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# What Does Stuff Really Cost?



What do ticket scalpers and farmers have in common?
Their prices depend on how much people want to buy what they have to sell.

The ways that the LAW OF SUPPLY AND DEMAND affects prices is one of the fundamental ideas of economics. Prices tend to go up the less of something there is (supply) or the more people there are who want to buy it (demand).

## In Other Words...

The Glossary at the back of the Guide is where you'll find definitions of terms in all capital letters.

Maybe you played "store" when you were a kid. Or maybe you took part in a "you're-the-head-of-the-house-hold" simulation such as Mad City Money. The prices in those games were imaginary. But soon you'll be on your own. Then you'll face the challenge of stretching whatever income you have to buy all

Funny how price becomes more important when it's coming out of *your* BUDGET. Let's look at what stuff costs in the real world.

the things you need and want.

WHAT DOES STUFF REALLY COST? | STUDENT GUIDE

## The Cost of Feeding Your Car

The "Average Prices for Gasoline" table shows the average UNIT COST for gasoline throughout the U.S. during two consecutive months in 2009. The prices for a gallon of gasoline come from an office of the federal government called the U.S. BUREAU OF LABOR STATISTICS (BLS). The BLS collects price information about hundreds of common items to assemble a picture of how the U.S. economy is changing over time.

Find the two columns that show prices for regular unleaded gasoline

## **Average Prices for Gasoline**

Area	Gasoline All types		Gasoline Unleaded regular		Gasoline Unleaded midgrade		Gasoline Unleaded premium	
	Aug	Sep	Aug	Sep	Aug	Sep	Aug	Sep
U.S. city average	\$2.68	\$2.63	\$2.63	\$2.57	\$2.74	\$2.69	\$2.89	\$2.85
Chicago (IL), Gary (IN), Kenosha (WI)	\$2.75	\$2.64	\$2.70	\$2.59	\$2.81	\$2.70	\$2.92	\$2.82
Los Angeles, Riverside, Orange County (CA)	\$3.05	\$3.12	\$2.99	\$3.06	\$3.10	\$3.18	\$3.20	\$3.27
New York, Long Island (NY), Northern (NJ)	\$2.77	\$2.74	\$2.72	\$2.68	\$2.86	\$2.85	\$2.96	\$2.95
Boston, Brockton (MA), Nashua (NH)	\$2.66	\$2.62	\$2.62	\$2.58	\$2.75	\$2.71	\$2.86	\$2.82
Cleveland, Akron (OH)	\$2.60	\$2.48	\$2.57	\$2.46	\$2.70	\$2.57	\$2.80	\$2.68
Dallas, Fort Worth (TX)	\$2.50	\$2.37	\$2.44	\$2.31	\$2.59	\$2.48	\$2.75	\$2.63
Washington (DC), Baltimore (MD)	\$2.61	\$2.56	\$2.55	\$2.50	\$2.69	\$2.64	\$2.81	\$2.76
Atlanta (GA)	\$2.54	\$2.44	\$2.46	\$2.36	\$2.68	\$2.56	\$2.80	\$2.71
Detroit, Ann Arbor, Flint (MI)	\$2.66	\$2.53	\$2.60	\$2.47	\$2.77	\$2.63	\$2.90	\$2.75
Houston, Galveston, Brazoria (TX)	\$2.59	\$2.44	\$2.52	\$2.37	\$2.65	\$2.51	\$2.80	\$2.67
Miami, Fort Lauderdale (FL)	\$2.73	\$2.63	\$2.67	\$2.55	\$2.80	\$2.72	\$2.90	\$2.82
Philadelphia (PA), Wilmington (DE),								
Atlantic City (NJ)	\$2.69	\$2.70	\$2.63	\$2.63	\$2.77	\$2.79	\$2.90	\$2.93
San Francisco, Oakland, San Jose (CA)	\$3.02	\$3.13	\$2.97	\$3.09	\$3.12	\$3.23	\$3.17	\$3.29
Seattle, Tacoma, Bremerton (WA)	\$2.88	\$2.95	\$2.84	\$2.91	\$3.00	\$3.07	\$3.10	\$3.17

Source: U.S. Bureau of Labor Statistics, 2009



#### Practice Question 1-A:

What was the average cost per gallon in the city where regular gasoline was most expensive and the least expensive in September?

Most expensive: \$ _	
Least expensive: \$	

## Practice Question 1-B:

Assume that your car's gas tank holds 15 gallons. What would it cost to fill your tank in the city where regular gasoline was least expensive that month?

Cost to	fill tank;	\$
Cost to	fill tank;	\$

### Practice Question 1-C:

Assume that your TAKE-HOME PAY is \$7,45 an hour. How long would you have to work to earn enough money to fill your tank in Question 1-B?

Work needed	to fill tank:	hours

## Oh Yeah?

The overall fuel efficiency rating for the 2010 Toyota Prius is 50 miles per gallon of regular gasoline. For the 2010 Ford F-150 4WD Pickup it's 16 miles per gallon of regular gasoline. For the 2010 Lamborghini Murcielago Roadster is 11 miles per gallon of premium gasoline.

The average U.S. driver logs about 12,000 miles per year. If regular gasoline costs \$2.67 per gallon and premium gasoline costs \$2.91 per gallon, then the annual fuel expenses for these three vehicles are:

2010 Tovota Prius 240 gal. \$641 2010 Ford F-150 4WD Pickup 750 gal. \$2,003 1.091 gal. \$3.175 2010 Lamborghini Murcielago Roadster



## The Cost of a Bellyful

Fuel for the dinner table is an even larger expense than fuel for the car. The "Average Retail Food Prices" table compares different regions of the country for two consecutive months in 2009. Find the two columns that show grocery prices for those two months in the region that your teacher assigns to you.

## **Average Retail Food Prices**

Food item		. city rage	Nort	heast	Mid	west	Sou	ıth	We	est
	Aug	Sept	Aug	Sept	Aug	Sept	Aug	Sept	Aug	Sept
Bread per lb. (white)	\$1.38	\$1.34	\$1.82	\$1.68	\$1.30	\$1.26	\$1.29	\$1.27	\$1.27	\$1.31
Ground beef per lb.	\$3.10	\$3.05	\$3.03	\$3.06	\$2.79	\$2.77	\$3.12	\$3.02	\$3.52	\$3.45
Bacon per lb. (sliced)	\$3.59	\$3.59	\$3.68	\$3.58	\$3.35	\$3.42	\$3.23	\$3.20	\$4.53	\$4.57
Chicken per lb. (whole)	\$1.29	\$1.26	\$1.35	\$1.26	\$1.33	\$1.33	\$1.19	\$1.17	\$1.59	\$1.54
Milk per gal.										
(whole, fortified)	\$2.98	\$2.98	\$3.02	\$3.04	\$3.00	\$3.05	\$3.18	\$3.10	\$2.68	\$2.74
Ice cream per gal.	\$4.28	\$4.24	NA	\$4.92	\$3.94	\$3.97	\$4.63	\$4.38	\$3.81	\$3.83
Bananas per lb.	\$0.61	\$0.61	\$0.67	\$0.65	\$0.57	\$0.56	\$0.59	\$0.59	\$0.63	\$0.63
Oranges per lb. (navel)	\$1.22	\$1.26	\$1.44	\$1.27	\$1.37	\$1.42	\$1.28	\$1.31	\$1.05	\$1.15
Potatoes per lb. (white)	\$0.64	\$0.61	\$0.68	\$0.69	\$0.60	\$0.58	\$0.75	\$0.69	\$0.51	\$0.49
Lettuce per lb. (iceberg)	\$0.84	\$0.81	\$0.93	\$0.96	\$0.72	\$0.71	\$0.95	\$0.84	\$0.74	\$0.73
Tomatoes per lb.					M.,					
(field grown)	\$1.53	\$1.54	\$1.74	\$1.76	\$1.53	\$1.65	\$1.81	\$1.74	\$1.08	\$1.10
Potato chips per 16 oz.	\$4.55	\$4.63	\$4.75	\$4.89	\$4.61	\$4.62	\$4.57	\$4.74	\$4.40	\$4.41

Source: U.S. Bureau of Labor Statistics, 2009



#### Practice Question 1-D:

Consider the higher of the two average monthly prices for the region your teacher assigns to you from the table on page 6. Then calculate the most you would pay for all the groceries listed below.

Your assigned region: Bread Bananas Ground heef **Oranges** Potatoes Racon Chicken Lettuce Milk Tomatoes Potato chips \$\_\_\_\_\_ Tce cream Total:



## Practice Question 1-E:

Assume that your take-home pay is \$7.45 an hour. How long would you have to work to earn enough money to buy the groceries listed above?

Time needed to earn the money to buy groceries: \_\_\_\_\_ hours

## Oh Yeah?

Think of all the things your parents buy for you, such as clothing, education, housing, transportation, and food. What do you estimate were the average annual costs of raising a 17-year-old only child in a single-parent and in a two-parent household in 2008?

Your estimate of the annual cost in a single-parent household: \$\_\_\_\_\_

Your estimate of the annual cost in a two-parent household: \$

Ask your teacher for the answers, which come from the U.S. Department of Agriculture, for 2008.



## 2 In the Hunt for Consumer Goods



Shopping Scavenger Hunt

Consumers get information about products from a variety of sources. Ads on local television and radio stations. Print ads in local newspapers, magazines, and your mailbox. E-mail and online advertising. Store signs and circulars.

Shopping is a bit like a scavenger hunt. You have a list of items you need to find and many places to look.

For the Shopping scavenger hunt, you will use columns A and B in this form. Follow your teacher's instructions for recording the results of vour search.



Check It Out

Shelves at the ends of store aisles and along the checkout lines are where you'll usually find the most overpriced items.

OK, you've seen how average prices differ throughout the country. What about prices where you live? What are the here-and-now costs of living on your own?

Stores put their most profitable items where you can't miss them. You really have to look for the very best deals—good value at a good price.

Your job in this section will be to find some bargains. But first, let's take a tour of what's being advertised in your hometown.

	Shopping scave	nger hunt
You're looking for	A. What you found	B. Price
A liquid sold in a 64 oz. container		
Something sold in quantities equal to "a fortnight minus the limbs of an arachnid"		
Something for dessert		
Something that uses electricity		
Something you travel with		
A circular food item		
Something with a double letter 0 in its name		
Something a little kid might take to bed		
Something QWERTY		
Something with XXXBXXXUXXTXXTXXXOXNXXSX		
Something with a c_l_br_tnd_rs_m_nt		
Something with "mandibular appurtenances"		
A tool that does more than one thing		
A kitchen appliance with built-in chronometer		
Something with a handle		
Something with 943357 (consult your phone)		
Something you have to buy supplies for		
-f+d+		
Something you sit in or on		

### Scavenging for Bargains

In Scavenging for bargains, you will complete ten of the rows in columns C and D in the form below. Follow your teacher's instructions for recording the results of your search.

#### Scavenging for bargains

C. Alternative brand	D. Price
<u></u>	

#### Practice Question 2-A:

Which has a lower unit cost—one six-pack of 24-oz, bottles of soda that sells for \$3 or four liters of soda that sell for \$2.50 as a group? (One liter = 33.8 oz.)

> per oz. with a unit cost of \$

#### Practice Question 2-B:

In February 2009, the average price of gasoline in the U.S. was \$2.23 per gallon. How did that compare to the Netherlands, where it sold for \$1.65 per liter? (One gallon = 3.79 liters)

with a unit cost of \$

## Oh Yeah?

What are the three largest spending categories for young, single adults (excluding Other)?

#### Average Annual Spending Adults aged 21 to 29, living alone

Entertainment Clothina Transportation Food Travel

Spending Categories



\*Not included in other categories, but not specified.

Source: U.S. Department of Labor, Bureau of Labor Statistics, Consumer Expenditure Survey Anthology, 2008 Ask your teacher for the answers.

## Buying Power in Time and Space

You've seen how the cost of identical items can vary by region of the country, by cities within a region, and stores within cities. What's more, as consumers regularly complain, the cost of everything just keeps going up, year after year. And as prices inflate, consumers' BUYING POWER falls.

When you're living on your own, you'll experience the effects of INFLATION firsthand. And if you move across the state or the country for college or work, you'll feel the effect of different prices

for whatever you consider necessary for "the good life."

STANDARD OF LIVING is the term economists use for what each if us consider to be the essential comforts of a quality life. Different people have different expectations for a comfortable life, but most people want to improve-or at least main tain—their current standard of living. Doing this comes at a cost, of course. And COST OF LIVING is subject to inflation and to geography.

## When What Goes Up, Keeps Going Up

The CONSUMER PRICE INDEX (CPI) gives you a handy way to measure changes in the buying power of a dollar in the U.S. over time.

### Average Annual CPI Figures

Year	Avg. CPI						
1990	130.7	1995	152.4	2000	172.2	2005	195.3
1991	136.2	1996	156.9	2001	177.1	2006	201.6
1992	140.3	1997	160.5	2002	179.9	2007	207.3
1993	144.5	1998	163.0	2003	184.0	2008	215.3
1994	148.2	1999	166.6	2004	188.9	2009	214.5
_							

Source: U.S. Bureau of Labor Statistics, 2009

A dollar in each year has more or less buying power compared to a dollar in another

> year. Think of "dollars of the year 2003" and "dollars of the year 2008" as a way to express the average buying power of money at that time. You can use the CPI numbers in the "Average Annual CPI Figures" table to calculate the changing value of money in two ways:

First, how does the buying power of "old" dollars compare to the buying power of "new" dollars? For example, what would something that cost \$250 in the year 1990 cost in the year 2000?

First, divide the 2000 CPI by the 1990 CPI:

 $172.2 \div 130.7 = 1.3175$ 

Then multiply the answer by the 1990 cost:  $1.3175 \times $250 = $329.38$ 

#### In Other Words...

Something that cost \$250 in 1990 would have cost \$329.38 in 2000.

Second, how does the buying power of "new" dollars compare to the buying power of "old" dollars? For example, how much could \$250 in the year 2000 have bought in the vear 1990?

First, divide the 1990 CPI by the 2000 CPI:

 $130.7 \div 172.2 = 0.759$ 

Then multiply the answer by the 2000 cost:

 $0.759 \times $250 = $189.75$ 

#### In Other Words...

Something that cost \$250 in 2000 would have cost only \$189.75 in 1990.

#### Practice Question 3-A:

The novelist F. Scott Fitzgerald earned as much as \$4,000 for a short story in 1930. Big deal, you say? Use a buying power calculation to see what \$4,000 in 1930 (average annual CPI 16.7) would have been worth in 2009 (CPI from table at left).

Fitzgerald's \$4,000 had the same buying power in 1930 as in 2009.



Albert Einstein, the original time and space auv. once said. "Sometimes one pays most for the things one gets for nothing.





#### Practice Question 3-B:

First weekend earnings for the 2009 movie "Harry Potter and the Half-Blood Prince" were \$77,835,727 and for the 2002 movie "Spider-Man" were \$71,417,52. Did the wizard beat the arachnid, or not? Calculate Harry's 2009 first-weekend income

in 2002 dollars to see which movie earned more (CPIs in table to the left).

Harry's \$77,835,727 in 2009 had the same buying power as \$

Now that you know how to use a CPI table to figure how buying power changes, you'll be delighted to learn that the Bureau of Labor Statistics provides an online calculator that does the same thing painlessly.

#### Practice Question 3-C:

Use the BLS online calculator (http://www.bls.gov/data/inflation\_calculator.htm) to find a match in buying power for each given amount.

Given Year	Given Amount		Comparison Year	Comparison Amount
1969	\$25,000		1998	\$
1941	\$111,045	Has the	1986	\$
2005	\$80,000	same buying	1953	\$
1998	\$43,815	power as	1922	\$
2009	\$1,000		Year you were born	\$

## Some Moves are Better Than Others

You've already seen how prices for individual consumer items vary among different cities and regions of the country. The price variations for gas ("Average Prices for Gasoline" table) and food ("Average Retail Food Prices" table) are similar to differences for clothing, rent, public transportation, and just about every other consumer good or service you can think of.

The effect of all those individual price differences means that a dollar's buying power differs from place to place as well as from year to year.

The "Cost-of-Living Comparisons" table compares 20 U.S. cities. The COST-OF-LIVING INDEX (COLI) is based on the prices in those cities of 60 items in all major spending categories, including housing, utilities, groceries, transportation, and health care.

Just as you can think of the CPI as a tool for figuring buying power changes in time. you can think of the COLI as a tool for figuring buying power changes in space.

## Cost of Living Comparisons

Most Expensive			Least	Expensive	
Rank	Urban Areas	COLI	Rank	Urban Areas	COLI
1	New York (Manhattan) NY	214.7	1	Pueblo CO	84.3
2	New York (Brooklyn) NY	177.2	2	Douglas GA	84.4
3	Honolulu HI	166.5	3	Pryor Creek OK	84.4
4	San Francisco CA	162.9	4	Cookeville TN	84.5
5	New York (Queens) NY	156.3	5	Harlingen TX	84.5
6	San Jose CA	153.1	6	Broken Arrow OK	84.7
7	Orange County CA	146.7	7	Fort Smith AR	85.2
8	Nassau County NY	144.9	8	Martinsville-Henry County VA	85.2
9	Truckee-Nevada County CA	144.4	9	Lawton 0K	85.9
10	Stamford CT	143.1	10	Martinsburg-Berkeley County WV	85.9
Source:	Council for Community and Eco	nomic Resea	rch, third a	uarter 2009.	

National average for 315 urban areas equals 100.

You can use the "Cost-of-Living Comparisons" table to answer the following question: How would moving to another city affect your income's buying power?

For example, suppose you're living comfortably on \$40,000 a year in Fort Smith, Ark. What would your income have to be for you to be able to live just as comfortably in Honolulu, Hawaii?



ACME MOVING

First, divide the COLI of the destination city by the COLI of the origin city:

 $166.5 \div 85.2 = 1.9542$ 

Then multiply the answer by your income in the origin city:

 $1.9542 \times $40,000 = $78,168$ 



#### In Other Words...

In other words, it would cost \$78.168 to maintain the same standard of living in Honolulu that you enjoyed for \$40,000 in Fort Smith.

#### Practice Question 3-D:

Imagine you're a successful street mime living in downtown Manhattan on \$125,000 a year. How much would it cost to have the same standard of living in Brooklyn?

Now you're ready for the easy way out. There are numerous online calculators that compare the cost of living for pairs of cities.

A cost-of-living calculator can be a big help in adjusting your budget when you move. Because they are at best an estimate, if you're actually moving, it's a good idea to use more than one and budget for the worse case.





#### Practice Question 3-E:

Use either the CNNMoney COLI calculator at

http://cgi.money.cnn.com/tools/costofliving/costofliving.html or the Bankrate calculator at

http://www.bankrate.com/calculators/savings/moving-cost-of-livingcalculator.aspx

to make the following comparisons.

Origin City	Given Income	Has
Hartford CT	\$35,000	the
Greenville SC	\$78,000	same
Appleton WI	\$46,500	buying
Stillwater OK	\$112,300	power
Your city or nearest		as
hig city	\$61,000	

Destination City	Comparison Income
Boise ID	\$
Anchorage AL	\$
Albuquerque NM	\$
Chicago IL	\$
City you might	
like to live in	\$

## Oh Yeah?

Among the U.S. residents who moved in 2008:

- 65% moved within the same county
- 18% moved to a different county within the same state
- · 13% moved to a different state
  - 3% moved to the U.S. from another country

#### Percent of residents in each region who moved:

- 13 5% South
- 13.2% West
- 11.1% Midwest (showed the largest decline in its mover rate from 2007)
- 8 2% Northeast

Source: U.S. Census Bureau, 2009



Building a Budget

Some people avoid creating a budget because they think that it will force them to make sacrifices. They think budgeting is supposed to make them feel quilty about spending money on things they want and enjoy. Budgeting doesn't have to work that way.

If you think of your personal budget as your spendingand-saving plan, you can see how you can use it to get more enjoyment out of life. A budget helps you use your income to your best advantage.

A budget DEFICIT keeps you from improving your standard of living. A SURPLUS allows you to redirect as much income as possible to your short-and long-term goals—and make sure you have fun throughout your life. The way to change a deficit into a surplus is by controlling your DISCRETIONARY SPENDING.

#### The Bottom Line. This paragraph is the single most important message you can aet out of

this auide.

## **Keeping Your Balance**

A budget has two parts—the income side and the expense side. In a BALANCED BUDGET, total income equals total expense. Budgeting shows you how much money you have to work with. If you start with GROSS PAY, you have to determine your take-home pay because that's all the income that you can spend.

Bringing the two sides into balance involves adjusting spending that falls into several categories, including FIXED EXPENSES, VARIABLE EXPENSES, PERIODIC EXPENSES, EMERGENCY EXPENSES, Treat your EMERGENCY FUND and saving for financial goals as expenses.

As you discuss "Components of a Balanced Budget" in class, write down examples of the different categories of items on the expense side of the budget.

#### Components of a Balanced Budget

Income	Examples	Expenses	Examples		
Gross pay	Total employment compensation	Fixed			
Self-employment earnings	Regular income from odd jobs	Emergency fund			
Other	Regular income from allowance, investments	Savings			
MINUS taxes	State and federal income, Social Security (FICA), and Medicare taxes	Variable			
MINUS other deductions	Union dues, health insurance, retirement contributions	Periodic			
\$ TOTAL	Must equal	\$ TOTAL			



## Help Clare Make it on Her Own

"Clare's Budget Spreadsheet" (p.16) records income on the left. In the four left-side columns she:

- Lists where the income comes from ("Source of Income"); 2. Enters after-tax (take-home) income from that source by the payment period ("Amount per Period"), such as per hour or per week;
- 3. Records how often the payment occurs ("Periods per Month"); and finally 4. Multiplies those two numbers to figure the total ("Income per Month") from that source.
- Repeats steps 1-4 for each income source.

#### Practice Question 4-A:

Suppose your take-home pay as a translator of crossword puzzles into Greek is \$104 per week. How would you fill in an income row of "Clare's Budget Spreadsheet"?

Amount per Period:	\$
Periods per Month:	\$
ncome per Month:	\$

### Practice Question 4-B

Suppose you earn \$11 an hour after taxes by giving cats pedicures. If you work 10 hours a week, what would you put in an income row of "Clare's Budget Spreadsheet"?

Amount per Period:	\$
Periods per Month:	\$
Income per Month:	\$

"Clare's Budget Spreadsheet" (p.16) records expenses on the right. In the four right-side columns she:

- Lists what the expense is ("Type of Expense per Month");
- 2. Enters the expense amount for each time you buy ("Amount per Purchase");
- 3. Records how often the expense occurs ("Purchases per Month"); and finally
- 4. Multiplies those two numbers to figure the total ("Expense per Month").
- 5. Repeats steps 1-4 for each expense item.



#### Practice Question 4-C:

Suppose you buy two new songs for \$1.25 each to help get you through each tedious working day at the Chewing Gum Recycling Plant. If you work an average of 15 days a month, how would you fill in an expense row of "Clare's Budget Spreadsheet"?

Amount per ruichase:	<b>3</b>
Purchases per Month:	\$
Expense per Month:	\$

#### Practice Question 4-D:

Suppose it costs you \$48 every eight months to replace the wheels on your tandem skateboard. What would you put in an expense row of "Clare's Budget Spreadsheet"?

mount per Purchase:	\$
urchases per Month:	\$
xpense per Month:	\$

(Trick Question Alert! You need to set aside a fraction of this periodic expense each month.)

## Clare's Budget Spreadsheet

-							
Source of Income	Amount per Period	Periods per Month	Income per Month	Type of Expense	Amount per Purchase	Purchases per Month	Expense per Month
Greenhouse				Parking			
Plant service				Gasoline			
Plant service				Movies		,	
Plant service				Food			
				Volleyball expense			
				Plant service expense			
				Rent			
				Auto insurance		Ť	
				College tuition			
				Textbooks			
				Computer loan			
				Emergency fund			
				Saving for apartment			
				Saving for car			
Total income					Total expense		

## Oh Yeah?

If you think people who are barely "making ends meet" and "living paycheck to paycheck" are the only ones who have trouble budgeting, think again.

In March 2009, Sports Illustrated reported on the tendency for professional athletes to get into financial trouble despite earning millions of dollars a year. The magazine found that:

"By the time they have been retired for two years, 78% of former NFL players have gone bankrupt or are under financial stress because of joblessness or divorce

"Within five years of retirement, an estimated 60% of former NBA players are broke."

#### Practice Question 4-E:

Now let's look at how Clare manages her money. Check each item as you enter it in "Clare's Budget Spreadsheet" at the left. Nineteen-year-old Clare:

Lives with her parents, who started charging her \$50 a week rent (4 weeks per month) when she began working after high school graduation.

UWorks 22 hours a month in a greenhouse, where she averages \$8.30 an hour after taxes.

Has her own business, tending plants in local office buildings. She makes \$350 a month for one contract, \$320 monthly from a second contract, and \$225 every two weeks from a third (all amounts are after taxes). Clare has to buy \$211.79 in plant care supplies every four weeks.

> Is a part-time student at a local technical school, working on a business degree. Tuition for six credits per six-month semester is \$450. She figures textbooks will average \$120 per semester. She sets aside one-sixth of each of these amounts monthly.

> > Drives a used car that burns three tanks of gas each month. Filling the tank once costs \$28. Each day she drives to school, she pays \$1.50 to park (12 days per month).

: Dets aside enough each month to pay her \$1,299 annual auto insurance premium.

Rents one movie (\$4) and sees one other in a theater (\$8) every week.

DSpends an average of \$3.50 a day on lunch (30 days).

Spends \$15 every two weeks to play volleyball on a traveling tournament team.

Makes a monthly computer loan payment of \$72,36.

Clare is saving for three goals in separate savings accounts, letting her interest earnings accumulate without spending them.

Pays herself first by having \$35 of each semi-monthly greenhouse paycheck automatically deposited in an emergency fund.

☐ Saves to move out of her parent's house in a year one-twelfth of \$1,350, an amount equal to the first month's rent plus a security deposit.

Saves whatever is left after she's budgeted for all expense amounts, including her emergency and apartment saving funds, to replace her car after she graduates from college. This remainder goes in the "Savings for car" line to balance her budget.

## Know Where Your Money Goes....

Building an accurate budget requires having good estimates of actual expenses. Do this by tracking all your expenses for at least four weeks. This will tell you what expense categories to include in your budget.



## Oh, Yeah?

Why do teenagers get jobs? For experience? Social interaction? A burning desire to wear a paper hat?

Not really— Most teenagers find work because they could use the money. But what if there was another option? Would you kiss a frog for \$50?

For each task below, guess how many of those polled said they'd do it for money.



- 1. Kiss a stranger for \$200.
- 2. Kiss a frog for \$50.
- Cut in line in front of a little old lady for \$100.
- 4. Serve six months in a medium-security prison for \$1,000,000.
- 5. Eat a healthy, restrictive diet (with no snacking) for a full year for \$2,500.
- 6. Sleep on the street for a week for \$2,000.
- 7. Swallow a worm for \$300
- 8. Take on the heavyweight boxing champ for \$100,000.
- 9. Take a 3-month vow of silence for \$20,000.
- 10. Go two weeks without a bath, a shower, or the ability to change your underwear for \$2,500.

Ask your teacher for the answers, which come from "Are You Normal About Money?" by Bernice Kanner.

## Congratulations

Now you're ready to make it on your own. You know how to find prices from different sources. You know how to account for taxes and other deductions from your paycheck and when you need to set aside money for taxes due on self-employment income.

You know how to account for periodic expenses, how to pay yourself first for your financial goals, and how to cut variable costs to enable greater savings.

Adapt Clare's budget form on page 16 for your own use. Or download a budget spreadsheet at http://buy.cuna.org/ download/29469 budg sprdsht.xls

As a bonus, the downloadable spreadsheet also contains a page that allows you to record your expenses by category for a week at a time

Or you might prefer to develop your own budgeting paper form or spreadsheet. The method you use is unimportant. It should be one that is easiest for you. Of greatest importance is that you have some kind of spending and saving plan that helps you take care of all your obligations and take advantage of all your opportunities.

Enjoying your life and reaching your goals is just a matter of taking charge and following through. The choicesand the benefits-are yours.



## Glossary

Balanced budgeta spending plan in which total income and total expense are equal.

Budget—a plan for using income to pay expenses and save for the future; also called a spending plan.

Buying power—the amount of goods and services that a given amount of money will buy.

#### Consumer Price Index

(CPI)—a measure of the change in average prices of a set group of goods and services compared with a base period. A positive change in the CPI from one year to the next is the rate of inflation. (See www.bls.gov/CPI)

(COLI)—a measure of the relative expense of maintaining the same standard of living in two different cities. (See www.coli.ora/COLIAdiustedMHI.asp for background. See COLI Calculator for free estimates based on data from this source.)

#### COLI Calculator-

See http://cgi.money.cnn.com/tools/ costofliving/costofliving.html

Cost of living the value of goods and services needed to achieve a certain level of comfort. (See standard of living.)

CPI Inflation Calculator— See www.bls.gov/data/inflation calculator.htm

Deficit—an income shortage.

Discretionary spendina costs that are purely a matter of choice and the budgeter's control.

Emergency expenses costs that are unpredictable, but could be serious and often must be paid on short notice.

Emergency fund—an amount equal to three to six months' expenses set aside in case of job loss or unexpected expenses.

Fixed expenses—costs that usually don't change from month to month. (See "periodic" and "variable" expenses.)

Gross pay-rate of pay multiplied by time worked.

Inflation—the general overall increase in prices over time; the opposite of deflation.

Law of supply and demand—the tendency for prices to increase when supply declines or demand increases

Medicare—a hospital insurance plan, administered by federal and state governments, which pays for certain health care expenses for people age 65 and older, Some younger people with disabilities also qualify.

## Periodic expenses—

costs that occur less often than monthly. (See "fixed" and "variable" expenses.)

Social Security—a program of the federal government that provides workers and their dependents with retirement, disability, and other payments.

Standard of living a desirable quality of life, as indicated by a wide range of factors such as the crime rate in a given locale and the ability to acquire goods and services. (See "cost of

living,")

Surplus—income remaining after all expenses for a given period are paid.

Take-home pay-gross pay minus deductions such as for taxes and insurance

Unit cost—total price divided by the number of units of measurement (e.g. ounces, milliliters, etc.)

U.S. Bureau of Labor Statistics—the office of the federal government that collects. analyzes, and reports employment activity. (See www.bls.gov)

#### Variable expenses—

costs that change from month to month, often under the budgeter's control to some dearee. (See "fixed" and "periodic" expenses.









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