



State of California – Military Department
California Cadet Corps

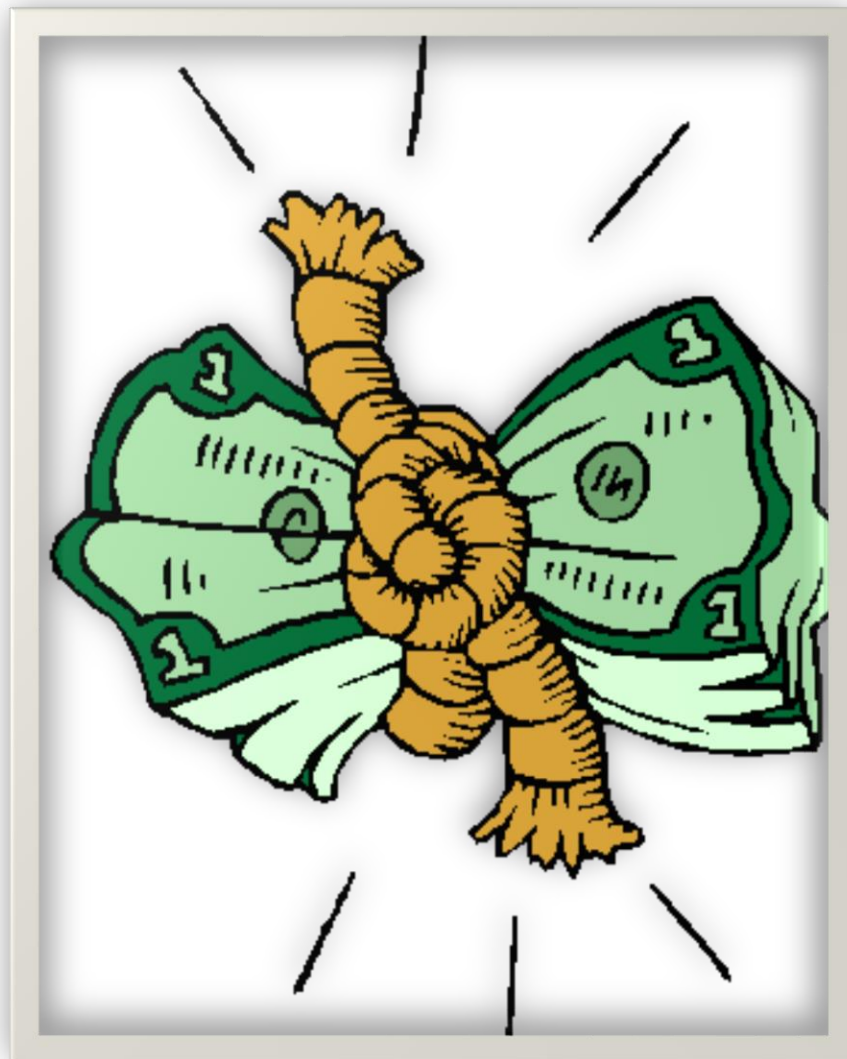
CURRICULUM ON WELLNESS

Strand W1: Finances

Level 11

This Strand is composed of the following components:

- A. **Finances: Money Management**
- B. Critical Consumer
- C. Building Wealth



“Don’t Steal from Your Future”

Table of Contents

A. Finances: Money Management	3
Objectives	3
A1. Introduction to Personal Finance	4
A2. Cash.....	5
A3. Savings	6
A4. Checking Accounts.....	9
A5. Debt, Loans, and Credit Cards	9
A6. Personal Budgeting.....	10
A7. Life After High School	15
References	17

A. Finances: Money Management

Standard #4: Cadets are healthy, well-rounded and prepared for the physical and stress demands of college, career, and life.

OBJECTIVES

DESIRED OUTCOME (Self-Mastery)

Cadets will be able to put into practice good money management skills.

Plan of Action:

1. Identify the reasons to wisely manage money
2. Explain why it's best to use cash instead of debit cards
3. Open a savings account
4. Identify why a checking account is needed as an adult
5. Identify why loans and credit cards are not good sources of money
6. Create and use a personal budget
7. Make a plan for saving for life after high school

A1. Introduction to Personal Finance

Be Smart with Your Money!

Money. Whether we have very little or a lot, money is needed for our day-to-day lives. With money in our pocket comes the responsibility to manage it. Some people are careful with how they spend their money and some others are not very careful. The goal of the lessons ahead is to teach you how to be responsible with managing your money. Even if your source of income right now is only an allowance or is money gifted to you for a birthday, you need to learn good money management skills now and for the future.

Where do we usually learn our money management habits? We usually learn from how we see our parents handle money. If your family's influence of handling money is not good, then now is the time for you to break the cycle!

It is important to learn and apply good money management skills for the short term and the long term. Learning them now while you are young can mean a lifetime of managing your money well. You will become financially independent from your parents when you become an adult and be financially comfortable when you reach retirement years. Good money management also means less stress than someone who is deep in debt and worried about paying creditors.

YOU Decide what to do with Your Money – Don't Let Your Money Decide for You!



The three areas of personal finance we want you to learn are:

- Wise/planned spending
- Saving
- Planning/Budgeting

These three areas are the key ways to be a good money manager. But before we dive into a little more detail about these three, let's talk about the sources of any money you have, or you receive.

Practical Exercise

Commandant writes on the board answers to the following question asked of Cadets:

“How do you acquire money?”

(For example: an allowance from mom or dad)

Cadets: Note somewhere your own personal answer(s) to this question as you will be applying it in an exercise in another lesson.

Spending

One of the biggest things people do with money is spend it! Sometimes we spend money for things we *need*, but sometimes we spend money just because we *want* something. Our goal in these lessons is to help you learn how to plan your spending – and spend wisely.

How do you spend your money?

Practical Exercise

Commandant writes on the board answers to the following question asked of Cadets:

“What do you spend your money on?”

Cadets: Note somewhere your own personal answer(s) to this question as you’ll be applying it in an exercise in another lesson.

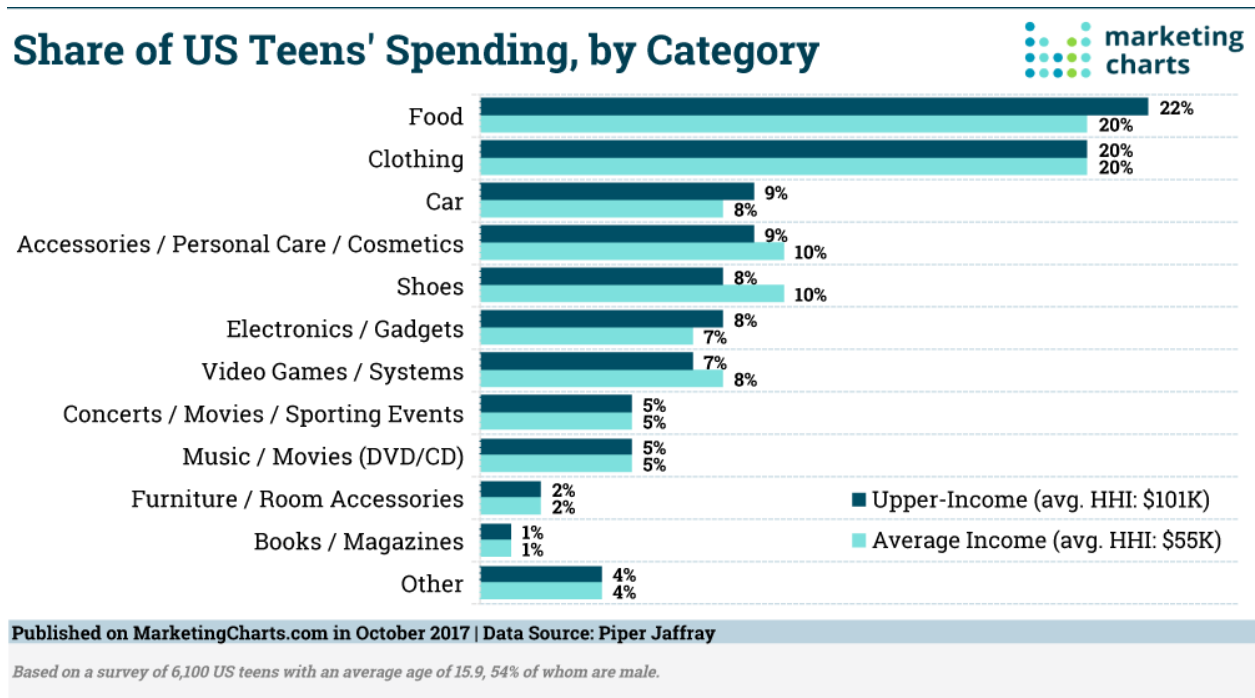
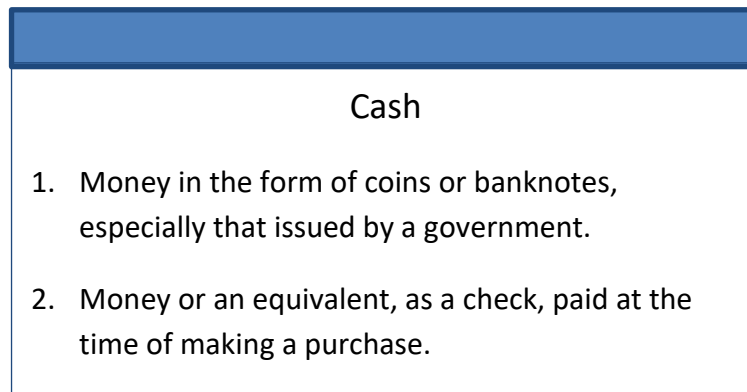


Figure 1: (How Are Teens Spending Money?, 2017)

A2. Cash

One of the best ways to manage your money is to use cash to pay for purchases. Why? Because having the feel of cash in your hand and then have it leave your possession makes it very personal to you, and you become much more aware of what you are doing with your money. It hurts to part with your cash!

So, what exactly is “*cash*”? As a noun, Dictionary.com (Cash, 2019) defines it as follows:



For our purposes, we will use definition 1 to describe cash. Yes, a paper check is often considered “cash”, but it is not the same as handing over that green paper or those coins that are most often referred to as cash. When making a rent payment, paying a utility bill (such as electric, water, garbage, internet, etc.), you may be more inclined to write a check (or pay the bill using online banking).

However, if you plan for purchases and carry the amount of *CASH* needed for them, you will be more likely to spend your money wisely and thoughtfully. We will talk in detail in Strand C2, Section B about how to make wise decisions when buying things.

Many people use a debit card in place of carrying cash. The downside of doing so is that you do not feel that actual cash leaving your hand, so it becomes very easy to spend more money than you planned — leading you to overspend. You also run the risk of overdrawing your bank account, leading to bank penalty fees being assessed.

A3. Savings

Putting some money away in a savings account is an important part of wisely managing your money. Everyone needs to decide their personal goals for saving, but some things teenagers may consider saving money for are a car, post-secondary education (college or vocational/trade school), “first & last” months’ rent for an apartment if moving out of your current residence after high school, etc. We will talk more about planning for life after you finish high school in section [A7](#). below.

Regularly putting away some money in a savings accounts – even if only a small amount now – establishes a good habit for your lifetime. As an adult, some things you may want to save towards are: an “emergency savings” for expected and unexpected things (medical emergencies, job loss, car repairs, house repairs); a car; a down payment to buy a home; vacations; Christmas gifts; or your children’s college.

You may have a place at your house where you save some money, such as in a box in your closet, in a drawer, under your mattress, etc. But those are not great places to save money because: 1) someone may steal it if they find it; or 2) you may spend it because you have such easy access to it! Saving money

in a savings account at a bank or credit union in order to pay cash for things, rather than using credit cards or taking out a loan (*we'll talk more on these later*), will help you not spend money you don't have!

Compound Interest

Compound interest is a process of growing your money. According to the American Heritage Dictionary of the English Language, 5th Edition, **compound interest** is: **(n.) interest calculated on both the principal and the accrued interest.** When you put money in a savings account at a financial institution, such as a bank, your money will earn interest. The bank will deposit that interest on your money into your account. The next time the bank calculates the interest earned on your account, it will be calculated based on the total of the money that you deposited (assuming you have not taken any of the money out of your account), plus the interest the bank paid you the previous time they calculated interest.

The bank determines the frequency of interest calculation. Frequencies are (How Often Is Interest Accrued on a Savings Account?, 2019):

- Annual compounding: Interest is calculated and paid once a year.
- Quarterly compounding: Interest is calculated and paid once every three months.
- Monthly compounding: Interest is calculated and paid each month.
- Daily compounding: Interest is calculated and paid every day.

Example

“Start with the concept of simple interest: you deposit money, and the bank pays you interest on your deposit. For example, you might deposit \$100 for one year at 5 percent, and you will earn \$5 in interest over the year.

What happens next year? This is where compounding comes in. You earn interest on your initial deposit, *and* earn interest on the interest you just earned:

1. You earn 5 percent on your original deposit \$100 again
2. You earn 5 percent on the new \$5 of interest earnings the bank paid to your account.

That means you earn *more* than \$5 next year because your account balance is now \$105, even though you did not make any deposits, so your earnings will accelerate. At many banks, especially online banks, interest compounds daily and gets added to your account monthly, so the process moves even faster.” (How Compound Interest Works and How to Calculate It, n.d.)

Although there may not be a significant difference, especially on small amounts, but the more frequent the rate of compounding, the higher amount of interest will be paid. **The main point to remember is that by putting your money in a savings account (and not drawing it out) will increase your savings through compound interest plus your additional savings deposits.** Regularly saving money makes the savings grow even faster.

Opening a Savings Account

If you are under 18 years old, you likely will need a parent or legal guardian as a co-owner on a savings account. That will also allow you to have an ATM card to use to deposit or withdraw money from an Automated Teller Machine (ATM). An ATM card is not the same thing as a debit card, which will be discussed in section A3 below.

When an ATM card is issued, the financial institution also gives you a Personal Identification Number (PIN) associated with the card. You must use this PIN when you use your debit card. **Do not EVER give your ATM card or PIN to anyone!**

Practical Exercise

Each Cadet writes down at least one savings goal

(Cadets should save what they've written for application in a future exercise)

Practical Exercise *(to do outside of the classroom setting)*

Each Cadet is encouraged to do this exercise with a parent or guardian.

Go to a local bank or credit union and open a savings account.
Many financial institutions have student savings accounts.

When researching a savings account online or when talking to the bank/financial institution representative, the parent and Cadet should make ensure the account has no limits on the amount and the frequency of deposits.

A4. Checking Accounts

A checking account is an account at a bank or other financial institution where a person can deposit and withdraw their money. The only way to open a checking account if you are under the age of 18 is to have a parent or legal guardian be a co-owner on the account. This means that generally, a person under 18 usually has a savings account only. However, as an adult with an income you may want to open a checking account where you can deposit money from your job and withdraw your money as needed.

In the past, a checking account owner wrote paper checks to pay rent, mortgage, utility bills, groceries, and all other payments where they did not pay by cash.

Although paper checks are still used, besides paying cash, many people now use online banking to pay bills and use a debit card to withdraw cash or to pay for items at grocery or retail stores, doctor and dentist offices, and other places where paying by check was common.

Debit Cards

As mentioned above, debit cards are now commonly used to withdraw money directly from your checking account. A debit card is not a credit card, and interest is not charged since it is not a loan. You need to keep tabs on your checking account and balance it each month to ensure you know how much money is in your account. Do not take money out of your account that you don't have!

When a debit card is issued, the financial institution also gives you a Personal Identification Number (PIN) associated with the card. You must use this PIN when you use your debit card. **Do not EVER give your debit card or PIN to anyone!**

A5. Debt, Loans, and Credit Cards



Many Americans are deep in personal debt. According to Debt.org, at the end of the third quarter of 2018 "Total U.S. consumer debt is at \$13.51 trillion. That includes mortgages, auto loans, credit cards and student loans." (Fay, 2018)

What do you think is the driving force causing so many Americans to acquire so much debt?

Some reasons Americans acquire debt:

- We want instant gratification and do not have the cash to pay for it.
- Our ego – we want to impress others with nice things we have (car, clothes, house, etc.)
- We have not saved to buy what we need or want

Many of us have adults in our life who use credit cards and pay only the minimum payment each month rather than paying off the balance. They have credit card balances and loans for things like cars, big

screen televisions, washers and dryers, etc. They are deep in debt. Unfortunately, we learn by their example. And this is the cycle we want you to break!

Credit Cards

(US Bank, 2019) “Credit cards offer you a line of credit that can be used to make purchases, balance transfers and/or cash advances and requiring that you pay back the loan amount in the future. When using a credit card, you will need to make at least the minimum payment every month by the due date on the balance. If the full balance for purchases is not paid off, interest charges will be applied. Interest charges will be applied from the date of the transaction for balance transfers and/or cash advances.”

Interest rates charged each month on balances carried on a credit card are usually very high—sometimes over 20%! That means the balance on the card is generally growing and it will never be paid off if only minimum payments are made. Very few people actually pay off the balance each month and avoid interest charges. Debt is very stressful and prevents you from ever getting ahead financially.

Loans

“*The borrower is a slave to the lender*” is from an ancient scripture that still holds true today. When you borrow money, you are indebted to the person or institution who lends you the money. Like credit cards, loans accrue interest charges on unpaid balances. Again, debt is stressful.

For those who have borrowed money from a family member or friend, relationships can sour or be lost completely if one or the other (or both) persons feel something went wrong between them. In the case of taking out a loan from a financial institution, if you fail to make payments, the item can be repossessed by the loan holder. In other words, if you take out a loan for a car, then lose your job and cannot make the payments, the loan holder will have the car physically taken from you—aka, repossessed.

Adults sometimes buy a home and, understandably, is the one item where most people get a loan. Very few people have the cash up front to pay the total cost of a home.

A6. Personal Budgeting

A personal budget, sometimes called a home budget, is a plan you create to manage your money. It is a tool used to allocate each dollar you get. There are different methods you can use to manage your money. However, the two simplest – and probably the most efficient – ones are explained below.

The Envelope System

The simplest method is to use an envelope system. You label envelopes with each of your expense categories. When you get money (from your job, parents, etc.) distribute cash among the envelopes according to the amounts designated in your budget.

The Budget Spreadsheet

Using a budget spreadsheet is quite easy if you have a pre-made form either on paper or in an electronic worksheet, in a computer program, or online (such as through online banking or through apps like [YNAB](#), [Every Dollar](#), [Good Budget](#), and [Mint](#)) to track your spending. An electronic worksheet is the easiest and quickest way because it can do the calculations for you when you enter in the dollar amounts. But a paper version where you do your own calculations will work just as well.

Each time you receive money or spend it, enter the amount in the spreadsheet cell for that category. You then update the totals so you know how much you have left to spend in that category. Having a written budget allows you to track your expenditures over time and, if needed, adjust the amount of money you budget for some categories going forward.

Figure 2: Blank Budget Worksheet Example

Budget Worksheet		
Monthly Income	<i>Amount Budgeted</i>	<i>Amount Received</i>
Job		
Allowance		
Gifts		
<i>Total:</i>		
Monthly Savings	<i>Amount Budgeted</i>	<i>Amount Spent</i>
Savings		
Monthly Expenses	<i>Amount Budgeted</i>	<i>Amount Spent</i>
Household		
Money to parents/guardian		
<i>Total:</i>		
Food		
Snacks		
Eating Out		
<i>Total:</i>		
Transportation		
Gas/Fuel		
Vehicle Repairs/Maintenance		
Bus fees		
Vehicle Insurance		
Other		
<i>Total:</i>		
Entertainment		
Cell phone		
Computer & Accessories		
Movies/Concerts/Sports		
Music/Videos		
Hobbies		
<i>Total:</i>		
Personal		
Hair Cut		
Clothes/Shoes		
Gifts		
Toiletries (toothpaste, cologne, etc.)		
Laundry		
Miscellaneous		
<i>Total:</i>		
Charity		
Donations		
<i>Total:</i>		
Total Expenses		
Income minus Expenses (should = \$0)		

Figure 3: Completed Budget Worksheet Example

Budget Worksheet		
Monthly Income	Amount Budgeted	Amount Received
Job	\$500.00	\$500.00
Allowance		
Gifts		
Total:	\$500.00	\$500.00
Monthly Savings	Amount Budgeted	Amount Spent
Savings	\$80.00	\$0.00
Monthly Expenses	Amount Budgeted	Amount Spent
Household		
Money to parents/guardian		
Total:	\$0.00	\$0.00
Food		
Snacks	\$30.00	\$35.00
Eating Out	\$45.00	\$50.00
Total:	\$75.00	\$85.00
Transportation		
Gas/Fuel	\$80.00	\$75.00
Vehicle Repairs/Maintenance	\$20.00	\$70.00
Bus fees		
Vehicle Insurance		
Other		
Total:	\$100.00	\$145.00
Entertainment		
Cell phone	\$25.00	\$25.00
Internet	\$10.00	\$10.00
Movies/Concerts/Sports	\$20.00	\$50.00
Music/Games	\$50.00	\$60.00
Hobbies		
Total:	\$105.00	\$145.00
Personal		
Hair Cut	\$20.00	\$20.00
Clothes/Shoes	\$80.00	\$65.00
Gifts		
Toiletries (toothpaste, cologne, etc.)		
Laundry		
Miscellaneous	\$40.00	\$30.00
Total:	\$140.00	\$115.00
Charity		
Donations		\$10.00
Total:	\$0.00	\$10.00
Total Expenses	\$500.00	\$500.00
Income minus Expenses (should = \$0)	\$0.00	\$0.00

Practical Exercise #3

- Using a provided budget worksheet form, the Commandant explains how to use the worksheet, walking through each row and column on the worksheet, using a completed worksheet as an example.*
- Cadets plug in their own numbers on the worksheet. If the Cadet has no numbers to enter in that category, then they should enter some number as a model for them to follow.*

****Blank (with and without formulas) and Example budget worksheets are available on the CACC Curriculum web page both electronically and for printing hard copies.***

A7. Life After High School

No matter what you want to do after high school, prepare now because the sooner you start the better. Regardless of what you do, you will need some financial resources to fund your plans. That is why you should start saving as soon as possible. We discussed savings for your future in [A3](#) above.

- Do you want to go to college or a vocational/trade school?
 - **Paying back student loans after college can be a big financial burden for a very long time!** *Because of the burden (and resulting stress to pay back the money), student loans are not an ideal way to finance college or trade/vocational education.*
 - **Can you live at home while going to school?** *This can save you money.*
 - **Can you work part-time while going to school?** *This can help pay for school.*

- Do you want to take “a gap year”?
 - **What will you do during a gap year?**
 - **Where will you get the money to support yourself during a gap year?**

- Do you want to travel?
 - **Where will you get the funds to pay for travel?**

- Will you get a job, or do you currently have a job?
 - **Do you have a job now and are you saving money?** *If not, now is time to start saving!*
 - **No current job, but plan to get one?** Start saving money from your job as soon as you receive your income.
 - **Will you live at home after high school?** If so, do you need to help your parent(s) or guardian with expenses?

- Do you want to join the military?
 - **This may be a good option to gain job skills and/or pay for college using the GI Bill after leaving the military.**

Gap Year and Travel Financing and Savings

(College Planning & Financial Aid, 2017)

“Most gap years tend to incorporate an element of travel. Thankfully, finding work does not mean that you need to give up on this. Many countries offer the option of doing paid work while on a tourist visa.

Doing a paid internship is another way to get some supplemental income. Internships and volunteer work that does not offer remuneration sometimes offer other perks, like covering the cost of accommodation or providing food through the duration of your internship. All of these options are great ways of saving money.

Additionally, working or interning allows you to gain insight into what your life might be like once you graduate. You will gain a better understanding of your strengths and weaknesses within the workplace, as well as your likes and dislikes, preparing you for a more meaningful college experience. When you are

back home, taking up a minimum wage job is not a bad idea. In fact, minimum wage can go far, contrary to what people think.

If you are still able to live at home or get support from your parents, that can be a major chunk of student loan debt you can avoid.”

As you hopefully realize from what we discussed in these lessons, planning for life after high school involves a lot of money planning. Get started now if you are not already doing so. It is the smart thing to do!

Practical Exercise

Take some time to think through the following questions, then **write down your answers**.

1. What do I want to do after I finish high school?
2. How am I going to fund what I want to do?

REFERENCES

- Cash*. (2019). Retrieved from Dictionary.com: <https://www.dictionary.com/browse/cash>
- College Planning & Financial Aid*. (2017, November 7). Retrieved from LendKey:
<https://www.lendkey.com/blog/paying-for-school/take-gap-year-prepares-college-personally-financially/>
- Fay, B. (2018). *Key Figures Behind America's Consumer Debt*. Retrieved from Debt.org:
<https://www.debt.org/faqs/americans-in-debt/>
- How Are Teens Spending Money?* (2017, October 19). Retrieved from Marketing Charts:
<https://www.marketingcharts.com/demographics-and-audiences-80708/attachment/piperjaffray-share-of-us-teen-spending-by-category-oct2017>
- How Compound Interest Works and How to Calculate It*. (n.d.). Retrieved from the balance:
<https://www.thebalance.com/compound-interest-4061154>
- How Often Is Interest Accrued on a Savings Account?* (2019). Retrieved from The Motley Fool:
<https://www.fool.com/saving/how-often-is-interest-accrued-on-a-savings-account.aspx>
- US Bank*. (2019). Retrieved from How Credit Cards Work: <https://www.usbank.com/credit-cards/how-credit-cards-work.html>