening / speaking / pronunciation**

The dialogues can be used in various ways, depending on the ability and comfort levels of the class. The teacher may record the dialogue on a cassette or videotape before class and use it as a listening exercise. Students can write down the words they hear. Two or more students can read the dialogue aloud in class. Remind students to listen for vocabulary in the context of the dialogue. Teachers can also use this dialogue as a "cloze" activity where students fill in the blank on missing words. Other ways to use the dialogues include using parts of it as a dictation and/or for pronunciation purposes.

Yazmin wants to save money. She is talking to her friend after church.

**Yazmin:** We want to save money now that we have a baby.

**Lupe:** That is a great idea. Why do you want to save?

**Yazmin:** First I want to pay off our credit card debt. We only owe \$180.

**Lupe:** That is something you can do very soon.

**Yazmin:** Yes. But we also want to have an emergency savings account.

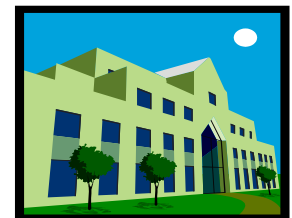
**Lupe:** You will need to save more money for that.

**Yazmin:** We also want to buy a house.

**Lupe:** That will be very expensive. You need to save a lot of money for that.

**Yazmin:** You are right, but I think we can start saving little by little.

**Lupe:** You need a plan. Let's write it down.



### **Comprehension Questions:**

These questions can be answered individually, in small groups or as a class discussion.

1. What are Yazmin's goals for saving money?

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2. Why is it important for Yazmin to write down her plan?

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**Group Discussion:**

What are three reasons you have to save money?

Goals may include: buying a car, going on vacation next year, sending a certain amount of money to family each month, getting out of debt, building a credit history, or saving for a child's education.

1. \_\_\_\_\_

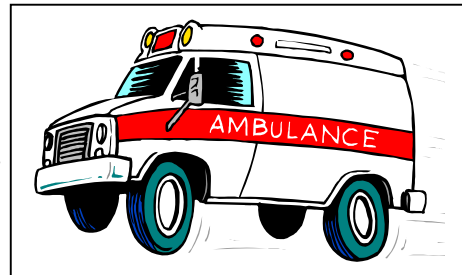
2. \_\_\_\_\_

3. \_\_\_\_\_

**Important Note: Saving for Emergencies**

Emergencies can happen at anytime. It is important that you save three to six months of your monthly expenses (rent, food, bills, etc.) to be used in case of an emergency. For example, if you spend \$1,000 each month, you need to save \$3,000 to \$6,000 for emergency use only.

Deposit this money in an account that earns interest such as a Money Market account. You can have an automatic transfer from one account to your emergency savings account to help you save. This way you don't have to remember to deposit money each month in your emergency account.



## Speaking Practice:

In pairs, discuss the following questions:

1. What kind of emergencies can happen?
2. Have you ever had an emergency?

## Dialogue 2: Listening / speaking / pronunciation

**Lupe:** I want to save money too. My goals are a little different than yours.

**Yazmin:** Tell me, what are your savings goals?

**Lupe:** My husband needs some tools for his work.

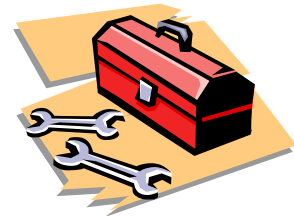
**Yazmin:** That is not too expensive.

**Lupe:** My husband and I work a lot, but we do not want to work when we are old. We will not receive a pension when we stop working.

**Yazmin:** You need to open a retirement account.

**Lupe:** I do. I also want my daughter to go to the university. That is very expensive.

**Yazmin:** That can be another savings goal for you.



## Comprehension Questions:

1. Why is it important to save for retirement?

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2. Do you think Lupe can save for all her goals?

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**Grammar Activity:**

1. Beginning level students: Circle verbs in the dialogue

2. Intermediate level students: Replace the underlined words with contractions. Make a list of the contractions below. For example, the contraction for I will is I'll.

1. \_\_\_\_\_

2. \_\_\_\_\_

3. \_\_\_\_\_

4. \_\_\_\_\_

**Grammar Activity: Future and Past Tense**

Work with a partner to decide if each sentence indicates an expense or an income. Circle your response and write down if the future or past tense is used in the sentence.

Angel will receive \$500 in child support.      Expense    Income      Tense: \_\_\_\_\_

Pancho's credit card bill was \$10.      Expense    Income      Tense: \_\_\_\_\_

Abdul received a tax refund.      Expense    Income      Tense: \_\_\_\_\_

Luc will send \$200 to his sister in France.      Expense    Income      Tense: \_\_\_\_\_

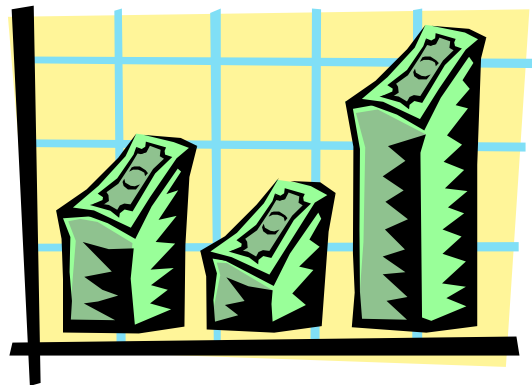
Peter received \$25 for cutting the grass.      Expense    Income      Tense: \_\_\_\_\_

Lars will send \$145 for his car payment.      Expense    Income      Tense: \_\_\_\_\_

### Skills Practice 1:

Yazmin and Lupe want to save money for the future. They need to write a list of goals. They will speak with members of their family to decide what they would like to do.

Each goal needs to be important to their future. They should look at their goals every few months to see if they are still important.



These are Yazmin's goals:

| Goal                          | Cost/Amount | Number of Months    | Cost per Month  |
|-------------------------------|-------------|---------------------|-----------------|
| Pay off credit card debt      | \$180       | 3                   | \$60.00         |
| Emergency savings             | \$600       | 12                  | \$50.00         |
| Down payment for an apartment | \$3,000     | 60<br>(for 5 years) | \$50.00         |
| <b>SUBTOTAL</b>               |             |                     | <b>\$160.00</b> |

These are Lupe's goals:

| Goal                               | Cost/Amount           | Number of Months | Cost per Month  |
|------------------------------------|-----------------------|------------------|-----------------|
| Tools for her husband's work       | \$200                 | 4                | \$50.00         |
| Education account for her daughter | \$500<br>(per year)   | 12               | \$41.66         |
| Retirement account                 | \$1,500<br>(per year) | 12               | \$125.00        |
| <b>SUBTOTAL</b>                    |                       |                  | <b>\$216.66</b> |

**Comprehension Questions:**

1. How much does Yazmin need to save every month to meet her goals?:

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2. How much does Lupe need to save every month to meet her goals?:

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**Skills Practice 2:**

**Work with a classmate to write your list of savings goals. Remember:**

- 1). Try to be specific
- 2). Organize your list. You will want to save money for some goals in a short period of time and others will take longer. Calculate how much money you will need to save to reach each goal and how many months or years it will take you. Divide the total quantity by the number of months. This will give you an idea of how much money you need to save each month for each goal. If you have already started to save some money for your goals, include that in your calculations.
- 3). Think of your savings as money that you have “paid yourself.” You cannot use it for your monthly expenses. Organize your short-term and long-term goals. Use this worksheet to help you organize your savings goals.

**Write down your short-term goals. These are things you want to do in 12 months.**

| Short-term goal | Cost/Amount | Number of Months | Cost per Month |
|-----------------|-------------|------------------|----------------|
|                 |             |                  |                |
|                 |             |                  |                |
|                 |             |                  |                |
|                 |             | <b>SUBTOTAL</b>  |                |

**Write down your long-term goals. These are things you want to do in more than one year.**

| Long-term goal | Cost/Amount | Number of Months | Cost per Month |
|----------------|-------------|------------------|----------------|
|                |             |                  |                |

|  |  |                 |  |
|--|--|-----------------|--|
|  |  |                 |  |
|  |  |                 |  |
|  |  | <b>SUBTOTAL</b> |  |

**Totals**

**Add the subtotal in each category of your goals to determine how much money you will need to save each month to meet your goals. Put this money into a savings account that pays you interest.**

| <u>Goal</u>                               | <u>Cost per Month</u> |
|---|-----------------------|
| Short-term goals subtotal                 | \$                    |
| Long-term goals subtotal                  | \$                    |
| Total savings per month to meet my goals: | \$                    |

Is this amount too much? You can make some changes if you think this amount is too much or if you can save more each month.

**Speaking Practice:**

**Work with a classmate and role-play a conversation about your savings goals. Talk about your short-term and long-term goals. Use dialogues 1 and 2 as examples. Share your dialogue with the class.**

**Review Activity:**

Match the vocabulary words to their definitions.

Salary

Pension

Unemployment compensation

Short-term

Long-term

To pay off

To spend

Expensive

To write down

Goals

Extending over a long period of time.

Money the government gives people who cannot find work.

A regular payment for people who are retired or disabled.

Money that you receive for working at your job.

To form words on paper to express something.

Extending over a short period of time.

A plan of how much money to spend. You base your plan on your income or the money you earn.

To pay something completely.

To stop working when a person is older. Money you save to use when you retire.

Budget

Something that a person wants to do.

Retirement

Something that costs a lot of money.

To use money to buy or pay something.

### **Homework:**

**1. Write a short composition on this question: Why do you think it is important to have a budget or spending plan?**

To put aside money to reach your savings goals, to prepare for planned or unexpected expenses, to take control of how you spend money, to get out of debt, to reduce the need for credit, etc.

**2. Use the following worksheets to develop a budget to help you meet your goals. Write down your monthly expenses and the amount of money you would like to save to meet your goals. Look at the example for the Vargas Family first.** It is good to have a system to save all your receipts and paid bills. You can make a weekly, monthly or yearly budget.

**First write the amount of money you have in cash and in your accounts in number 1 (*Available balance*).** Remember that you should not use your savings for your monthly expenses. Don't include the savings you have now in the available balance.

### **Example: Vargas Family Monthly Budget Worksheet**

**Month and year** October

|   |                   |  |                   |
|---|-------------------|--|-------------------|
| <b>(1)AVAILABLE BALANCE</b>                       | <b>+ \$ 300</b>   | <b>EXPENSES</b>  |                   |
| <b>INCOME</b>                                     |                   | Electricity/gas  | 50                |
| Salary (after taxes)                              | 2,300             | Phone/long distance/cell phone                                   | 75                |
| Independent projects                              | 200               | Supermarkets/restaurants   | 250               |
| Child support/alimony                             |                   | Gasoline/public transportation                                   | 100               |
| Other   |                   | Car and property taxes*  | 50                |
| <b>(2) TOTAL INCOME</b>                           | <b>+ \$ 2,500</b> | Car insurance*   | 50                |
| <b>INCOME AND AVAILABLE BALANCE ADD (1) + (2)</b> | <b>+ \$ 2,800</b> | Health insurance   | 30                |
|   |                   | Child care/school  |                   |
| <b>SAVING GOALS</b>                               |                   | Cable television/satellite                                       | 50                |
| Emergency account                                 | 100               | Water/sewage   | 30                |
| Education of your children                        | 75                | Clothing/shoes*  | 75                |
| Savings for other goals                           | 100               | Vacations*   | 100               |
| Retirement account                                | 75                | Entertainment/movies   | 40                |
| <b>(3) TOTAL SAVINGS</b>                          | <b>- \$ 350</b>   | Medical/legal expenses*  | 0                 |
| <b>DEBTS</b>                                      |                   | Items for the house*   | 50                |
| Credit cards                                      |                   | Spending money   | 100               |
| Rent/Mortgage                                     | 500               | Money sent to your family*                                       | 300               |
| Car payment                                       | 300               | Other  | 0                 |
| Other   |                   | <b>(5) TOTAL EXPENSES</b>  | <b>- \$ 1,350</b> |
| <b>(4) TOTAL DEBTS</b>                            | <b>- \$ 800</b>   | <b>TOTAL FOR SAVINGS, DEBTS AND EXPENSES ADD (3) + (4) + (5)</b> | <b>- \$ 2,500</b> |

**Monthly Budget Worksheet**

**Month and year** \_\_\_\_\_

|   |             |  |             |
|---|-------------|--|-------------|
| <b>(1)AVAILABLE BALANCE</b>                           | <b>+ \$</b> | <b>EXPENSES</b>  |             |
| <b>INCOME</b>   |             | Electricity/gas  |             |
| Salary (after taxes)                                  |             | Phone/long distance/cell phone                                       |             |
| Independent projects                                  |             | Supermarkets/restaurants   |             |
| Child support / alimony                               |             | Gasoline/public transportation                                       |             |
| Other   |             | Car and property taxes*  |             |
| <b>(2) TOTAL INCOME</b>                               | <b>+ \$</b> | Car insurance*   |             |
| <b>INCOME AND AVAILABLE BALANCE<br/>ADD (1) + (2)</b> | <b>+ \$</b> | Health insurance   |             |
|   |             | Child care/school  |             |
| <b>SAVING GOALS</b>                                   |             | Cable television/satellite   |             |
| Emergency account                                     |             | Water/sewage   |             |
| Education of your children                            |             | Clothing/shoes*  |             |
| Savings for other goals                               |             | Vacations*   |             |
| Retirement account                                    |             | Entertainment/movies   |             |
| <b>(3) TOTAL SAVINGS</b>                              | <b>- \$</b> | Medical/legal expenses*  |             |
| <b>DEBTS</b>  |             | Items for the house*   |             |
| Credit cards  |             | Spending money   |             |
| Rent or mortgage                                      |             | Money sent to your family*   |             |
| Car payment   |             | Other  |             |
| Other   |             | <b>(5) TOTAL EXPENSES</b>  | <b>- \$</b> |
| <b>(4) TOTAL DEBTS</b>                                | <b>- \$</b> | <b>TOTAL FOR SAVINGS, DEBTS AND EXPENSES<br/>ADD (3) + (4) + (5)</b> | <b>- \$</b> |

\* You may not spend money on these items every month, but you should calculate how much you should save each month to pay them. For example, if you pay \$240 each year for your car insurance, you should save \$20 a month to pay for it each year.

How does your income compare to your expenses?

Total Income (1+2) = \$ \_\_\_\_\_

Total Savings, Debts and Expenses (3+4+5) = \$ \_\_\_\_\_

Do you need to change how you spend money so you can reduce your expenses?

Cut the Weekly Budget Worksheets on the following page and keep them in your wallet. Write down your expenses for each week. Then compare the expenses for the month to your Monthly Budget Worksheet. Do you need to make some changes?

**Weekly Budget**

**Month and year** \_\_\_\_\_

| 1)AVAILABLE BALANCE                               | + \$        | <u>EXPENSES</u>  | Week 1 | Week 2 | Week 3 | Week 4 | Week 5 | Total       |
|---|-------------|--|--------|--------|--------|--------|--------|-------------|
| <b>INCOME</b>                                     |             | Electricity/gas  |        |        |        |        |        |             |
| Salary (after taxes)                              |             | Phone/long distance/cell   |        |        |        |        |        |             |
| Independent projects                              |             | Supermarkets/restaurants   |        |        |        |        |        |             |
| Child support / alimony                           |             | Gas/ public transportation                                       |        |        |        |        |        |             |
| Other   |             | Car and property taxes   |        |        |        |        |        |             |
| <b>(2) TOTAL INCOME</b>                           | <b>+ \$</b> | Car insurance  |        |        |        |        |        |             |
| <b>INCOME AND AVAILABLE BALANCE ADD (1) + (2)</b> | <b>+ \$</b> | Health insurance   |        |        |        |        |        |             |
|   |             | Child care/school  |        |        |        |        |        |             |
| <b>SAVING GOALS</b>                               |             | Cable television/satellite                                       |        |        |        |        |        |             |
| Emergency account                                 |             | Water/sewage   |        |        |        |        |        |             |
| Education of children                             |             | Clothing/shoes   |        |        |        |        |        |             |
| Savings for other goals                           |             | Vacations  |        |        |        |        |        |             |
| Retirement account                                |             | Entertainment/movies   |        |        |        |        |        |             |
| <b>(3) TOTAL SAVINGS</b>                          | <b>- \$</b> | Medical/legal expenses   |        |        |        |        |        |             |
| <b>DEBTS</b>                                      |             | Items for the house  |        |        |        |        |        |             |
| Credit cards                                      |             | Spending money   |        |        |        |        |        |             |
| Rent or mortgage                                  |             | Money sent to your family  |        |        |        |        |        |             |
| Car payment                                       |             | Other  |        |        |        |        |        |             |
| Other   |             | <b>(5) TOTAL EXPENSES</b>  |        |        |        |        |        | -           |
| <b>(4) TOTAL DEBTS</b>                            | <b>- \$</b> | <b>TOTAL FOR SAVINGS, DEBTS AND EXPENSES ADD (3) + (4) + (5)</b> |        |        |        |        |        | <b>- \$</b> |

Notes \_\_\_\_\_



**Weekly Budget**

**Month and year** \_\_\_\_\_

| 1)AVAILABLE BALANCE                               | + \$        | <u>EXPENSES</u>  | Week 1 | Week 2 | Week 3 | Week 4 | Week 5 | Total       |
|---|-------------|--|--------|--------|--------|--------|--------|-------------|
| <b>INCOME</b>                                     |             | Electricity/gas  |        |        |        |        |        |             |
| Salary (after taxes)                              |             | Phone/long distance/cell   |        |        |        |        |        |             |
| Independent projects                              |             | Supermarkets/restaurants   |        |        |        |        |        |             |
| Child support / alimony                           |             | Gas/public transportation  |        |        |        |        |        |             |
| Other   |             | Car and property taxes   |        |        |        |        |        |             |
| <b>(2) TOTAL INCOME</b>                           | <b>+ \$</b> | Car insurance  |        |        |        |        |        |             |
| <b>INCOME AND AVAILABLE BALANCE ADD (1) + (2)</b> | <b>+ \$</b> | Health insurance   |        |        |        |        |        |             |
|   |             | Child care/school  |        |        |        |        |        |             |
| <b>SAVING GOALS</b>                               |             | Cable television/satellite                                       |        |        |        |        |        |             |
| Emergency account                                 |             | Water/sewage   |        |        |        |        |        |             |
| Education of children                             |             | Clothing/shoes   |        |        |        |        |        |             |
| Savings for other goals                           |             | Vacations  |        |        |        |        |        |             |
| Retirement account                                |             | Entertainment/movies   |        |        |        |        |        |             |
| <b>(3) TOTAL SAVINGS</b>                          | <b>- \$</b> | Medical/legal expenses   |        |        |        |        |        |             |
| <b>DEBTS</b>                                      |             | Items for the house  |        |        |        |        |        |             |
| Credit cards                                      |             | Spending money   |        |        |        |        |        |             |
| Rent or mortgage                                  |             | Money sent to your family  |        |        |        |        |        |             |
| Car payment                                       |             | Other  |        |        |        |        |        |             |
| Other   |             | <b>(5) TOTAL EXPENSES</b>  |        |        |        |        |        | -           |
| <b>(4) TOTAL DEBTS</b>                            | <b>- \$</b> | <b>TOTAL FOR SAVINGS, DEBTS AND EXPENSES ADD (3) + (4) + (5)</b> |        |        |        |        |        | <b>- \$</b> |

Notes \_\_\_\_\_

**Evaluation:**

Write one thing you learned?

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What is one thing that you do not understand?

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**Teacher Evaluation:**

What did students find difficult or challenging about this lesson?

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What did the students learn that was NOT in the lesson plan?

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What worked well in this lesson?

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What will I change about this lesson for next time?

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Restate the lesson goals. Where they achieved?

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## **ADDITIONAL INFORMATION: TEN STEPS TO INCREASE MY SAVINGS**

Follow these steps to increase your savings and get in the habit of saving money.

You may want to explain this information in your class or use it as supplemental information for this unit.

### **Step 1: Open a Savings Account**

- It is important to have a savings account so you can have your money in a safe place. A savings account lets you get organized so you know how much money you have and how much money you spend each month.
- Most savings accounts pay you interest. For example, if you have \$800 in an account for one year and you get 3% annual interest, at the end of the year you will have \$824.



### **Step 2: Get your Individual Tax Identification Number (ITIN)**

- People who **DO NOT** have a valid social security number should get an Individual Tax Identification Number from the tax office (IRS). With this number you can receive interest on your accounts.
- The Individual Tax Identification Number (ITIN) lets you file your taxes, start a credit history and apply for loans in some financial institutions.
- Look at unit 1 for more information about the ITIN.

### **Step 3: Look at your Debts**

- It is important that you know how much money you owe in debts and how much you are paying in interest.
- Get a copy of your credit report to know that it doesn't have any errors. Look at unit 3 for more information about a credit history.
- If you have a loan and you think that you are paying too much in interest, ask your bank or credit union about the possibility of refinancing. Maybe they can offer you a lower interest rate to save you money.
- If you have a credit card, pay the total amount that you owe each month before the date they give you to pay. This way you will not have to pay interest. Maybe it is better for you to use a debit card instead of a credit card. With a debit card you only spend money that you have in your account.

#### Step 4: Save for Emergencies

- Save the amount of money that you will need to pay your expenses for three to six months. For example, if you spend \$1,000 each month in rent and all your other expenses, you should save between \$3,000 and \$6,000 in your emergency account.
- You can start saving for your emergency account little by little. You can open a special account that pays you interest (like a Money Market account) and you can deposit some money each month. You can also ask your bank or credit union to transfer an amount of money every two weeks or every month to your emergency account from your regular account. This way you can save money regularly and you don't have to remember to deposit money into your emergency account.

#### Step 5: Save an Amount of Money every Month

- Save an amount of money every month as a habit. If two people in a family save \$10 each week, at the end of the year they will save more than \$1,000. Put this money in an account that pays you interest.

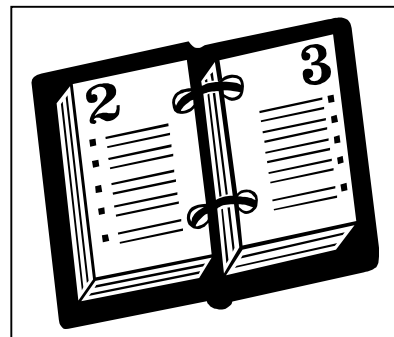
#### Step 6: Make a List of your Goals

- It is important that you and your family know your savings goals. This way, everyone can try to save money for your goals and realize your dreams.
- Complete Activity 2 in Lesson 2 of this unit to decide your short-term and long-term goals.
- Look at your goals every few months. You may have to change your list of goals if you have changes in your life like changing jobs, moving or having a baby. Make changes to your savings plan if your goals change.



#### Step 7: Organize your Information

- Select a day of the week to calculate the balance on your accounts, organize your finances and pay your bills. You should be relaxed without distractions. On that day, write down on your calendar when you have to pay your bills. Send your payments by mail ten days before the date you have to pay so they don't charge you a fee for paying late. Always think about your savings goals.
- Select a place in your house to organize your information. Buy a filing cabinet or binder to put your documents. Always have postage stamps, envelopes, bills you have to pay, check book, a calendar and pens.



- Organize your documents in your filing cabinet or binder. Include your important papers like your birth certificate, passport and a photocopy of your driver's license. Also include your insurance policies, tax documents, bills from the last three months and your account statements. You should write a will, especially if you have children.

### Step 8: Look at your Income and Expenses

- Write a budget. Use the form in Lesson 2 of this unit to write your income, savings goals, debts and expenses. This will give you an idea of how you spend your money and how you can start saving.
- In a few months write your budget again. In some months you will spend more and in some months you will spend less.

### Step 9: Look at how you can Reduce your Expenses

- Look at your budget and decide how you can cut your expenses. Here are some ideas.
  - Always remember your savings goals.
  - Always pay your bills on time.
  - Pay more than the minimum payment on your loans if you can. This can save you money in interest.
  - Before buying something, decide if you really **need** what you want to buy.
  - Don't buy your lunch in a restaurant. Prepare food at home and take it to work.
  - Don't go shopping for fun.
  - Don't go to the grocery store when you are hungry. Plan a menu for your meals.
  - Use discount coupons. You can find coupons for products you buy at the grocery store in the Sunday newspaper.
  - Write a shopping list. Wait two days to buy something that is not on your list. Maybe you don't need what you wanted to buy.
  - Decide how much you can spend when you go shopping.
    - Don't buy something just because it is on sale.
    - If you can, don't take your children when you go shopping.
    - Don't take your credit card when you go shopping.
    - Look for ways to save on your long distance calls and phone bills. Maybe you can find a long distance plan or prepaid phone card that can save you money.
    - Wash your clothes with cold water to save electricity.
    - Turn off the lights at your house when you don't need them. Adjust the temperature so you don't use a lot of electricity or gas for your heat or air



conditioning. When you will not be home, turn off or turn down the heat or air conditioning.

- Make sure the insulation of your house is in good condition, especially around doors and windows. This way you can save energy.
- Conserve water.
- Use public transportation or share a ride (carpool) to work with a neighbor.
- Don't use check cashing stores, pawn shops or stores that let you rent furniture or products while you buy them. This can cost you a lot of money.
- If you send money to your family, find the service with the lowest fees. Some credit unions have money transfer services with low fees.

### **Step 10: Start a Savings Account for your Retirement and your Children's Education**

- Read the section on "Saving for my Retirement and my Children's Education" in this unit. Open these special accounts as soon as possible. If you start saving now, you will save more money because you will get more money in interest.



## **ADDITIONAL INFORMATION: SAVING FOR MY RETIREMENT AND MY CHILDREN'S EDUCATION**

### **Saving for your Retirement:**

In this section, we include information about the “Roth IRA” because it may be a better option than the “Traditional IRA” for people with a limited income. With a “Roth IRA,” the person cannot deduct their contributions from their taxes but he or she **does not** have to pay taxes when they make qualified withdrawals when they retire. With a “Traditional IRA,” the person does have to pay taxes on the earnings when they make withdrawals from the account. One of the advantages of the “Traditional IRA” is that when the person makes the withdrawals at the time they retire they may be at a lower tax bracket because their earnings will be less. It is possible that the tax bracket for people with limited income will not go down enough to benefit from this feature of the “Traditional IRA.” Recommend that your students consult an expert to help them make the best decision.



If your job doesn't offer a pension plan or retirement account or if you want to save additional money for retirement, you can open a special retirement account yourself. It is very important that you do not depend only on Social Security benefits because the average check is only \$808 a month. Don't depend only on Medicare benefits for your medical expenses.

**Some immigrants cannot receive Social Security or Medicare benefits.**

You can open a special retirement account called “Roth IRA.” You should think of the money you save in this account as a long-term investment. You can ask at your bank or credit union about this account. You open this kind of account with your valid social security number or the Individual Tax Identification Number (ITIN).

### **1. How much money can I deposit in a Roth IRA?**

You decide how much money you want to deposit in your account. For 2002 to 2004, each adult in your family who is under 50 years old can deposit a maximum of \$3,000 each year. You can deposit less than the maximum amount if you want. For 2005 to 2007, you can deposit a maximum of \$4,000 a year. The maximum deposit for 2008 will be \$5,000.

When you open your retirement account, you can deposit money every week or every month. You can ask to have an automatic transfer from your regular account to your retirement account so you don't have to remember to make the deposit. You can save money for your retirement little by little. It doesn't matter if you cannot make a deposit

one month or one year. It is important that you try to deposit money into your retirement account regularly.

## **2. How much money can I save in my retirement account?**

The total amount of money that you can save depends on how much money you deposit into your account each year, when you will retire and how much you receive in interest. This is an example of what you can save with a little effort:

- You deposit \$10 each week for five years at 5% interest.
- You deposit \$20 each week for the following five years at 5% interest
- You deposit \$40 each week for the following 35 years at 5% interest

After 45 years, you will save \$252,320. From this amount, \$171,720 would come from interest that you earned during these years. If you had put this money in a mutual fund that received more interest or if you had deposited more money each week, you could have saved more money.

## **3. What are the advantages of this kind of account?**

One advantage or benefit is that you will earn interest over a long time. If you start saving as soon as possible, you will be able to save even more money. The government wants you to save money for your retirement. That is why you receive some tax benefits with this kind of account. When you retire, you will not have to pay taxes on the interest that you receive in a Roth IRA because your savings grow tax-free. You should start filing your taxes before opening a retirement account. Look at unit 6 for more information on taxes.

## **4. What happens if I have to withdraw money from my account?**

You have to think about this account as a long-term savings account and it is best if you don't withdraw money until you retire. You can withdraw money from your account if you have had the account for five years and:

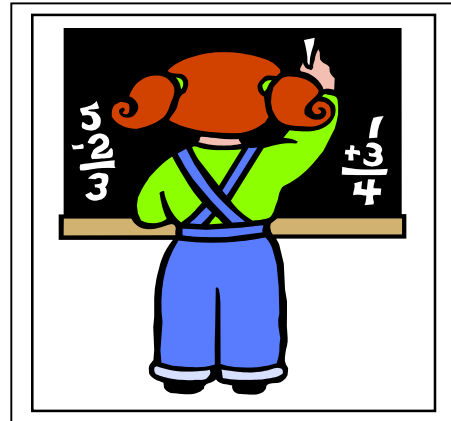
- You are 59 ½ years old
- You become permanently disabled
- You want to use \$10,000 from your account to buy your first house
- You die. Your beneficiary gets the total amount in your account

You may be able to use the money for some medical or education expenses. Try not to withdraw money from your retirement account because you will lose some of the principal and interest and you may not be able to receive all the tax benefits. If you need to withdraw the money to use it for something else, you will have to pay a 10% penalty to the tax office (IRS) and you may have to pay taxes. If you want to go back to your country, you can leave your account open in the United States and use your savings to retire in your country.

To open a retirement account, first ask at your bank or credit union. You should talk to an expert in retirement accounts who you trust. This person can give you advise on how to invest the money in your account.

### **Saving for My Children's Education:**

It will cost approximately \$93,000 for a child to study at a four-year university in the year 2020. If you have small children or grandchildren, you can open a special account for education. These accounts are called "Coverdell Education Accounts" (before they were "Education IRAs"). You need to open a separate education account for each one of your children. You open this kind of account with your child's valid social security number or Individual Tax Identification Number (ITIN). There are also special education saving plans in each state of the country.



#### **1. How much money can I deposit in a Coverdell education account?**

You decide how much money you want to deposit in the account. You can deposit up to a maximum of \$2,000 each year for each child who is less than 18 years old. This account is different than the retirement account and you have to make separate deposits into each account.

When you open your special education account, you can deposit money each week or month. You can ask to have an automatic transfer from your regular account to the education account so you don't have to remember to make the deposit. You can save money for education little by little. It doesn't matter if you cannot make a deposit one month or one year. It is important that you try to deposit money into the education account regularly.

#### **2. How much money can I save?**

The total amount of money that you can save depends on how much money you deposit into your account each year, how old your child is and how much you receive in interest. If you deposit \$2,000 in the account each year for 15 years and you receive 8% in interest, you will save a total of \$54,304.

#### **3. What are the benefits of this kind of account?**

When you **withdraw** money to pay for your child's education expenses, you don't have to pay taxes on that money. The **deposits** you make into this account are not deductible from your taxes.

#### **4. What can I use the money in my account for?**

You can use the money in your account to pay for your child's education expenses, including:

- Expenses to go to a public, private or religious elementary or secondary school. You can pay for tuition, fees, tutoring, special needs services, books, supplies and other equipment. You can also pay for room and board at the school, uniforms and transportation. You can use the money to pay for computers and Internet access for the child.
- Tuition, fees, books, supplies and equipment while going to Community College, technical school or the university.
- Room and board expenses if the child has to live at school (after finishing high school). The child must go to school at least half time.

It is possible to use the money for your child to study outside the United States.

#### **5. What happens if the child does not use the money in the account for education expenses?**

The money can be transferred to some family members. This family member has to receive the money before he or she is 30 years old. If not, he or she will have to pay taxes and a 10% penalty to the tax office (IRS).

To open an education account, first ask at your bank or credit union. You should talk to an expert in education accounts who you trust. This person can give you advise on how to invest the money in your account.



