

LifeSmarts
Personal Finance Lessons: Budgeting
“Way, No Way” Discussion Notes

Slide 1

Slide Text: WAY OR NO WAY

What do you really know about how Americans spend and save their money?

Slide 2

Slide Text: LifeSmarts: Learn it, Live it
LifeSmarts is a program of the National Consumers League

Slide 3

Slide Text: 1-Way or No Way?

Only twenty-five percent of Americans report they “always” or “sometimes” worry about money.

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Slide Text: 1-NO WAY

Over 55% of Americans report they worry about money.
— USA Today

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Slide Text: 2-Way or No Way?

A recent survey of parents of high school students revealed that ninety percent of parents agree that their teenagers think “money grows on trees.”

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Slide Text: 2-NO WAY

Only about 53% of parents said their teenagers think “money grows on trees.”

Many teenagers are in the work force and understand that money and hard work go together.

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Slide Text: 3-Way or No Way?

A national survey revealed the average high school couple spends over one thousand dollars on prom.

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Slide Text: 3-WAY

The breakdown –
Males spend \$545
and females \$530.
— Seventeen Magazine, 2007

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Slide Text: 4-Way or No Way?

When considering which car to buy, the most important factor for teens was the style or “cool factor.”

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Slide Text: 4-WAY

The most important factor for parents was safety and reliability.

Behavioral economists tell us that our buying decisions are not always rational, but do follow patterns.
— autoextra.com

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Slide Text: 5-Way or No Way?

Workers with high school diplomas earn, on average, \$260,000 more over their working life than workers who have not graduated from high school.

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Slide Text:

5-WAY

In fact, high school dropouts cost society money. They are often the consumers of welfare and public health service. It is estimated that dropouts cost society \$209,000 over their lifetime.

— Levin, Belfield, Muenning, & Rouse, 2007

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6-Way or No Way?

Nineteen percent of bankruptcies are filed by people under the age of twenty-five.

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Slide Text:

6-WAY

Not being able to distinguish between needs and wants, not managing college or automobile debt and misuse of easy credit can lead to financial disaster.

— 2007 Charles Schwab Teens & Money Survey

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7-Way or No Way?

Twenty-one percent of American's say they are not saving enough, while over seventy-five percent feel their saving level is adequate.

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7-NO WAY

Reverse those percentages and you have it right. Over 75% of Americans think they are not saving enough and 21% think they have an adequate savings plan.

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8-Way or No Way?

Research shows only six percent of Americans have an income of \$97,000 or more per year.

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Slide Text: 8-WAY

While movies and television present the lifestyles of the rich and famous, 94% of Americans are not wealthy.

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Slide Text: 9-Way or No Way?

Middle class income for Americans is between \$30,000 and \$90,000 per year.

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Slide Text: 9-WAY

Even though this is a very wide range of income, Americans in this range consider themselves to be middle class.

— MIT Economist, Frank Levy

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Slide Text: 10-Way or No Way?

Over a lifetime of work, a college graduate earns about \$400,000 more than a worker with only a high school diploma.

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Slide Text: 10-NO WAY

The gap in earning potential is much greater. A college graduate often earns \$800,000 more during their lifetime than a high school graduate.

— collegeboard.com

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Slide Text: 11-Way or No Way?

The median household income in 2006 for all households in the United States was \$48,451.

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Slide Text:

11-WAY

The median income is the center, one-half of the households is below \$48,451 and the other half is above that figure.

— U.S. Department of Commerce

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12-Way or No Way?

Approximately seven percent of Americans live in poverty.

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12-NO WAY

Over 13% of Americans live below the level of poverty. In 2007 the poverty level for a family of four was \$20,650.

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13-Way or No Way?

Americans spend \$1.22 for every dollar they earn.

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Slide Text:

13-WAY

How does that work?

The National savings rate is at -2.2% and has been below 0% since 2005. Americans spend more than they make by using credit.

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14-Way or No Way?

Two thirds of college students graduate from college in debt for their education.

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14-WAY

The average student debt for a four year degree is \$19,300. 25% of students borrow \$25,000 or more.

— finaid.org

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15-Way or No Way?

One-sixth of families who use credit card pay only the minimum payment each month.

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Slide Text:

15-WAY

And for many families their credit card debt began with a wage earner losing their job or a medical emergency.

— American Bankers Association

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16-Way or No Way?

University administrators say they lose more students to credit card debt than to academic failure.

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16-WAY

Only about 26% of college students report making and using a budget.

— CUNA

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17-Way or No Way?

When making the minimum payment it takes eleven years to pay off a \$2000 debt on a credit card with an 18.5 percent interest rate.

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Slide Text:

17-WAY

When you make the minimum payment it takes 11 years to pay off a \$2000 balance and the interest charges will be almost \$1900.

Paying only the minimum payment almost doubles the cost.

— Sallie Mae

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18-Way or No Way?

One in every three high school seniors uses credit cards.

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18-WAY

Most teenagers access credit cards with help from their parents and often use them for online purchases.

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19-Way or No Way?

Seventy percent of Americans live paycheck to paycheck.

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Slide Text:

19-WAY

Not only do Americans live paycheck to paycheck, but many have no money left after paying basic monthly expenses.

— Wall Street Journal 2007

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20-Way or No Way?

There are more payday lending stores in the United States than McDonalds and Burger King stores combined.

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Slide Text:

20-WAY

25% of American households used a payday lender in 2006.
— U. S. Department of Commerce

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21-Way or No Way?

The annual percentage rate (APR) on a fourteen day payday loan ranges from 100 to 150 percent.

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Slide Text:

21-NO WAY

The interest rate on most payday loans ranges from 390% to 780%.

This is sometimes termed “predatory” lending.
— paydayloaninfo.org

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22-Way or No Way?

The United States Department of Agriculture estimates that feeding a family of four at home for one month, using what they term the “low cost” plan, would cost \$440.

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22-NO WAY

That is the estimate for only two people, add two children under the age of eleven and the “low cost” is \$635 per month.

But if you are on your own and are on “liberal” plan the USDA estimates your food expenses will be \$291-\$321, and that is before you “dine out.”

— USDA Food Plans, 2008

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23-Way or No Way?

Many experts agree that you should not worry about saving until you have financial security and want to buy your first home.

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23-NO WAY

From your first paycheck you should PYF (pay yourself first) and begin to save for short and long terms goals.

Experts recommend that you save between 10% and 15 % of your income each month.

— choosetosave.org

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24-Way or No Way?

Once you are on your own, you need about two months of income put away for emergencies or to pay living expenses should you lose your job or become ill.

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Slide Text:

24-NO WAY

You need to have a least 3-6 months living expenses in an emergency savings account and your do not spend unless unexpected circumstance demand it. Repay the account as soon as possible.

— consumeraction.org

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25-Way or No Way?

The average worker works 113-130 days each year to pay taxes, if one hundred percent of their paycheck went to pay federal, state and local taxes and fees.

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Slide Text:

25-WAY

That means Americans will work nearly four months of the year, from January 1 through April 23, before they have earned enough money to pay their yearly tax obligations at the federal, state and local levels.

Tax Freedom Day is the day that American tax payers have finished paying their tax burden for the year.

— Tax Foundation.org

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Slide Text:

LifeSmarts is:

- An educational program teaching teens and tweens important real-life knowledge
- A competition – students compete online and in-person
- A teaching toolbox – check out our resources
- An opportunity for students to gain leadership skills, and fulfill community service requirements
- A chance to develop strong partnerships with national groups such as FBLA and FCCLA

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