



- **Amortization.** Gradually paying off a loan through regular payments, (principal and interest).
- **Annual Percentage Rate (APR):** A standardized method of advertising interest rates.
- **Assets.** Anything of monetary value that can be bought or sold.
- **At-fault.** One party is responsible for an accident or loss.
- **Bankruptcy.** A legal process where an individual or business seeks protection from creditors.
- **Beneficiary.** The person or organization receiving an insurance payout.
- **Bond.** A debt instrument where an entity borrows money from investors.
- **Brokerage Account.** An account held at a brokerage firm where an investor deposits cash or other investments.
- **Budget.** A financial planning document outlining income, expenses, and savings goals.
- **Claim.** A request for payment or compensation from an insurance company.
- **Closing Costs.** Fees associated with buying or selling a property.
- **Co-pay.** A fixed amount paid by the policyholder for a specific service or treatment.
- **Compound Interest.** Calculated on the principal amount plus the interest on the interest.
- **Coverage.** What is protected or insured under a policy.
- **Credit Score.** A numerical score that attempts to simplify a Credit Report into a single number.
- **Creditors.** Individuals or organizations to whom money is owed.
- **Debt.** The state of owing money to another person or institution.
- **Depreciation.** The decrease in value of an asset over time.
- **Disposable Income.** Income that a person has to spend after taxes have been paid.
- **Down Payment.** Initial payment made on the asset.
- **Emergency Fund.** Savings reserved for unexpected expenses.
- **Escrow.** An account that holds funds for future payments.
- **Exchange Traded Fund (ETF).** An investment fund that holds a collection of stocks, bonds, or other assets.
- **Filing Status.** Taxpayer's marital status and family situation.
- **Fraud.** Purposeful misleading of another person or individual to secure one's own financial gain.
- **Gamble.** The act of risking money or something of value on the outcome of a game of chance.
- **Gross Income.** Total income earned from all sources, before deductions and exemptions.
- **Insurance Policy.** A written contract outlining terms and conditions of coverage.
- **Interest Rate.** Percentage of loan amount charged as interest.

- **Investing.** The act of providing financial resources in exchange for a share of ownership.
- **Investment Portfolio.** Collection of investments owned by an individual or organization.
- **Liabilities.** Financial obligations that a person or company owes to others.
- **Loss.** A financial or physical setback covered under a policy.
- **Monthly Payment.** Regular payment made to repay the loan.
- **Money.** Any item that serves as a unit of account, a store of value, and a medium of exchange.
- **Mutual Fund.** An investment instrument managed by professional fund managers.
- **Net Worth.** A person or family's total assets minus their total liabilities.
- **Opportunity Cost.** The potential benefit or value lost by choosing one alternative over another.
- **PMI (Private Mortgage Insurance).** Insurance that lenders require when borrowers put down less than 20% of the purchase price.
- **Premium.** The monthly or annual cost paid to maintain an insurance policy.
- **Property Tax.** A type of tax applied to the value of land and businesses.
- **Purchase Price.** Amount paid for the asset.
- **Risk.** The possibility of loss, injury, or damage resulting from an event or situation.
- **Savings.** Money set aside for future use.
- **Scarcity.** An economic concept that states that humanity has unlimited wants, but limited resources.
- **Secured Loans.** A loan where the borrower uses an asset as collateral.
- **Standard Deduction.** An amount subtracted from gross income to reduce taxable income.
- **Stock.** A certificate that entitles its owner to a percentage of ownership of a business.
- **S&P 500.** A stock index of 500 of the largest securities on the New York Stock Exchange.
- **Tax Bracket.** Range of taxable income subject to a specific tax rate.
- **Tax Credits.** Direct reduction in taxes owed, refundable or non-refundable.
- **Tax Deductions.** Specific expenses deducted from gross income to reduce taxable income.
- **Tax Withholding.** Amount of taxes withheld from paycheck by employer.
- **Warranty.** A written guarantee of work, customer satisfaction, or product reliability offered by a seller or manufacturer.



**PersonalFinanceLab®**  
Bringing financial literacy to life so you can make smart financial decisions that set you up for long-term success.



By using PersonalFinanceLab you have learned how to prioritize your savings goals, how to invest in the stock market and how to manage debt responsibly. You now have the skills to make informed decisions about your money and take the necessary steps to gain financial freedom!

## TEN THINGS TO REMEMBER

- 1 **Pay Yourself First.** Always prioritize hitting your savings goals before paying for other bills or expenses.
- 2 **The Power of Compound Interest.** The earlier you start saving and investing the more your money will grow over time.
- 3 **The Importance of Investing.** Grow your wealth, and the freedom to make choices on your own terms.
- 4 **Your Credit Score.** Check your credit score regularly to ensure it accurately reflects your financial history and habits.
- 5 **Use Credit Cards Responsibly.** Charge only what you can afford to pay back and make timely payments to avoid interest and fees.
- 6 **Understand Car Loans & Mortgages.** Carefully review loan terms, and consider the total cost of ownership, which includes insurance and other expenses.
- 7 **Key Insurance Concepts.** Protect yourself and your loved ones from financial risks by having up-to-date financial coverage.
- 8 **Understand Health Insurance.** Know what's covered in your plan including the deductible, copayments, and network providers.
- 9 **How to File Your Taxes.** File early and accurately to avoid penalties and take advantage of available tax credits and deductions.
- 10 **Managing & Getting Out of Debt.** Face your debt head-on, create a plan to pay it off, and stick to it.



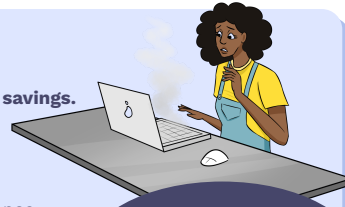
# TEN THINGS TO REMEMBER



**Paying Yourself First** helps you prioritize your savings goals by fostering a consistent financial habit that increases your awareness of overspending and improves your self-discipline. By putting a portion of your income into savings each month, you'll make budgeting decisions that benefit both your short-term and long-term financial goals.

## Pay Yourself Applied – Emergency Fund

- Savings used to cover unexpected expenses **on top of long-term savings**.
- Aim to save **3-6 months'** worth of living expenses.
- Set a monthly target of **10-20% of your income** towards this goal.
- **Prioritize replenishing** the emergency fund once it's depleted.
- By having an emergency fund, you'll be able to:
  - o **Avoid** going into debt when faced with an unexpected expense.
  - o **Prioritize** your long-term savings goals.



**Unexpected expense:**  
broken computer, car repair, medical bill, or job loss.



### TIP!

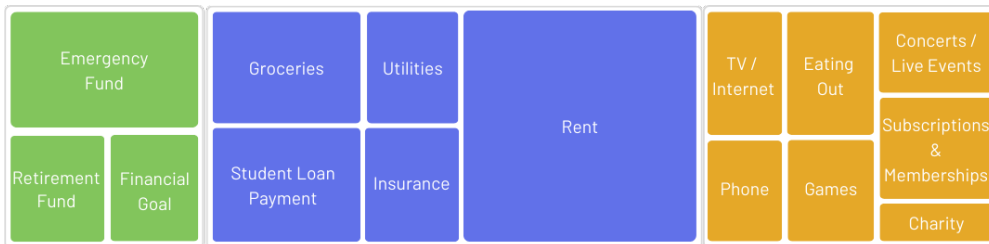
Cutting costs or fixed needs frees up a lot of money to build long-term savings!

## Budgeting with Pay Yourself First

**50-30-20 Rule**  
Divide after-tax income into 3 categories:

- Needs – **50%**
- Wants – **30%**
- Savings Goals – **20%**

- |               |                 |                  |
|---------------|-----------------|------------------|
| <b>Needs</b>  | <b>Wants</b>    | <b>Savings</b>   |
| • Utilities   | • Eating Out    | • Emergency Fund |
| • Groceries   | • Subscriptions | • Retirement     |
| • Health care | • Memberships   | • Vacation       |



# POWER OF COMPOUND INTEREST

**Compound interest** is calculated on the principal amount plus the interest on the interest. The earlier you start saving and investing, the more your money will grow over time. Your investments will have **exponential growth** because they earn interest on your (hopefully increasing) contributions and any interest that has accrued, resulting in a significant increase in your overall returns.



BORROWING	SAVING
Determines how much you pay back.	Determines how much you earn.
A higher rate = pay more in interest over time.	Some banks require a minimum balance to earn interest.
Focus on paying off high-interest debt, i.e. credit card balances.	Look for a high-yield savings account that offers better rates.

## IMPORTANCE OF INVESTING

Relying solely on savings or social security may not be enough to keep pace with **inflation** and meet long-term financial goals. By investing you earn higher returns to build wealth and reduce your financial stress. Allowing you to achieve your **financial goals** like going to college, buying a home or retiring with a high-quality standard of living.

## Common Types of Investments

<b>Savings Accounts</b>  <b>Risk: Low</b> <b>Return: Low</b>	<b>Bonds</b>  <b>Risk: Low</b> <b>Return: Medium</b>	<b>Stocks</b>  <b>Risk: High</b> <b>Return: High</b>	<b>Funds</b>  <b>Risk: Medium</b> <b>Return: High</b>	<b>Cryptos</b>  <b>Risk: High</b> <b>Return: High</b>
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## Compound Interest & Investing Applied



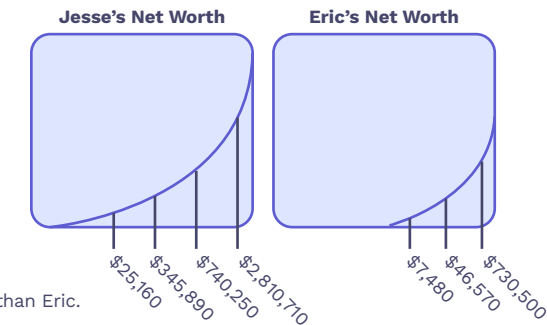
**Jesse**

- Invests \$100/month
- From age 18 to 35



**Eric**

- Invests \$325/month
- From age 30 to 70



Both get a 12% rate of return and invest in funds. Jesse's overall net worth will be higher due to the effect of compounding because she started earlier than Eric.



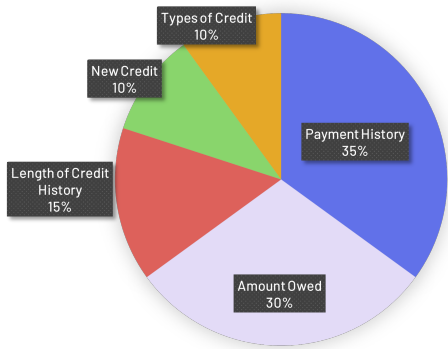
## YOUR CREDIT SCORE



A **credit score** is a numerical grade of creditworthiness ranging from **300** (bad) to **850** (excellent). A higher score tells potential lenders, employers or landlords that you are responsible with managing credit. This can lead to significant savings as you get better rates or offers from financial institutions.

A **credit report** is a detailed record of your financial history, but normally doesn't include your credit score. The Major Credit Reporting Agencies are Equifax, Experian and TransUnion.

### What Impacts Your Credit Score?



### Credit Scores Do's & Don'ts

#### Do's

- Make timely payments
- Keep a long credit history
- Have a variety of credit types
- Pay off high interest debt
- Talk to creditors when struggling to make payments

#### Don'ts

- Have high utilization rates
- Apply for many new cards
- Leave errors on your credit report
- Leave a balance after the grace period

### What Does Your Credit Score Impact?

- Better Loan Terms
- Lower Interest Rates
- Higher Credit Limits
- More Flexible Mortgage Rates
- Car Loans
- Job Applications
- Credit Card Rewards
- Insurance Premiums
- Rental Applications
- Access To Financial Products & Services



**Tip!**  
You are entitled to one free credit report every 12 months!

### What is the Grace Period?

An amount of time to pay off your credit card balance, usually between **21 to 30 days**, before you start to be charged interest.

### Credit Card Statement



### Free Credit Check Resources

Scan either **QR code** to help keep track of your credit score.



#### Credit Karma

Free resource to check your credit score.



#### Annual Credit Report

Your complete credit report.



## USING CREDIT CARDS RESPONSIBLY

Credit cards are a convenient and **unsecured** form of debt, meaning you don't need to put up collateral to get approved. With a credit card, you can make purchases, pay your bill, and then borrow again up to your credit limit. This cycle of borrowing and paying back is what makes credit cards a **revolving** credit.



#### Responsible Ryan

- Pays credit balance in full & on time
- Uses card to pay for necessities
  - i.e. groceries & gas
- Keeps utilization below 30%
- Avoids impulse purchases



#### Irresponsible Chet

- Frequently carries a balance
- Uses credit to afford his lifestyle
- Doesn't pay on time, resulting in late fees & penalties
- Has multiple credit cards with high credit limits

### What does APR mean?

**Annual Percentage Yield** is the total cost of borrowing, including fees and charges, expressed as a percentage. The **APR** does not account for compounding.

BENEFITS	RISKS
Rewards & Cashback	Debt Accumulation & Overspending
Credit Score Improvement	Higher Interest Rates or Payments
Emergency Backup Credit Card	More fees (i.e. annual fees, late fees etc.)

## UNDERSTANDING CAR LOANS AND MORTGAGES



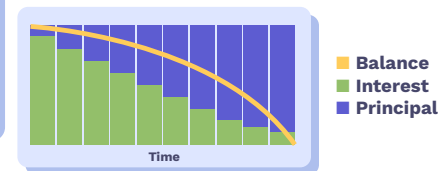
**Secured loans** are backed by collateral, making them less risky for lenders. If you default on your payments, the lender can seize the collateral and resell it to recover the loan amount. These loans are often **amortized**, meaning you'll make regular payments over a set period of time, with each payment consisting of both interest and principal.

### Key Terms

- **Purchase Price:** Amount paid for the asset.
- **Down Payment:** Initial payment made on the asset.
- **Loan Term Amount:** Total amount borrowed.
- **Interest Rate:** Percentage of loan amount charged as interest.
- **Monthly Payment:** Regular payment made to repay the loan.

### Amortization

Amortized loans have equal payments throughout the entire loan, with varying interest-to-principal splits over time.



### Buying a Home

A down payment under 20% may require **private mortgage insurance (PMI)**, increasing your mortgage payments. Your property taxes and insurance will be managed through an **escrow** account. **Closing costs** range from 2-5% of the purchase price, covering title insurance, appraisals, and other legal fees.



## KEY INSURANCE CONCEPTS



Insurance provides financial protection to manage the risk of unexpected events that could negatively impact yourself, your loved ones or your belongings. When you buy insurance, you pay a small amount of money (called a **premium**) to an insurance company, transferring a portion of your risk to them. This can include things like accidents, illnesses, natural disasters, or even theft.

### Insurance Terminology

- **At-fault.** One party is responsible for an accident or loss.
- **Beneficiary.** The person or organization receiving an insurance payout.
- **Claim.** A request for payment or compensation from an insurance company.
- **Co-pay.** A fixed amount paid by the policyholder for a specific service or treatment.
- **Coverage.** What is protected or insured under a policy.
- **Deductible.** The amount paid out-of-pocket before insurance coverage begins.
- **Insurance Policy.** A written contract outlining terms and conditions of coverage.
- **Insured.** The person or entity covered under a policy.
- **Loss.** A financial or physical setback covered under a policy.
- **No-Fault.** Each party's insurance company pays for their own medical expenses and losses, regardless of fault.
- **Premium.** The amount paid to maintain an insurance policy.
- **Risk.** The possibility of loss or damage insured against.

## UNDERSTANDING HEALTH INSURANCE

Plans vary in terms of coverage, cost, and the **network of healthcare providers** included. You can enroll through your employer or directly with the insurance company. Your plan will cover visits to health providers within the network, but you might pay more or the entire bill for any services from out-of-network care. Many plans include **preventive care** for screenings or blood tests.



### Scenario 1 - High-Deductible Health Plan

- **Deductible.** \$3,000
- **Co-Insurance Rate.** 20%
- **Premiums Paid (this year).** \$1,500
- **Medical Bill Received.** **\$500**
- **Insurance Company Pays.** 80%
- **Maggie Pays.** \$100 (20% co-pay)



### Scenario 2 - Catastrophic Health Plan

- **Deductible.** \$7,000
- **Co-Insurance Rate.** 0%
- **Premiums Paid (this year).** \$2,000
- **Medical Bill Received.** **\$500**
- **Insurance Company Pays.** 0%
- **Amira Pays.** \$500



### Factors to Consider

- **Deductible.** Higher deductibles may lower premiums.
- **Coinsurance.** % of medical bills you pay after meeting deductible. Higher rates increase out-of-pocket costs.
- **Premiums.** Higher premiums may provide better coverage.
- Check the **Maximum Out-of-Pocket (MOOP)** amount you'll pay for healthcare expenses in a year.
- **Specialty Care.** Does it cover mental health, or physical therapy, and are there limitations?
- **Prescription Coverage:** Does your plan cover prescription meds and are there restrictions?



## HOW TO FILE YOUR TAXES

**Income tax** is a tax on the income or profits you earn from different sources, such as a job, investments, or a business, which the government uses to fund public services and infrastructure. The amount you owe depends on your **filing status**, your **income bracket** and other factors. You can file your taxes electronically, by regular mail, or you can hire a tax professional.



### Forms to File Your Taxes

#### Form 1040:

Standard Form For Individual Tax Return

#### Form W-4:

Employee's Withholding Certificate

#### Form W-2:

Wage & Tax Statement

#### Schedule B:

Interest & Dividend Income

#### 1099:

Miscellaneous Income

### Key Tax Forms

- **Dependents.** Qualifying family members or individuals claimed on a tax return to reduce taxable income.
- **Filing Status.** Taxpayer's marital status and family situation, affecting tax rates and deductions.
- **Gross Income.** Total income earned from all sources, before deductions and exemptions.
- **Standard Deduction.** Fixed amount subtracted from gross income to reduce taxable income, without proof of expenses.
- **Tax Bracket.** Range of taxable income subject to a specific tax rate, with higher brackets paying higher rates.
- **Tax Credits.** Direct reduction in taxes owed, refundable or non-refundable.
- **Tax Deductions.** Specific expenses deducted from gross income to reduce taxable income.
- **Tax Withholding.** Amount of taxes withheld from paycheck by the employer, based on income and filing status.

## UNDERSTANDING CAR LOANS AND MORTGAGES

Debt is a financial burden that can be a significant source of stress if not managed properly. Debt can include personal debt, credit cards, student loans, and mortgage debt. To get on top of your debt, keep track of your income and expenses to identify areas where you can cut back and focus on debt repayment. Avoid taking on new debt while paying off existing debts.



### Your Safety Net

Having an **Emergency Fund** allows you to better manage unexpected expenses and avoid going into debt in the first place.

### Your Options

- **Debt Negotiation.** Negotiate with your creditors to reduce the amount you owe or to temporarily suspend payments.
  - o Some creditors may not be willing to negotiate.
- **Debt Prioritization.** Focus on the debts with the highest interest rates or the smallest balances.
  - o Make sure to pay more than the minimum.
- **Debt Consolidation.** Combine multiple debts into one loan with a lower interest rate and a single monthly payment.
  - o Don't just move debt around, fix the financial habits that led to it.
- **Bankruptcy.** Your last resort! Claiming bankruptcy will lower your credit score, making it difficult to obtain credit in the future.
  - o Will remain on your credit report for 7-10 years.

### Short-Term Financing Options

