

FINANCIAL INTELLIGENCE
SERIES

A Beginner's Guide to Money

NEEDS, WANTS, PRIORITIES



GRADES 4-6

 **CLASSROOM
CONNECTION**

The Financial Intelligence Series

The Beginner's Guide to Money: Needs Wants and Priorities

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To the Teacher

This Classroom Connection kit focuses on the theme of developing "Financial Intelligence".

Financial Intelligence can be defined as an understanding of finance and accounting principles as they apply to the world of business so as to gain the skills and knowledge to manage a business or your personal financial affairs.

To understand that, the learning materials begin by teaching students about sound financial practices at the micro-economic level, namely their own allowances, purchases, and savings. The activities progress through budgeting to saving to borrowing and debt. Finally it examines insurance as a safety measure to protect individuals.

This is important knowledge. There is a lack of financial literacy among students and many of their parents. Through the activity in this kit, students will learn some of the basics of sound financial management and be able to apply them to the world around them.

The initial activity is a page of definitions. You can use this as a pre-test, an introductory homework assignment, or even turn it into a game. Let students compete to see who can complete the definitions most accurately and quickly.

The "needs and wants" assessment starts students evaluating priorities in spending and saving, the root of good financial management. It leads naturally to the concepts involved in budgeting, where students also learn about the need to save part of their allowance (in effect, their income) for future expenditures. These activities combine to show students the idea that saving is an important part of any plan to spend.

The next set of activities deals with borrowing and the costs associated with borrowing. Students learn about debt and the effect that repayment of debt can have on their other spending. This balancing act is very much part of modern life, where household or government debt have a major influence on the abilities of families and governments to act on their needs and wants.

The insurance activities introduce the concept of protecting oneself on a personal level against unexpected events. Catastrophic events can impose tremendous financial demands on a personal or family budget. Yet, sound financial management suggests that we should always be prepared for unexpected events. Some of those that are beyond our ability to prepare for can be handled through insurance.

The activities examine the concept of self-insurance, simply putting some money away "for a rainy day". But overwhelming costs present a challenge and insurance can be part of sound financial management.

The final activities involve a word search game, a review of financial management skills, and the evaluation of just how much they have developed their financial skills.

Some activities refer to student allowances. Not all students receive allowances. It would be appropriate for teachers to suggest, "Imagine you receive an allowance of \$X" as a preface to the relevant activity.

In the Classroom

You can hand these activities out as in-class worksheet, individual homework, independent research, or in-class group activities. In themselves, they will give students a good level of basic knowledge and skills. By using them as a starting point for lessons, you can greatly enhance student learning. Some students may need more help and guidance with this work; sometimes a brief introductory lesson will help students on their way.

The newspapers that come with these activities are a good source of information for students. There are frequent stories about financial issues, and the ads provide fodder for the "Needs and Wants" work. We suggest that students bring in the weekend flyers in addition to the daily ads. Also, having students go through the papers on a daily basis and clipping relevant stories will allow the class to build up a vertical file of information that they can call on later. Be sure to remind students to add the date, section name, and page number to the clipping. This is the proper way to use clippings as a resource for later research.

In addition to the suggested activities, you can turn finding information into a friendly competition. Use the scavenger hunt approach: give students a particular set of information to find, and let them to compete to see who can be the first to find the information.

Activities are also a good starting point for classroom presentations, either by the student work groups or individuals. It is also an effective way to have students write and do peer editing. Let them review each others' findings, suggest improvements, and then have the original writers make revisions. The final results can then be the basis for a classroom presentation.

Writing in Style is another option. Students need to learn that there are different writing styles for different audiences and intentions. Using the newspaper as a sample, they can learn how to write stories, editorials and letters to the editor. Each has a distinct style that students can apply to their own writing.

Curriculum correlations: Ministry curriculum documents are available at www.edu.gov.on.ca/eng/curriculum.html



Investor Education Fund (IEF) is pleased to partner with the Toronto Star to develop the Financial Intelligence series.

IEF is a non-profit organization delivering programs, resources and tools that help Canadians learn about financial matters in schools, in their communities, and online. (www.getsmarteraboutmoney.ca). It is established by the Ontario Securities Commission.



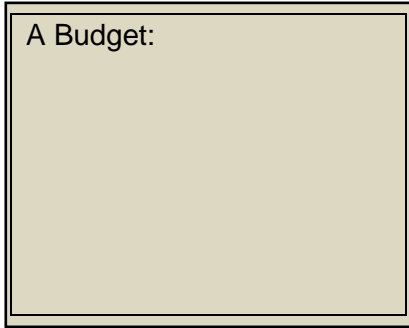
Investor Education
Fund

A: Financial Intelligence

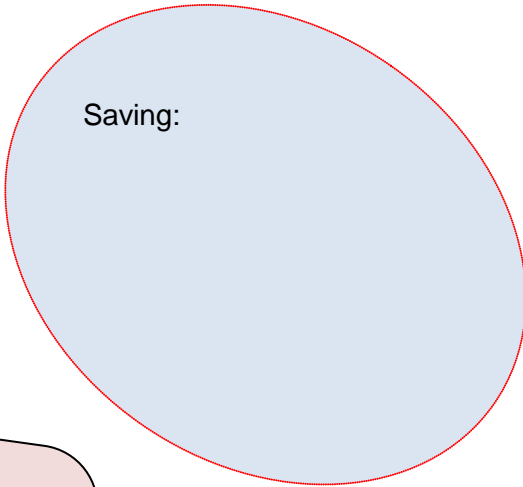
Name: _____

What is it? Tell us below.

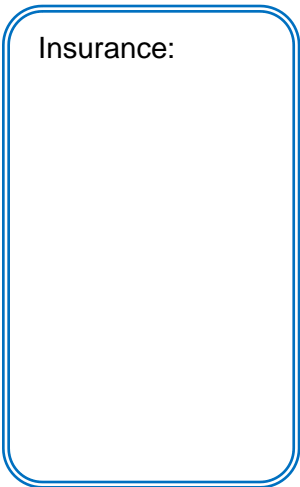
A Budget:



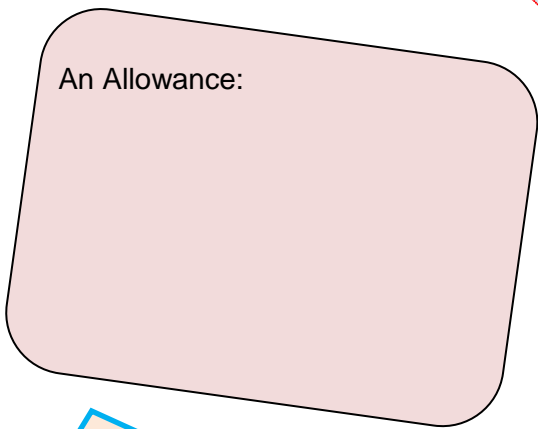
Saving:



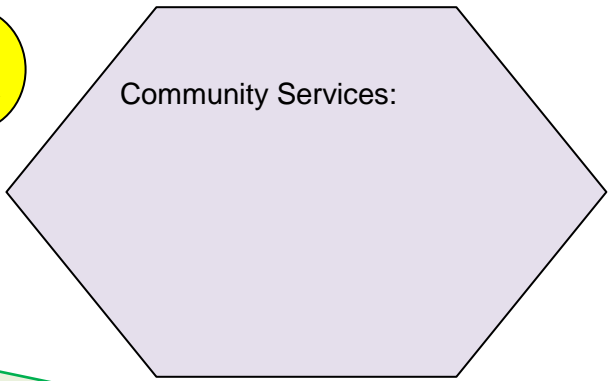
Insurance:



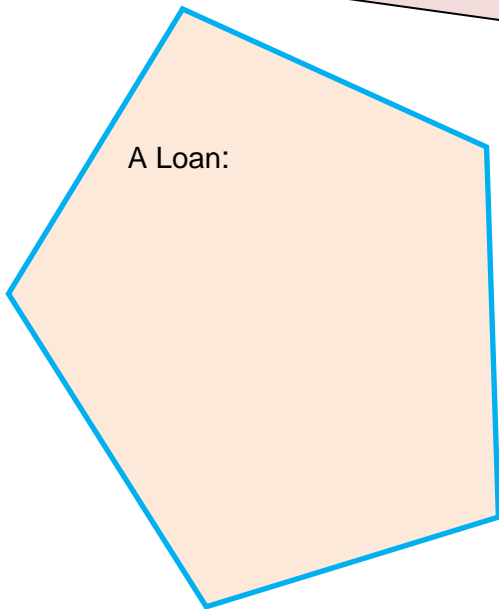
An Allowance:



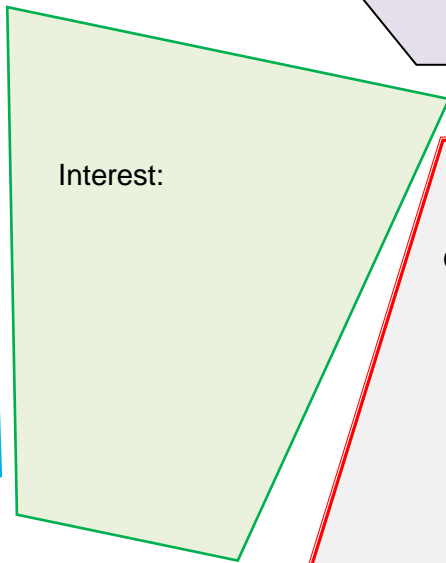
Community Services:



A Loan:



Interest:



Credit Card:



- ▶ Use the newspapers and other sources to explain the meanings of these terms.
- ▶ Why are these terms important to you? To your family?

B: Needs and Wants - Part 1

Name: _____

There are many things we want, and many things we need.

1. Explain briefly the difference between something that is a "Need" and something that is a "Want".

Need:	Want:
Example:	Example:

2. Use the newspaper to complete this chart of six items which you "Need", and six items which you "Want".

Needs			Wants		
Item	Price	Why Needed	Item	Price	Why Wanted
Total cost if you bought one of each:		\$	Total cost if you bought one of each:		\$
Suppose you bought these items when everything was on sale at "10% Off". How much did you save?			Suppose you bought these items when everything was on sale at "One-quarter Off". How much did you save?		

B: Needs and Wants - Part 2

Name: _____

3. Clip and save in this box pictures from newspaper ads and flyers of ten items you NEED. It is okay if they overlap. Be sure to include the prices.



4. Some of your "Needs" are for items you need regularly. List five of the most important items in the table below, complete with prices and explanations.

Item you need every month.	Price	Why do you need this item?
Total cost if you bought one of each item:		\$
How much would you have to save each week to be able to buy all of these items at the end of one month?	Work Space	Answer

B: Needs and Wants - Part 3

Name: _____

5. Some "Needs" and "Wants" are not "things" but rather services. Describe what the term "services" means.

6. Use the left column below to list four examples of services that you "Need", absolutely must have. In the "Want" column, list four services you would like to have but could live without.
7. Some services are provided by private "For Profit" businesses. Others are public, paid for by the community. Look up who actually pays for the services you need and want, and complete the table below.

"Need" Service	Who pays for the Service?	"Want" Service	Who pays for the Service?
<i>Example: Fire Department</i>	<i>Community</i>	<i>Telephone</i>	<i>User</i>

8. Brainstorm in your workgroups and decide on three most important community services. On a separate sheet of paper, write a short explanation of why these are so important. If you have a computer, type your explanation to look as much as possible like a newspaper story.
9. In your work groups, discuss why it is important to know the difference between "Needs" and "Wants" in community services. Present your results to the class.

5. In your work groups, discuss how you could afford to buy something that costs more than your allowance, and still spend money on items you want from time to time. Have each group write down their best ideas, and present them to the class.
6. Now consider when and how you might want to spend money. A plan for future spending is called a "budget". Based on your spending log, prepare a budget for the time until you receive your next allowance. (If you need more space, draw your own table on the back of this page.)

My Budget					
Date	Description	Money In	Money Out	Money Saved	Balance
Total					

7. Since saving is an important part of budgeting, include some money to be put aside as savings.
8. In your work groups you discussed how to buy something which costs more than your allowance. Look at how much money you could save by changing your spending. Are there some purchases you could cut back on or do without?
9. Consider how much money you could put aside for that larger purchase, and adjust your budget accordingly.

C: Budgeting - Part 2

Name: _____

Saving Money

1. Look back at your budget. How much money could you save from your allowance(s) each month, if you tried?

\$

2. Look through the newspaper for ads by banks or other companies where you could deposit your money. How much interest are they offering on any money you save with them?

%

3. Which company is offering the best interest rate?

Company Name

%

(per annum)

When people save money, they usually put it into savings accounts in a bank, credit union, or trust company. These companies pay savers a percentage of the money on deposit as **interest** for keeping their money with them. Over time, people earn money on their savings. That increases the value of their savings. Think of interest as a reward for saving.

4. Go back to your list of "Needs" and "Wants". Select two items that are too expensive for you to buy from your regular allowance. Considering how much you could save from each allowance, how long would you have to save to buy these two items?

weeks/months

5. Some savings accounts pay interest on savings every 6 months. If you had \$500 in your account, how much interest would your money earn in 6 months? (Use the interest rate from question 3)

\$

6. Work out these examples of the interest your money could earn while kept in a savings account for one year. Assume the interest is paid once a year. Use the interest rates you discovered in various newspaper ads.

Amount Saved	Interest Earned	Total in Savings	Amount Saved	Interest Earned	Total in Savings
\$400.00			\$150.00		
\$500.00			\$50.00		

D: Borrowing - Part 1

Name: _____

Look back at the list of things you want for which you would need to save money. Sometimes, the time it would take to save that much is simply too long. There is another option: borrowing the money.

1. In your workgroups, brainstorm about the idea of borrowing. List all the sources from which you could borrow money. Compare your lists, and make a final one in the space below.
2. Then consider the advantages, and the disadvantages, of borrowing to buy something you cannot afford or have not saved up for. Compare notes with your group, and put the three most important points down in the box below to the right.

Sources from which you could borrow:

Advantages of borrowing:

Disadvantages of borrowing:

3. Suppose you needed to borrow an extra \$50 to buy one of the items on your list. Go back to your budget. For each month, look at the money you have coming in, the money going out and the money saved. How much money would you have available each month to repay the money you borrowed?

\$

4. At that rate, how many weeks would it take you to repay the money you borrowed?

weeks

5. On the back of this page, re-do your budget to show these weekly payments. Below that, write a note explaining how they would change your other spending and saving.

D: Borrowing - Part 2

Name: _____

1. In your workgroups, discuss the idea of borrowing and lending. Suppose one of you wanted to borrow money from the group. Consider how you could be sure this person will repay the borrowed money.

Three reasons you could be sure the loan will be paid back.	Explain the importance of each reason.

2. Sometimes lenders ask for "Collateral". What is this? Write a definition in the box to the right.

3. In your groups, discuss why receiving collateral might make you more likely to lend money to someone. Write the three best reasons in the box to the right.

4. Go to a bank or credit union website and look up the interest rates on a secured and an unsecured Line Of Credit. A line of credit is simply a type of loan. "Secured" means that the borrower gave the lender collateral. How much difference does that make in the interest charged on a loan?

Secured
Line Of Credit: _____ %

Unsecured
Line Of Credit: _____ %

D: Borrowing - Part 2

Name: _____

1. One way people buy things is by using credit cards instead of cash. In your groups, collect newspaper ads for credit cards. Combine that with information from bank or credit union websites, and answer the questions below.

What is a credit card?	Name five credit cards:

2. Buying with a credit card is really easy but it has advantages and disadvantages. In your groups, brainstorm why that is so, and write the three most important reasons in the boxes below.

Advantages of using a credit card:	Disadvantages of using a credit card:

3. Cut out pictures and prices of five things you really want or need from the newspaper. Pretend you can buy them on a credit card. Add up how much you have spent. It is now the end of the month and the credit card bill arrives:

Question	Answer
How much did you spend in total?	
How can you pay that bill from your allowance?	
What happens if you cannot or do not pay the entire amount you owe the credit card company?	

4. Go back to the information you collected on credit cards. When you buy something with a credit card, you are really borrowing that money from the credit card company. The loan is free until the credit card bill arrives. Now answer these questions:

How much extra does it cost to use a credit card if you pay the full amount that you owe the credit card company when the bill arrives?	
Credit card companies charge interest, a percentage fee, on the money you owe them. How much interest do credit card companies charge?	
How do credit card interest rates compare to bank or credit union loan rates?	
How do they compare to "Line of Credit" rates?	
Considering the above, why must you use credit cards carefully?	

E: Insurance - Part 1

Name: _____

- We all have many items that are expensive and can be lost. Some of us have cell phones, laptop computers, or MP3 players. If they are lost or stolen, replacing them can be a problem. Let's do a quick inventory. List the six most important items you own, and show if you would replace them or just forget about them if they were lost or stolen.

Item	Value	Replace or forget	Item	Value	Replace or forget

- Suppose you decide to replace the most expensive item on your list. Who would pay for that replacement?

2.

- Look through the newspaper for stories about fires or other disasters. Many people have lost everything they owned in such events. Were they able to replace all the things that were lost or destroyed? If so, how?

3.

- There are ways of protecting individuals and companies against fires, health problems, theft and many other things that can happen. Insurance is one way to do that. Look through the articles you collected and brainstorm the issue of insurance. Complete the chart below with your results:

What are the different types of insurance people can buy?	
What are the advantages of having insurance?	
What are the disadvantages of having insurance?	

E: Insurance - Part 2

Name: _____

1. In your groups, go through your collections of stories about insurance. When you are old enough to drive, you will need car insurance. Clip, and collect newspaper ads for car insurance, and find stories about the aftermath of car accidents, the problems that people involved in accidents face. Use this information to answer the questions below:

Suppose you or your family are injured in a car accident. What immediate expenses will automobile insurance cover?	
If someone has injuries that require long term support, how can insurance help?	

2. In your groups, discuss why Ontario law states that every car owner must have car insurance. Then use the space below to write a brief note in the form of a "Letter to the Editor" of the newspaper to explain why in your opinion that law is right (or wrong).

3. In your groups, explain why having insurance should be part of good money management.

Summary

Financial Intelligence

Find the words in the grid. Words can go horizontally, vertically and diagonally in all eight directions.

S	M	W	T	Y	F	M	K	Y	W	H	L
E	D	A	R	Q	M	K	T	L	N	Z	E
C	Y	N	W	H	T	I	D	E	R	C	L
I	M	T	N	K	L	E	S	F	N	P	A
V	N	S	I	I	D	A	G	A	D	L	R
R	F	T	B	N	V	R	R	D	O	T	E
E	N	A	E	I	U	U	A	A	U	D	T
S	I	E	N	R	S	M	N	C	N	B	A
L	T	G	E	N	E	R	M	R	F	Y	L
W	Y	T	I	D	M	S	J	O	D	H	L
Z	M	D	Z	W	S	B	T	Z	C	J	O
P	D	E	D	U	C	T	I	B	L	E	C

www.WordSearchMaker.com

- | | |
|------------|-----------|
| budget | interest |
| card | liability |
| collateral | loan |
| community | needs |
| credit | saving |
| deductible | services |
| insurance | wants |

- When you have completed the puzzle, discuss in your workgroups the meaning and importance of these words. Write an explanation of their importance with which all members of your group can agree. Present the results to the class.

2. Look through the newspapers for stories about people and companies who seem to be managing their finances well. Discuss the stories you find in your groups, and select the three best examples of good financial management.

3. Prepare in point-form a list of what makes "good financial management". Compare them with others in your group, and insert the ones you consider the most important below:

-
-
-
-
-
-
-
-

4. In the space below, write a brief description of how you too could be a "good financial manager".

5. Use the space below to write a definition of "Financial Intelligence".



6. In your groups, discuss how financial intelligence can help you make a better life for yourself and for your family.
7. Compare your discussions with the other groups, and combine the best points from each group.
8. Use the best points and in your workgroups write a newspaper style editorial on the need to teach financial intelligence to students.
9. Present the editorials to the class. Select the best one and send it to the Toronto Star as a letter to the editor.

Internet Links:

GetSmarterAboutMoney.ca

This website has a large variety of education programs and teaching resources. We have listed a few of specific relevance here.

This module explores growing savings:

www.GetSmarterAboutMoney.ca/educationprograms/forteachers/curriculumtools/multimediaresources/documents/timelsMoney/index.html

Video on true cost of purchases using a credit card:

[http:// www.GetSmarterAboutMoney.ca/managing-your-money/planning/managing-debt/Pages/video-get-it-on-credit.aspx?group=Funny Money&page=1](http://www.GetSmarterAboutMoney.ca/managing-your-money/planning/managing-debt/Pages/video-get-it-on-credit.aspx?group=Funny%20Money&page=1)

Budget template:

[http:// www.GetSmarterAboutMoney.ca/managing-your-money/planning/budgeting/Documents/Student-budget-worksheet.xls](http://www.GetSmarterAboutMoney.ca/managing-your-money/planning/budgeting/Documents/Student-budget-worksheet.xls)

Home:

www.GetSmarterAboutMoney.ca