

FINANCIAL INTELLIGENCE
SERIES

Where Did The Money Go?

SAVE SMART, SPEND SMART



GRADES 7-8


**CLASSROOM
CONNECTION**

Financial Intelligence Series

Where did the Money Go? - Save Smart, Spend Smart by Murray Shukyn and Achim K. Krull

To the Teacher

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.

As children grow older, the definition of financial intelligence changes. It starts as managing their pocket money. It evolves to handling a larger allowance and planning spending over time. That becomes budgeting. The activities run in two parallel streams. One deals with micro-economics, the student's financial issues on a personal level. The other applies the same financial considerations on a macro-economic level, to the community and government or business issues.

The activities start with the concept of "Needs" and "Wants" as a focus for setting priorities. Students consider their own "Needs" and "Wants". They examine how to satisfy their own "Needs and Wants", and how to set priorities. Then they examine municipal needs, wants, and priorities, and learn how they are, or are not, satisfied.

Subsequent activities explore saving as part of budgeting, since they are ready to begin savings for future needs. They are likely to be dealing with various financial issues, from expensive purchases to future tuition fees. Therefore, the Grade 7-8 activities examine budgeting and planning as aspects of sound financial intelligence. The activities culminate in exploring both the benefits of planned saving and the pitfalls of lack of financial planning.

The budgeting activities assume students receive allowances. Not all do. It might be best for the teacher to introduce the activity by stating, "Assume you have a weekly allowance of ...\$ X." That makes the activities more inclusive and avoids possible embarrassment for students who do not receive an allowance.

Other activities explore the issues of saving and debt, looking at the benefits of saving, and the issues related to debt. In part they compare various instruments of borrowing and the associated costs. That too expands into the macro-economics of the world around them. Students go on to examine how corporations and municipalities deal with debt. That includes both the corporate and government bonds as personal savings and the effects of debt on the delivery of government services.

The activities also examine another aspect of financial intelligence and sound financial management: insurance. This often-neglected topic is useful, since insurance protects people and corporations from unexpected financial and material losses. Students will look at automobile insurance, something with which most of them will be somewhat familiar, and extend that knowledge to other forms of insurance.

Using These Materials

These activities are designed to work as individual or group work, as in-class individual assignments, activities for workgroups, or work the entire class can complete. You can hand these activities out as in-class worksheet, individual homework, independent research, or in-class group activities. The activities alone will give students good basic knowledge and skills. By using them as a starting point or a follow-up to a lesson can greatly enhance learning.

Some students may need more help and guidance with this work; sometimes a brief introductory lesson will help students on their way. Some students may not have the academic ability to handle this work individually. In that case, these activities should be used in a group setting. With peer support, even weaker students will gain from participating in them.

These activities come with a subscription to the Toronto Star. They use the newspapers as a 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, you can build up vertical files in your class for future reference. Have students check the papers every day, clip relevant stories, sort and file them by topic. The collected vertical file can be of continuous use, especially if it is updated from time to time. Be sure to remind students to add the date, section name, and page number to each clipping. This is the proper way to use clippings as a resource for research.

The activities can be turned into a friendly competition, either among individuals, or workgroups. Use the scavenger hunt approach: give students a particular set of information to find, and let them compete to see who can be the first to find the information. You could also focus on who can find the most information, or any other variation along those lines. And don't forget to have students check out the Toronto Star website (thestar.com). There they can access current stories, as well as conduct key word searches through current and past issues. For example, a recent search using "debt credit card" yielded twelve articles going back ten days.

The activities are also a good starting point for classroom presentations, either by the student work groups or individuals. Some of the activities already have that focus. They direct the search for information, and then require students to use that information to prepare an individual report or make a presentation to the class on their findings.

The activities are also an effective way to have students write, write "in voice", and do peer editing. 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. To facilitate peer editing, some activities direct students to review each others' findings, suggest improvements, and then have the original writers make revisions. The results can then be the basis for a classroom presentation.

Curriculum Connections:

The Ministry of Education website where all curriculum documents are available for download:

<http://www.edu.gov.on.ca/eng/elementary.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.

A: Needs and Wants - Part 1 **NAME:** _____

We all have mental lists of items we either need or want. Let's start our exploration of financial intelligence by looking at those "Needs and Wants".

1. Using newspaper ads and flyers, list ten items you really have to have. These are your personal "Needs" and "Wants". Add the prices and explain why you need or want each item.

Item	Price	Reason

2. In the space below, define the terms "Needs" and "Wants".

Needs	Wants
-------	-------

A: Needs and Wants - Part 2 **NAME:** _____

1. Go back to the list of "Needs and Wants". Using your definitions of those terms, divide the items into two groups, "Needs", and "Wants".
2. Compare your list to those of other students in your workgroup. Based on their ideas of what is a "Needs" or a "Want", revise your definition of "Needs and Wants" and write the revised version down below.

Needs	Wants
-------	-------

3. In your workgroup, discuss the last occasion, a birthday celebration, or a similar event, on which you received some presents.
 - a. Discuss which of those items were things you absolutely needed, or had to have.
 - b. How did you feel about those items six months later?
 - c. How many of those "Need" items were really "Want" items?
 - d. Revise your definitions of "Needs" and "Wants" if necessary.
 - e. Use this information to discuss as a class the difference between "Needs" and "Wants", and prepare definitions that the entire class can agree on.
4. Go back to the list of your own "Needs and Wants". Below list the expenses that you or someone in your family pays for on a regular basis. Mark those that you pay for from an allowance or the money you earn, and include the price of each..

Expense	Check if you pay ▼	Check if your family pays ▼	Price
Total			

5. What percentage of your expenses is paid for by your family?

A: Needs and Wants - Part 2

6. We also have "Needs" and "Wants" which are more than just personal. They are community "Needs" and "Wants" like schools and shopping malls, parks and skating rinks. In your workgroups, list your most important community "Needs and Wants". When you all agree, list the ten most important ones in the space below.

Community "Needs" and "Wants"	

7. These community "Needs and Wants" are called services. The police department, agencies that provide parks, buses, help to individuals and families, and libraries, stores and banks are all services.
- Individually clip and save news stories about the community "Needs and Wants" you selected.
 - Use these articles and other information to discuss in your groups whether the services you need and want are provided in your neighbourhood.
8. In the table below, list the five services you and your workgroup believe are most important to you and your community. Then, using the articles you clipped, decide in your workgroups if each of these services is adequate in your neighbourhood.

Community Services	
Service	Adequate or not?

A: Needs and Wants - Part 3 **NAME:** _____

1. You may not be able to satisfy all the "Needs and Wants" you have listed. So it is important to set priorities. In the table below, list five items from your first list of personal "Needs and Wants", and five items from your "Community Needs and Wants" list.
2. In your workgroups, discuss who pays for your "Needs and Wants", whether personal or community based.
 - a. If you had to have a cell phone, either you or your family would have to pay for it. But who pays for the library or school or local skating rink?
 - b. As a group, discuss the answers, and add the information below.

Item	Who Pays?	Item	Who Pays?

3. Some "Needs and Wants" are met by charities. What are charities? As a group, write a definition and enter it below:

4. Individually, collect newspaper articles about charities in your community. As a group, compare your findings and select four charities that are the most important to your neighbourhood. Complete the table below.

Name of Charity	What does this charity do?	How can it afford to do its work?

B: Needs, Wants, and Budgets - Part 2

NAME: _____

- From your personal list of "Needs" and "Wants", select one item that you cannot afford to buy from your current allowance and/or earnings.

How expensive is that item?	
If you decide to buy that item in four months, how much will you have to save each week?	
How will the money set aside for this purchase affect your other spending and saving?	

- Let's prepare a budget that includes setting the money aside for that purchase. Use your spending log to find ways to cut back on other spending in order to set aside enough money to buy that item and still continue to have some savings for other purchases as well.

Budget					
Date	Item	Money In	Money Out	Saving	Balance
	<i>Saving for purchase</i>				

- Some expenditures happen every week or month and cannot be avoided. Those are called *fixed* expenses. Others expenses are a matter of choice. Those are called *discretionary* expenses. Look at your budget above and use a highlighter to mark the fixed expenses. What fraction of your expenses is discretionary?
- When you are saving for something and have no extra money coming in, the only way to get that extra money is to cut back on something else. Deciding which expenses to cut back, while keeping others is called setting priorities. In your workgroups, discuss how each of you sets priorities when deciding which discretionary expenditures to cut.
- Report to the class three criteria you used to decide your spending priorities.

B: Needs, Wants, and Budgets - Part 3

NAME: _____

Cities, charities, and businesses must also make choices about expenditures, and save both for larger expenditures and for unexpected expenses.

1. Run a scavenger hunt. Have each person in your workgroup collect a different story about an organization in your community that has to make savings or cut back on spending. Save these stories and go through them in your workgroups.
2. Consider:
 - a. How big were the savings that the organization had to make?
 - b. How did the organization set priorities in deciding where to make those savings?
 - c. How do you feel about those priorities?
 - d. How will those cutbacks and saving affect your community?
3. Some community services are provided by charities, such as the Red Cross or a food bank. If the fundraising by these groups cannot bring in enough funds to meet all their needs, they too must set priorities. Imagine that you are in charge of a food bank. Donations are down, both in actual food and in cash. In your workgroups:
 - a. Brainstorm how you can continue to provide services for the community
 - b. Consider what services your organization can or can not cut.
 - c. Imagine your group manages a food bank. Prepare a written report to your Board of Directors, explaining your priorities in deciding where and what to cut.
 - d. Present that report to the class.
 - e. As a class, discuss the issues of setting spending priorities and meeting community needs at a time when money may be in short supply.
4. In your workgroups, research how cities deal with money issues. Clip stories from the newspaper about city budgets and spending issues.
 - a. List the various services that the city provides for your local community.
 - b. How do cities pay for the services they provide?
 - c. Many cities have "Reserve Funds". What is a reserve fund?
 - d. How do cities get the money for their operations?
 - e. If they do not have enough money, what options do cities have to pay their expenses?
 - f. If the city had to cut services, which cuts would your group suggest?
 - g. What other options could cities consider besides cutting services?
5. Sometimes businesses also have to reduce their costs. Look for news stories about companies that need to reduce their costs. Explain several ways in which they can do that.
6. Write a report comparing how organizations and individuals set priorities when it comes to reducing costs and saving money.
 - a. Present that report to your group for editing.
 - b. Present the final version of that report to the class.

C: Budgets and Saving - Part 1

NAME: _____

As you have seen, sometimes you may not have enough money to buy all the goods and services you need or want. There are two ways around this problem: to save or to borrow. We will start by looking at the benefits of saving.

- Go through your budget and work out how much money you could save each month:
 - if you simply save the extra money you have left at the end of each month.
 - if you cut back on your discretionary spending to increase your savings.
- One saving tool is a savings account at a bank or credit union. These companies will pay you money for keeping your savings in one of their accounts. That payment is called interest, and may be made daily, monthly or annually. In your workgroups, use newspaper ads to find out the interest rate these companies pay on money in savings accounts.
- Use the highest interest rate you discover to complete the following savings table. Assume you can save some money each month, and that the interest is paid into the account at the end of every month. The example shows how to do the calculations.

(The first deposit goes into the first line of the "Balance at Beginning of Month" column. In the next column, calculate the interest that deposit will earn in one month (1/12th of the Annual Interest Rate - the example uses 2%p.a.). Then add any additional savings, and total the amount at the end of that row. Your starting balance next month is the total from the previous month.)

Interest Earnings Calculation			Annual Interest Rate: %p.a.	
Date	Balance at Beginning of Month	Interest Paid at End of Month	Additional Saving	Balance at End of Month
Jan. 1	\$120.00	$120 \times 2\% / 12 =$ $120 \times 0.001667 = \$0.20$	\$25	$\$120 + \$0.20 +$ $\$25 = \145.20
Feb. 1	\$145.20	$145.20 \times 0.00167 = \0.24	\$25	$\$145.20 + \$0.24 + \$25$ $= \$170.44$
Total Amount Saved:		\$	Total Interest Earned:	\$


- The amount of interest earned on small deposits for a short period of time is not very large, as you have probably seen here. However, people still put money into savings accounts. In your workgroups, discuss why people do that. What are the benefits of saving money over a long period of time?
- The other advantage of putting money into a savings account, rather than just saving it in an old sock or under your mattress is that the money is not within easy reach. Explain why that is an advantage if you really want to save.

C: Budgets and Saving - Part 1

6. There are other ways to earn interest on your savings. Once you have \$100 or more, you can buy a "Guaranteed Investment Certificate" or GIC. In your workgroups, write a definition of the term "GIC". Then use newspaper ads to find the highest interest rate offered on a GIC. Calculate what \$200 invested in a GIC for one year will be worth after one year at that rate.

Definition of "GIC"	Highest Current Annual Interest Rate	Value of a \$200 GIC at the end of one year	Return on Investment (i.e.: the added value of your investment as a percentage)
	% p.a.	\$	\$

7. GICs that are "locked in" pay somewhat higher interest than cashable GICs. In your workgroups find out the difference between them and discuss the advantages and disadvantages of each type. List, the three most important advantages and disadvantages, from your point of view, of both kinds of GIC.

	"Cashable" GIC	"Locked In" GIC
Advantages		
Disadvantages		

8. The "Savings Table" on the previous page shows the effect of earning interest on interest. The deposit earned 20 cents the first month. The next month, it earned interest on all deposits, plus on the previously earned 20 cents. Earning interest on interest is called earning "compound interest". Suppose you want to have \$500 available at the end of a year. Your savings account pays 5% interest p.a. (paid monthly). How much money would you have to save each month for the rest of the year to reach your goal? (Draw a "Savings Table" for this calculation)
9. What effect would saving this much money each month have on your budget?
- Which of your discretionary expenses would you reduce?
 - What effect would it have on your fixed expenses? Sometimes we have to make hard choices and cut items we thought were "Needs", not just "Wants". Which "needs" would you cut if absolutely necessary?
 - If you were forced to save, what effect would this have on your ability to pay for your "Needs and Wants"?

C: Budgets and Saving - Part 2

NAME: _____

1. Governments save money as well, but in their case, they invest the money in stocks and bonds, rather than in savings accounts and GICs. In your workgroups, clip and compare as many articles as you can find in the newspaper about government investments. Include stories about the Canada Pension Plan, the local city government or any other government agency investments. In your groups, discuss and report on:
 - a. Why do these organizations invest money?
 - b. How do they invest money? What sort of investments do they make?
 - c. How do these investments differ from putting money into savings accounts or GICs?
 - d. How do governments and agencies benefit from these investments?
 - e. How does the average person benefit from these government investments?
 - f. How do these investments help government agencies with their annual budgets?
 - g. On a smaller scale, savings and interest earned help your budget too. Compare how individuals can make money on savings, and how governments and agencies do that.
2. Pension plans need to invest large amounts of money over long periods of time. Explain:
 - a. Why these plans need to invest so much money.
 - b. Why the return on these investments is so important to people depending on these plans for their pensions.
3. Pension plans have earned a high rate of return over the years, some as high as an average of 12% annually. Suppose a pension plan invested \$10,000 for 20 years, how much would that investment be worth at the end of the 20 years? Copy the table below and make one large enough for 20 years. Continue the math already started in the table.

Amount at Beginning of Year	Interest Earned (12%)	Balance at End of Year	Work Space
\$10,000	\$1,200	\$11,200	
\$11,200			
	Continued...		

4. These investments earn interest each year. Then they earn interest on the interest earned each previous year. Remember, this "interest on interest" is called "Compound Interest". In a report, explain why compound interest is really important in long term investments. Present the report to your workgroup. Select the clearest report and present it to the class.
5. Why would compound interest be very important to you if you were to start saving now for university or college?

C: Budgets and Borrowing - Part 1

NAME: _____

Sooner or later, we all need to borrow money. Some expenses are too large to save up for. Let's look at borrowing, and what that means to your budget.

1. Suppose you need to borrow \$150 for a new MP3 player. Fill out this form, and share the results with your workgroup.

List three sources from which you might be able to borrow money.	
How can you convince each source that you will be able to pay back the loan?	
How much money can you pay back each week?	
How long will it take to repay the money?	
How will these payments affect your weekly budget?	

2. In your workgroup, discuss your answers in the form. Prepare a point-form list of your group's answers, and present them to the class.
3. Most people borrow money from banks or credit unions. Look up a definition of banks and credit unions.
 - a. How are they the same?
 - b. How are they different?
 - c. What are the advantages of using a credit union over a bank?
 - d. What are the advantages of using a bank over a credit union?
4. On the back of this page, re-do your budget, taking into account the need to make payments on the money you borrowed. What expenses could you reduce? What would you have to give up to be able to repay your loan?
5. Review your new budget. Considering the amount of money you have available each week, and the cost of repaying a loan, can you afford to borrow money?
 - a. Write a note explaining why you can, or cannot, do so.
 - b. Compare your note to others in the workgroup.
 - c. Calculate how much money you would have left each month if you had to repay a loan.

C: Budgets and Borrowing - Part 2

NAME: _____

Governments borrow money just like people do. And the problems facing governments when the time comes to repay their loans are similar to those faced by people like you and your family.

1. Collect stories about government debts.
2. In your workgroups, find the current size of the federal, provincial, and City of Toronto debt.
3. Complete the chart below with the information you have found, and do the arithmetic required. (Debt Per Capita means how much of that debt each man, woman and child in that country, province or city owes.)

FILL IN THE BLANKS	Population	Annual Budget for 2010	Total Debt	Debt Per Capita	At 3% p.a. interest, what is the cost of the total Debt each year?	At 3% p.a. interest, what is the Per Capita cost of the Debt each year?
Canada						
Ontario						
City of Toronto						

4. Governments have to provide services to the population. They also have to pay off the debt. In your groups, consider the effect of large debts on the government's ability to provide services.
 - a. If governments had no debt, how would that affect the services they provide?
 - b. If governments had no debt, what effect would that have on taxes?
5. The mayor of the City of Toronto has asked all departments of the city government to reduce their budgets. Collect newspaper stories about city services and possible cutbacks. Using these stories and other information, discuss that issue in your workgroups.
 - a. List all the services the city provides. (See: <http://www.toronto.ca/budget2010/pdf/streetscape2010.pdf>) In your class, select ten services. Assign people each to represent one service, such as the police department, libraries, or ambulance service. Divide the rest of the class among the services, to represent the public that needs them.
 - b. Set priorities for city spending. Have each service representative and the public needing that service debate where service cuts can, and cannot, be made.
 - c. Prepare a list of acceptable service cuts, and another of services that cannot be cut. Present your list to the class and justify your choices.
 - d. Consider how severe cuts would need to be if the city had a smaller debt or no debt.
 - e. As a class, discuss alternatives to cutting services.

C: Budgets and Borrowing - Part 3

NAME: _____

There are ways to reduce the cost of borrowing. Banks and credit unions will offer a lower interest rate to people who can provide "*collateral*" for their loans. The collateral is security on the loan. A loan for which there is collateral is called a "*secured loan*".

- Think back to your discussions about borrowing money. You had to convince someone that they should lend you money. You had to give them reasons why they could be sure that you would repay the loan. People who borrow money from a bank or credit union have to pay interest on that loan. But if the borrower provides collateral, the interest rate may be lower. Using newspaper ads and online bank or credit union information, answer these questions:

Interest Rates Charged:				
Lender	Secured Personal Loan	A Two Year Mortgage	New Car Loan	Unsecured Personal Loan
Bank	%p.a.	%p.a.	%p.a.	%p.a.
Credit Union	%p.a.	%p.a.	%p.a.	%p.a.

- How is a new car loan or a mortgage automatically "secured"?
- Suppose you have to borrow \$10,000. Calculate what that loan (secured and unsecured) will cost if you repay it in full in one payment at the end of a year.
- In your groups, research what banks and credit companies accept as collateral on a loan. In the space below list four forms of collateral and explain why they are considered good.

Collateral	Why is it a good form of collateral?	Collateral	Why is it a good form of collateral?

- When the City of Toronto borrows money, it does not offer collateral on the loan. Why are investors still willing to lend the city money?
- When individuals apply for a loan, banks or credit union use their "credit rating" to decide whether or not to approve that loan. In your groups,
 - Write a definition of "credit rating".
 - Find out who decides on an individual's credit rating, and what factors they consider.
 - Discuss how governments' credit ratings are determined.
 - Discuss the effects of a good or poor credit rating on individuals and corporations.

C: Budgets and Borrowing - Part 4

NAME: _____

1. In your workgroups, gather information from newspaper ads, flyers and other sources, about credit cards. Also visit websites for banks, credit unions or stores that offer credit cards. As a group, review the gathered information and use it to fill out the table below:

Question	Answer
What are the three major advantages of using a credit card to make purchases?	
What are the three major disadvantages of using a credit card to make purchases?	
What is the annual interest rate charged on the average credit card account?	
How does that compare to a secured bank loan or line of credit?	
Why is the credit card interest rate so much higher?	
What are the advantages of using a credit card if you pay the entire amount you owe when the bill arrives?	
What effect will paying a credit card bill each month have on your budget?	
What are some other important things to know about using credit cards?	

2. Make a presentation to the class about the benefits and risks of using credit cards.

D: Insurance

NAME: _____

You can meet many of your financial "Needs" and "Wants" by budgeting for them. You can save or borrow money for larger expenses. However, some unexpected expenses, caused by injury or accident, are simply too high to cover from savings or loans. For those occasions, there is insurance.

1. In your workgroups, organize a scavenger hunt for information about insurance.
 - a. Clip stories and ads from the newspaper, and go on-line to search for more information in the Star (www.thestar.com) and other sources.
 - b. Find out what different types of insurance are available.
 - c. Gather stories about people who had insurance and how having it has helped them.
 - d. Fill out the form below with your combined group answers. Start with the example of automobile insurance.

Type of Insurance	What does this insurance cover?	Benefits of this type of insurance
Automobile Insurance		

2. By law, car owners in Ontario must have liability insurance on their cars. What type of insurance is that and why is it mandatory?
3. In your groups discuss the advantages of having health insurance like OHIP in Ontario, which covers health care costs for every Ontarian.
4. What would happen to you and your family if a fire destroyed your home and you had no fire insurance?
5. How does the driver's car insurance protect you if you are injured in a car accident caused by the driver?
6. In your groups, discuss and decide on the one type of "must have" insurance and draw a poster urging people to buy it.

E: Financial Intelligence Inventory

NAME: _____

How financially intelligent are you? Check each question either "Yes" or "No." Not all of these questions will apply to you. If a question does not apply to your present circumstances, skip the question. At the end, calculate the percentage of questions answered "Yes" and "No."

Question	Yes	No
Do you have a budget?		
If you have a budget, do you stick to it?		
Do you have a plan of action in case of unexpected expenses?		
Do you project expenses for "Needs" and "Wants"?		
Do you budget for "Needs" and "Wants"?		
Do you budget for unexpected expenses?		
Do you have a borrowing strategy for emergencies		
Have you saved the equivalent of one month's expenses for emergencies?		
Have you avoided the need to often borrow money?		
Do you have an inventory of all your valuable possessions?		
Do you keep track of your expenses?		
Do you understand how interest is charged when you borrow money?		
Have you started saving for your future education?		
Total "YES" and "NO" scores		

One of the important parts of financial intelligence is making sure that you save enough money to cover unexpected expenses and saving for large expenses which you know are coming. Ideally, you should save enough money to cover your expenses for one month.

ANSWERS:

Number of Questions Answered: _____

Questions answered "Yes": _____ Percentage: _____

Questions Answered "No": _____ Percentage: _____

The higher the percentage of questions you answered "Yes" the more financially intelligent you are. Look over the questions you answered "No" and decide if these areas require some action on your part.

F: Good Financial Management

NAME: _____

1. Collect newspaper stories about companies, cities and people who practise good financial management. Then look on-line for more information.

Carefully go through the information you and your group have found. What do companies, cities, and people who have "Good Financial Management" have in common?	
Go back to your budget, and present it to the group. What do you do in your budgeting that makes you a good financial manager?	
Explain two ways you can improve the way you manage your money.	

2. Use the points that describe good financial management to review how any one level of government manages its money. List several ways in which this is this good financial management. How could it be made even better?
3. There are times when meeting the "Needs" and "Wants" of people and being a good financial manager comes into conflict. What should governments consider when they set spending priorities?
4. From your clippings, select one company that seems to be a good financial manager.
 - a. What makes it a good financial manager?
 - b. How is good financial management different for companies as compared to governments?
5. Write a letter to the class, explaining what makes you are a good financial manager.
6. Review the newspaper clippings about the City of Toronto. Organize a debate on the topic: "Toronto politicians are or are not good financial managers".

G: Financial Management Word Search Puzzle

NAME: _____

1. Find the words listed below. The words can go horizontally, vertically and diagonally in all eight directions.

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

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bank	interest
budget	invest
collateral	loan
compound	money
credit	needs
debt	secure
finance	spend
gic	wants
insure	

2. In your workgroups, write a definition of these words as they relate to financial management.
3. Individually make up your own Word Search puzzle with the words you think are important in financial intelligence. Try it out on the others in your class.

GetSmarterAboutMoney Links:

Get Smarter About Money is a website that offers a large variety of education programs and teaching resources. We have listed a few of specific relevance to these activities here.

This module explores growing savings:

[www.GetSmarterAboutMoney.ca/education programs/forteachers/curriculumtools/multimedia resources/documents/timelsMoney/index.htmlc](http://www.GetSmarterAboutMoney.ca/education%20programs/forteachers/curriculumtools/multimedia%20resources/documents/timelsMoney/index.htmlc)

Video on true cost of purchases using a credit card:

[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:

www.GetSmarterAboutMoney.ca/managing-your-money/planning/budgeting/Documents/Student-budget-worksheet.xls

Mortgage/Loan Calculator:

www.GetSmarterAboutMoney.ca/tools-and-calculators/credit-card/default.aspx

Addendum: Simulation

The Life Game - Living Within Your Means

How can you live within your means? How can you use a credit card and still avoid getting into serious financial difficulties? This simulation allows students to set their budget, calculate the cost of living on their own, and balance their needs and wants. It also makes students aware of the risks associated with using credit cards.

Materials Needed for Each Participating Student:

- ▶ One MY MONTHLY BUDGET Form.
- ▶ One CREDIT CARD and CREDIT CARD DEBT AND REPAYMENT RECORD Form
- ▶ One each "MY NEEDS" and "MY WANTS" forms.

Materials Needed for the Class:

- ▶ 50 MY NET MONTHLY INCOME cards.
 - ▶ several copies of 5 different issues of the Toronto Star for reference
- Note: Masters for the forms follow the simulation instructions.

Instructions Regarding MY NET MONTHLY INCOME Forms:

Prepare these ahead of time: Either copy the master front and back, or write the information on index cards. On each card, write a different income. The amounts should range from \$595 to \$2,500. (The \$595 is the amount that a single individual receives from social assistance.) Make up 50 cards, so that students can draw a card at random to set their income.

Simulation Instructions:

- Hand out the "MY NEEDS" and "MY WANTS" forms.

Tell students to assume that they are living on their own. Have them list all their anticipated expenses (rent, transportation costs, food, clothing, entertainment, cell phones, computer, etc.) on the appropriate "MY NEEDS" or "MY WANTS" form. The costs should be realistic, based on Toronto Star ads and flyer inserts. You can give students the option of working together to advise each other.

- Place the MY NET MONTHLY INCOME cards on a table, income side down. Have each student draw one card at random.
- Next hand out the DECISION FORM. Instruct students to review their "Needs" and "Wants" in light of their incomes to set priorities and make choices.
- Some purchases from the "MY NEEDS" and "MY WANTS" forms may be essential. Tell students that they may use their Credit Card Form for purchases. Items charged to their Credit Card will carry interest calculated at the highest credit card interest rate they have found, compounded monthly on the entire balance. Minimum payment is 2.5% of the balance owing or \$10, whichever is less, plus the monthly interest. Any balance that is paid in full within the billing period incurs no interest providing there is no unpaid balance from previous months.
- Instruct the students to complete a MY MONTHLY BUDGET FORM based on the affordability of their "Needs" and "Wants". If they used their credit card, they must include the credit card payment as a budget item. They must also put aside some of their money, if possible, as a reserve or savings for unexpected expenses.

Once Students Have Completed the "MY BUDGET FORM":

Have students review their projected expenses and the budgets they have worked out. For some who drew cards with lower incomes, making "ends meet" will have been quite difficult. After the students have worked through this simulation, have them complete the following activities and the discussions that arise from them.

- Discuss in your workgroups the problems of "making ends meet". List the major issues you have faced, and prepare to present those to the class.
- Discuss to what extent using a credit card complicated your budgeting.
- Write, in your groups, a newspaper article explaining the use of financial intelligence to balance budgets while acquiring needed items and still having some money left over for items you want.
- Conclude your discussion by presenting your lists of difficulties to the class.
- In class discuss possible solutions to the difficulties raised.

Variations:

If you have time to extend the game, you could have students project their budgets to a second or third month. "Complicate" their lives by having them draw "Random Event" cards. On these you can list such complications as "You need a new coat: cost \$50" or "Something was stolen; replacement cost \$45". You can also add good news: "You received a raise: Increase your income by 5% next month" or "A friend gave you \$20". That will test to what degree they can handle unexpected expenses on their budgets.

An alternative is to have students consider the "Random Events" in class discussions rather than having them rework their budgets.

Additional Options if time permits:

- Students who selected low incomes can consider sharing accommodations and the cost of rent.
- Students can explore the use of food banks and used clothing stores as an alternative to standard shopping.

The two main points in this simulation are that good financial management involves budgeting, making choices, and setting priorities, and that using credit to satisfy needs is not always a good solution. You can also use these discussions as a lead-in to issues related to social justice, the difference education makes to future income potential, the need to build up some form of financial reserve for unexpected expenses, and other similar topics.

CREDIT CARD FORM

Name: _____

I will charge the following item(s) from the "MY NEEDS" and "MY WANTS" lists to my credit card:

Item Number	Description	Final Cost
Total Charged to Credit Card		\$

CREDIT CARD DEBT AND REPAYMENT RECORD

Balance at Beginning of Month	Interest Charge at _____%p.a.	Payment	Balance at End of Month
Example: \$125	(At 19.9%: $125 \times 19.9\% / 12 =$ $125 \times 1.658\% =$) \$2.07	(2.5% of balance + interest) $3.13 + 2.07 = \$5.20$ Minimum payment: $\$10.00 + \2.07	$125 - 12.07 =$ \$112.93
\$112.93			

Name: _____

MY WANTS				
Item Number	Item Description	Net Cost	HST and any Other Costs	Final Cost
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
17				
18				
19				
20				

Total "Wants": \$ _____

Name: _____

MY NEEDS				
Item Number	Item Description	Net Cost	HST and Other Costs	Final Cost
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
17				
18				
19				
20				

Total "Wants": \$ _____

The Net Monthly Income Form:

You can either photocopy these masters or simply write the information on index cards.

Front of Card:

My Net Monthly Income

\$ _____

DECISION FORM

You need to know if your income can cover all the "Needs" and "Wants" you have.

1. Complete this form before preparing your budget.

My Net Monthly Income is:	\$
Total final cost of all "My Needs" and "My Wants" is:	\$
Difference	+/- \$
Can I afford to include all my needs and wants in my budget? If "Yes" , you are done. Complete the "MY MONTHLY BUDGET" Form now. Use credit to make additional purchases if you can afford them. If "No" continue to questions below.	Yes / No
I'll try to stay within my income and also to have some money in reserve. To do so, I will cut these items:	Numbers of "MY NEEDS" items cut:
	Numbers of "MY WANTS" items cut:
Total Cost of remaining "MY NEEDS" and "MY WANTS" Items after cuts:	\$
Reserve and savings for unexpected expenses:	\$
My Total Monthly Budget expenses will now be:	\$

2. If, after making cuts, your projected budget still exceeds your net income, you can decide to use the Credit Card to pay for items that you cannot do without.
3. Go to the Credit Card Form to list the items you need to purchase on credit.
4. Use the Credit Card Debt and Payment Record to calculate what the monthly Credit Card payments will be to pay for those items.
5. Complete the MY MONTHLY BUDGET form. Make sure you include the amount of a monthly credit card payment.