Chapter 18: Personal Finance

Lesson 1: Consumerism

■ Consumerism: the education of buyers about			
their purchasesattempt to make products safer.		\mathbf{C}	
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their purchasesattempt to make products safer FDA: feed + Drug Administration FTC: Federal Trade Commission	• •	•	-
BBB: Better Business Bureau -	Drote	:C+	us
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Consumer Bill of Rights (1962--JFK)

- Right to safety
- Right to be informed--give us the facts
- Right to choose--competition is important
- Right to be heard
- Right to redress--we can be compensated when harmed or misled
- Right to environmental health
- Right to service--treat consumer w/ respect
- Right to consumer education--training when necessary

Consumer Responsibilities

- Be informed--comparison shopping
 - o explore generic goods
- Handle problems appropriately--use goods and services as they are meant to be used
 - Make use of warranties and follow rules of warranty--keep receipts, manuals, etc.
 - Take care of your products--maintain their quality
 - If you expect honest businesses, consumer should be honest as well
 - Is the customer "always right?"

Disposable income/Discretionary income

Think about the opportunity cost of your decisions

Mathematical Consultations

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Lesson 2: Budgeting Your Money		
Budget:		

Credit Basics

- Borrow \$ that you need/want to make purchases
- Common examples: car loans, student loans, home mortgages, credit cards
- Fee is charged for right to borrow \$

Sources of Credit

• Banks, companies, and gov't

Benefits/Drawbacks

- Access to goods/services you can't normally afford
- Can lead to credit "trap"

APR: Annual Percentage Rate

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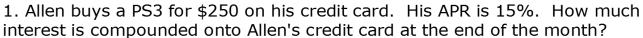
Compounded Interest: when added fee is added to principle balance

APR is YEARLY fee but can be compounded daily, weekly, monthly, or yearly

Multiyear compounding:

P(1+r) -> unit of time

Principle APR in decimal



\$250 (1+.15) 1/2 \$250 (1+.0125)

- 2. Hannah has a savings account where she has a 4% APR. She has \$1000 in her account. How much will it be worth in 6 months?
- 3. Caitlin buys a car for \$5,000. She gets a loan from the a bank and pays a 25% APR. Her payments are \$150 per month. After the first month how much money does she owe the bank?
- 4. Casey has a savings account where he collects a 8% APR. How much will his account be worth if he puts \$2,000 into it after 5 years?

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P(1+r)ⁿ

5. Tyler buys a set of weights for \$1,100 on his credit card at a 16% APR. He plans to pay \$100 per month on the credit card. After one year, how much will he owe on his credit card?

2500 (1+.20) = \$2538.27 = \$2513.2

Lesson 3: Saving Money

What does it mean to "invest" money?



Savings Plans/Options:

- Accounts that are "liquid" can be used easily--low interest rates
- 1. Money Market Account
 - Like a savings account; you need LARGE sums of \$
 - Liquid like a savings account
 - Higher interest rate
- 2. Certificate of Deposit or Savings Bond
 - Time deposit (**maturity** required); like a loan TO a bank
 - CDs bought from banks
 - Bonds bought from banks, businesses, or gov't

Factors to Consider When You Save

- How much disposable income can you live without?
- What are you saving money for?
- How much interest do you want/need?
- How much money do you expect to make in the future?

Stock: partial ownership in a company Share: 1 unit of ownership Dividend: portion of the company's profits you earn as "owner" P/E Ratio: Price to Earnings Ratio; amount of \$ you must invest to make \$1 Volume: # of shares bought/sold in 1 day; shows how much people demand a stock Bull Market: Bear Market: Dow Jones Industrial Average: S&P 500: Diversification: Mutual Funds:

Stocks and Bonds

Stock Exchange: "store" where someone can buy or sell a stock

1. NYSE: New York Stock Exchange

2. AMEX: American Stock Exchange

3. NASDAQ: electronic stock market

Stock Split: when a company decides to DOUBLE their shares offered by cutting each share in half

\$5000 (1+.15) \$5,750.00

