

Pine Gulch Skit

WHAT IS MONEY?

Unit of Exchange

- Under the Barter System
 - **Barter (trade)** is the exchange of one good or service for another
 - Requires **double coincidence of want** both people have to want what the other person has
- With Money as Unit of Exchange
 - Money is accepted as having a value in and of itself
 - Only one person has to want the other's goods or services, assuming everyone wants the money

Types of Money

- Commodity Money
 - Example - gold and silver coins
 - Value based on the worth of the coin itself
- Fiat Money
 - Example - U.S. Dollar bill
 - Value based on government authority
- Bank Money
 - Example - checks and electronic funds
 - Value based on demand deposits in banks

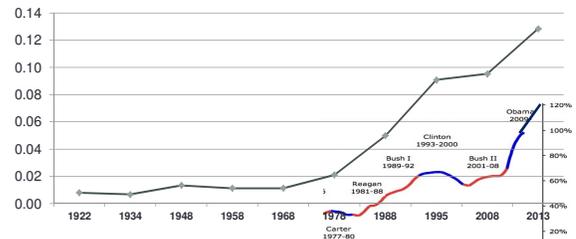
Store of Value

- Money has to hold its value over time to be accepted in exchange for good and services
- Inflation – historically money loses value slowly – shown by rising prices for goods
- Hyper-inflation – money loses value dramatically
 - Germany in 1920s
 - Zimbabwe in 2010



Inflation Calculator

Cost of one Oreo cookie



Opening Assignment

What characteristics do you look for in a friend or mate? Focus on personality characteristics rather than just visual traits. For example, write something like “easy to talk to” or “always makes me smile” rather than “dazzling white teeth.”

Choosing a Bank Presentation

Opening Question

What banking services are you using now, or which services do you think you will use in the future? Do you or would you use mobile or online banking? Explain how banking services work for you or could work for you. What problems are there to deal with?



Unit 5 - Your Money:
Keeping it Safe and Secure

Financial Services

All of these services can be found in most banks or credit unions

Online Banking, Online Brokerage, Checking Accounts, Savings Accounts, Certificates of Deposit (CDs), Individual Retirement Accounts (IRAs), Savings Bonds, Credit Cards, Check Cards, Gift Cards, Payroll Cards, Commercial Prepaid Cards, Auto Loans, Boat Loans, RV Loans, Student Loans, Other Loans, Home Mortgages, Mortgage Refinance Loans, Home Equity Loans, Military Bank, Student Centers, Accessible Banking, Small Business Banking Services, Merchant Services, Home Buying, Investment Services, IRAs, Mutual Funds, 529 College Savings Plans, Life Insurance (various types), Long-Term Care Insurance, Homeowner's Insurance, Renter's Insurance, Condo Insurance, Auto Insurance, Supplemental Income Insurance, Foreign Currency Exchange, Traveler's Checks, International Wire Transfers, and More

When You Open a Checking Account

- You deposit money in the account.
- You can add or take out money at any time.
- The financial institution is allowed to use your money to invest and earn a profit.
- You may be paid a small amount of interest for depositing your money.
- Your money is insured against loss.

5-C

Debit Cards

HOW TO USE A DEBIT CARD

- Swipe the debit card in the card reader, or give it to the clerk to swipe.
- Choose the "Debit" option.
- Enter your PIN number*
- Enter the amount of cash back, if desired.
- Money is taken directly out of your checking account, so enter the amount spent into your checking ledger.

5-J

*About your PIN

About Your PIN

- PIN stands for Personal Identification Number. This number gives you access to your account, so it's important to keep it secret.
- Memorize your PIN number. Do not write it down and keep it somewhere in your wallet (where someone could find and use it).

GO BACK

Check Details

Click the numbers

1 2 3 4 5

FOR DEPOSIT ONLY - Do not write on this side of your check. This side is reserved for use by your financial institution.

DATE May 1, 2015 2008

JOHN M. SMITH
4923 MAIN STREET
ANYTOWN, CO 81234

PAY TO THE ORDER OF Motor Parts \$ 52.00

Fifty-Two and 00/100 ----- DOLLARS

Main Street Credit Union
8642 Main Street
Anytown, CO 81234

MEMO Snacks for Party *John H. Smith*

0020030041 1092320004 2008

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Deposit Slip

FOR DEPOSIT TO THE ACCOUNT OF

HANK A. WILLIAMS
MARY B. WILLIAMS
10 SPEARS COURT
EUGENE, OR 97405-8762

DATE May 7 2015

SIGN HERE FOR LESS CASH IN TELLER'S PRESENCE

CHECKS	DOLLARS CENTS	
CASH →	822	00
TOTAL FROM OTHER SIDE		
TOTAL		
LESS CASH RECEIVED		
NET DEPOSIT	822	00

96-7401
3232

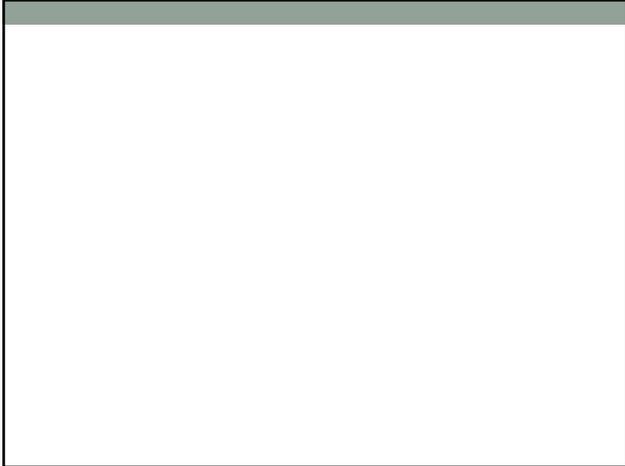
BE SURE EACH ITEM IS PROPERLY ENDORSED

HERITAGE BANK EUGENE, OR 97405-7110

⑆ 3 2 3 2 7 4 0 1 8 ⑆ 0 2 4 9 0 7 5 9 ⑆

FOR CLASSROOM USE ONLY

CHECKS AND OTHER ITEMS ARE RECEIVED FOR DEPOSIT SUBJECT TO THE TERMS AND CONDITIONS OF THIS INSTITUTION'S COLLECTION AGREEMENT.



Opening Question

Explain why it is important to keep your own record of the transactions in your bank accounts. What kinds of problems might you avoid? How might the information be useful to you in managing your money?

Unit 5 - Your Money:
Keeping it Safe and Secure

Keep a Record

NUMBER OR CODE	DATE	TRANSACTION DESCRIPTION	PAYMENT AMOUNT	✓	FEE	DEPOSIT AMOUNT	\$ BALANCE
Dep	2/10	Deposit					200.00
		Cash					200.00
AW	2/10	Checks	20.00				20.00
		Bank Charge					180.00
100	2/12	Fine Foods	23.11				23.11
		Groceries					156.89
101	2/12	Wayne's Book World	13.50				13.50
		Books					143.39
102	2/13	Cash	30.00				30.00
		Cash					113.39
AW	2/14	Phone Company	25.50				25.50
		Utilities					87.89
Dep	2/15	Deposit				113.76	113.76
		Paycheck					201.65

5-G

Keep a Record

NUMBER OR CODE	DATE	TRANSACTION DESCRIPTION	PAYMENT AMOUNT	✓	FEE	DEPOSIT AMOUNT	BALANCE
Dep	2/10	Deposit				200 00	200 00
		Cash					200 00
BC	2/10	Bank Charge	20 00				180 00
		Checks					180 00
100	2/12	Fine Foods	23 11				156 89
		Groceries					156 89
101	2/12	Wayne's Book World	13 50				143 39
		Books					143 39
102	2/13	Cash	30 00				113 39
		Spending Money					113 39
103	2/13	Cash	50 00				63 39
		Spending Money					63 39

5-G

Does It Balance?

1 of 2

Reconciling your checking account statements

Why reconciling is important

- Lets you check for mistakes and checks you wrote but did not enter.
- Gives you a chance to subtract other charges that the financial institution may have added.
- Lets you add any interest that your checking account may have earned.

5-H-1

Does It Balance?

2 of 2

Reconciling your checking account statements

Why reconciling is important

- Not all the checks you have written will always be shown, because they may not have been cleared by your bank or credit union.
- Uncleared checks will show up on your next statement.

5-H-2

Opening Assignment

In 25 words or less, explain what it means to be wealthy.

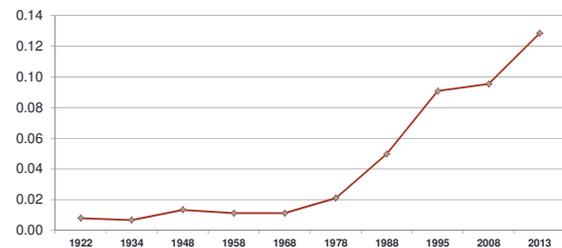
PUTTING YOUR MONEY TO WORK

Time Value of Money

- The value of money changes over time
- If your money is not working, its value decreases
- If your money is working, its value can increase

Inflation Calculator

Cost of one Oreo cookie



Interest

- **Interest** is the fee someone else pays you to use your money
- Interest = $P \times R \times T$
 - Principal – the amount of money borrowed
 - Rate – the % amount paid by the borrower to use the money
 - Time – The amount of time borrowed

Saving/Investing Considerations

- Risk
 - Can I lose my money?
- Return
 - How much do I earn on my money?
- Liquidity
 - Can I get to my money if I need it?

What Should You Save For?

- Emergencies
- Large Purchases
- Security

Savings Account

- Demand deposit held in a bank
- Risk – Totally safe, insured by FDIC
- Liquidity – can usually make unlimited transactions, there may be a fee
- Return – less than inflation – 0.2-0.5%

Money Market Fund

- Where cash is held by financial institutions when you're not investing it
- Risk - fairly safe, not always insured
- Liquidity – limited checks/instant transfers available
- Return – close to inflation - 1-2%

Certificate of Deposit

- Time deposit in a bank - usually six months or more
- Risk – totally safe, insured by FDIC
- Liquidity – penalty for early withdrawal (10%)
- Return – better than inflation – 2-5%

What Should You Invest For?

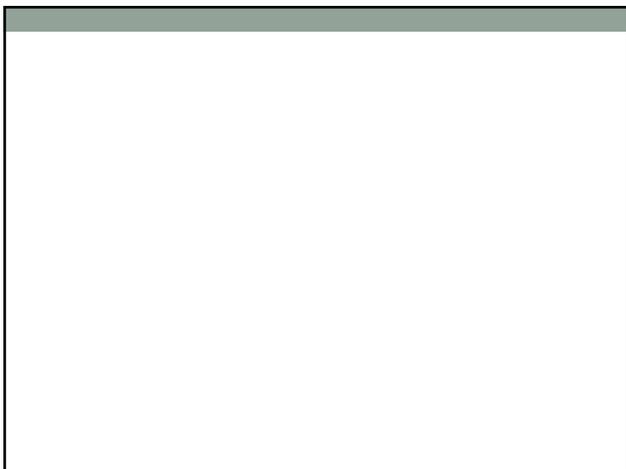
You *invest* to **Build Wealth**

Invested money is **at risk** – you **can** lose some of it

- You must have the right timeline
- You must be able to deal with the ups and downs
- You must understand your investments

Short Writing Assignment

- In three short paragraphs, answer the following:
 - What is the difference between saving and investing? Which is more important?
 - What are some of the advantages and disadvantages of: 1) saving and 2) investing?
 - How does money create value over time?



Opening Question

Think of the companies out there that make the products that you buy – food, soft drinks, entertainment, clothing, cars, gas, etc. Which company do you think you might want to invest in for the future? Explain why you chose it.



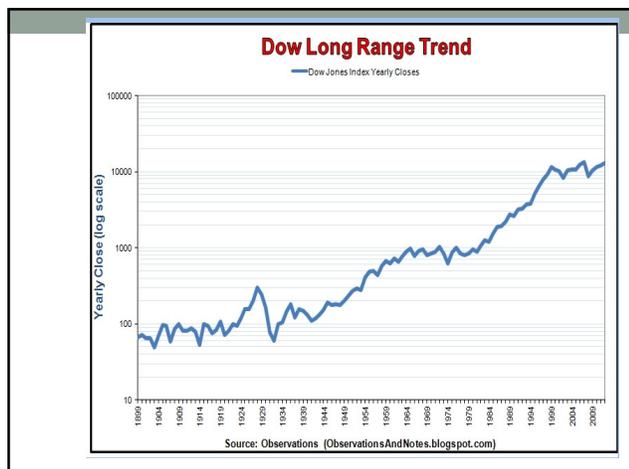
The Motley Fool
Fool.com

**Avoiding the Biggest Mistake
Investors Make**

The logo for The Motley Fool, featuring a stylized cartoon character with a large nose and a yellow background. Below the logo is the text "The Motley Fool" in a bold, black font, with "Fool.com" underneath it. A thin red horizontal line is positioned below the logo and text. Below the line, the text "Avoiding the Biggest Mistake Investors Make" is written in a bold, black font.

Stock Market

- Investment in company stocks
- A share of stock is a piece of ownership in the company
- Historical return of about 9%



Be an investor, not a gambler

- Buy stock in solid businesses
- Don't time the market
- Focus on the value of the businesses we invest in
- Buy to hold

2 traits you must have to be a great investor

- 1) **Timeline:** investing in stocks requires a minimum five-year time horizon
- 2) **Temperament:** Remain calm when everyone around you is freaking out

Think long term

- Pick stocks on their long-term potential
- Pay attention!
- But... Sometimes the best action is doing nothing

Tune out the noise

- Put down the newspaper, turn off CNBC, and stop clicking that. None of it is doing you any good
- Fixating on the market's minute-to-minute news won't help you make your next brilliant financial move

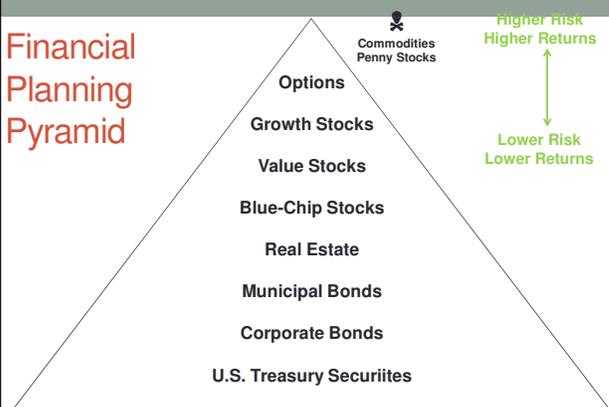
When other people panic...

- Distract yourself with something useful – Think about why you bought a stock
- Ask yourself – Has anything changed?

Spread out your risk

Diversify:
Buy different kinds of investments, companies, industries, countries, etc.

Financial Planning Pyramid



Spread out your risk

Dollar-cost Averaging:

Don't guess when to invest, invest small amounts regularly over time, not one big purchase



Opening Assignment

Name two or three stocks you purchased in the stock market game. Why did you pick them? Which ones have turned out good or bad for you? Why do you think that is?

MUTUAL FUNDS

What's a mutual fund?

- Many people's money pooled together
- Invested by professional in many different stocks
- Investors own shares of the fund they invest in and make money either by
 - receiving interest or dividends, or
 - by increase in value of shares

Why invest in mutual funds?

- Diversification - spread out money across dozens of companies at one time.
 - increase your potential returns
 - decrease your overall risk
- Lower transaction fees
- Professional management

Taxes!



401(k)

- 'Retirement Plan' through your employer
- Money taken out of your check before tax
- You decide contribution amount
- Employer may 'match' your contribution
- Contribution limit of \$17,500 per year
- Penalty for withdrawing funds before age 59 ½
- May be able to 'borrow' from it 

IRA

- Individual Retirement Account
- You open this through a broker
- Contribution Limit of \$5,500 per year
- Tax deductible (pre-tax dollars)
- Penalty for withdrawing funds before age 59 ½