

Revised by Barbara J. Bristow



A Cornell Cooperative Extension Publication

4-H Leader's Guide 322LM1

Development of materials was supported in part by a grant from the New York State 4-H Foundation, Inc., and a special 4-H Urban Programs grant. The program was prepared in 1980 by Josephine Swanson and Margaret Ambry, Ph.D. candidate, with the assistance of Lucinda Thomas, all in the Department of Consumer Economics and Housing (now the Department of Policy Analysis and Management), New York State College of Human Ecology, Cornell University, Ithaca, NY 14853. The materials were edited and revised in 1997 by Barbara Bristow, Department of Policy Analysis and Management. The assistance of undergraduate students Melissa Lundbech and Katherine Radzikowski is gratefully acknowledged.

This publication is issued to further Cooperative Extension work mandated by acts of Congress of May 8 and June 30, 1914. It was produced with the cooperation of the U.S. Department of Agriculture; Cornell Cooperative Extension; and College of Agriculture and Life Sciences, College of Human Ecology, and College of Veterinary Medicine at Cornell University. Cornell Cooperative Extension provides equal program and employment opportunities. D. Merrill Ewert, Director.

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Editor: Trudie Calvert

Designer: Barbara Drogo

Produced by Media and Technology Services at Cornell University

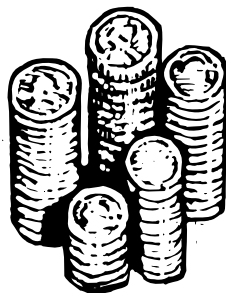
322LM1 2240/2900 5/98 CR 2M MS70140

ISBN 1-57753-286-4

Cornell Cooperative Extension

*Helping You
Put Knowledge
to Work*

It All Adds Up



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Contents

Unit 1. Effective Complaints	1
Unit 2. Understanding Advertising	5
Unit 3. Money Sense	9
Unit 4. Shopping at Home	19
Unit 5. Be Aware, Compare, and Buy Wise	23
Unit 6. Stash Cash	33
Unit 7. Check Out Checking Accounts	39
Unit 8. The Credit Is Yours	45
Resources	59

Unit 1

Effective Complaints



Consumers can use a variety of actions to tell producers and retailers what they want. Purchasing a product is one way consumers communicate with industry. Following up on an unsatisfactory purchase is another. It is important for young people to understand that they have a responsibility to themselves and other consumers to speak out when they are dissatisfied with a product or service for which they have paid. Teenagers are an important part of the economy; they make many large purchases. They deserve to get their money's worth and need to learn how to communicate with manufacturers in responsible and effective ways. The first step is to recognize when a complaint is valid; the second is to complain in a reasonable manner. Young people are often hesitant about speaking out. They may be embarrassed or simply shy. The purpose of this unit is to provide teens with the tools to recognize and make valid and proper consumer complaints.

Objectives

Teens will

1. have a better understanding of how they feel about complaining.
2. have a better understanding of the importance of complaining.
3. be able to identify a valid consumer complaint.
4. be able to identify appropriate procedures for making complaints.
5. be able to write a clear and reasonable letter of complaint.
6. be able to identify persons and organizations who can help them make a complaint.

Activities

1. Opening the Issue (10 minutes), Teen Sheet T-1-1
2. Is This a Valid Complaint? (15 minutes), optional Teen Sheets T-1-2A and B
3. Complaining the Right Way (30 minutes), Teen Sheets T-1-3 A and B
4. Wrap-Up (10 minutes), Teen Sheet T-1-4

Select two or more activities depending on time available. Activity 1 is a good ice-breaker. Activity 3 contains basic information on how to complain and get results. Use Activity 4 to determine what skills and knowledge the teens have gained.

Activity 1. Opening the Issue

This is a short activity to get your group talking about how they feel about complaining. Try to get them to discuss both positive and negative feelings they might have about standing up for their rights as consumers. Also stress that complaining is an important form of communication.

Distribute copies of Teen Sheet T-1-1, "Opening the Issue."

The leader may participate in all activities and offer ideas when appropriate. When teens are working in small groups, the leader should circulate and listen in for a few minutes with each group. For activities such as this one, it is a good idea to give the group as little time as possible to do the job. Don't let them sit and stare at their answers until they get bored. When they seem to be just about finished, start the discussion.

Ask for volunteers to tell the group how they would have dealt with the situations. Indicate your responses too. Encourage the group to talk about similar experiences they have had and how they handled them.

Situation 1. This is a simple example of a consumer complaint. People are often reluctant to complain because the problem is not the waitress's fault. Not complaining communicates to the restaurant personnel either that everything is great the way it has been presented or that they can get away with poor service.

Situation 2. This one is tricky. The consumer should have inspected the merchandise but also has the right to products that fulfill the purpose for which they are intended. A reputable merchant would probably exchange the jeans if they are returned with the sales slip and a reasonable complaint. It would be a good idea to tell the retailer that it is the second pair of jeans you bought at this store and you expected that they would be as

good as the first pair you bought.

Situation 3. Dishonest complaints cost the store and the consumer money and are immoral behavior. It is not "cool" to "rip off" a store! You cannot feel good about your personal integrity when you are cheating.

Situation 4. Your complaint is legitimate and should be resolved to your satisfaction. Record stores often allow consumers to exchange defective CDs if they have the bag or plastic cover with the store label. It usually doesn't help to get angry. You could come back when the clerk who sold the CD was working or try to find the wrapping the CD came in. Writing to the manufacturer or distributor may also help.

Discussion Questions

1. Can you think of any times when you had a legitimate consumer complaint and didn't make one?
2. What could you have done?
3. What prevented you from doing something?
 - You felt scared. When you go back to the retailer, take a friend or parent along for moral support.
 - You thought it was not worth complaining.
 - You were not sure your complaint was legitimate.

Activity 2. Is This a Valid Complaint?

Go over the information on Teen Sheet T-1-2A, “Is This a Valid Complaint?” with the group. Ask the teens to discuss the problems posed on the teen sheet. Give them the list of consumer help agencies on Teen Sheet T-1-2B. Talk about what some of the agencies do. Ask the teens what they know about the agencies. Has one of the teens or a family member ever contacted a consumer help agency?

Have the group complete the activity on Teen Sheet T-1-2A and talk about each question separately. Find out how different teens answered each question before going on to the suggested answer. (See Leader’s Key below.) Make sure the teens realize that the first thing they should do is complain to the seller. They should contact consumer help agencies only after they have tried to obtain satisfaction from the seller.

Leader’s Key for Questions in “Does the Consumer Have a Valid Complaint?” (Teen Sheet T-1-2A)

1. Yes. The manufacturer can supply the missing cord.
2. Yes. The manufacturer, National Highway Traffic Safety Administration, Consumer Product Safety Commission, local Better Business Bureau, or the distributor of the tires may help.
3. Yes. The manufacturer will help, through the local dealer. If not, the National Highway Traffic Safety Administration will handle the complaint.
4. Yes. If the advertisement appears publicly and the seller does not display a retraction of that ad, the Better Business Bureau, Chamber of Commerce, or local Office of Consumer Affairs probably will help the consumer get satisfaction. The state attorney general might also be interested, and misleading ads that are circulated nationally should be referred to the Federal Trade Commission.
5. Maybe. The manufacturer will help. The Food and Drug Administration should also be contacted.
6. Yes. The U.S. Postal Service will handle the complaint and attempt to locate the company to get a refund for the consumer. Often such companies are very hard to trace.
7. Maybe. Proof of the claim would be needed. If the ad specifically said the product would cure the cold, the Federal Trade Commission would be interested. The local office of consumer affairs or the state office of consumer affairs may help, too.
8. Maybe. If you are allergic to the cosmetic, you may have a legitimate complaint. You should check the list of ingredients on cosmetic labels to see if you are allergic to any of them. The Food and Drug Administration should be contacted if the cosmetic might be harmful to all consumers.
9. No. The consumer bought the garment with the understanding that it was sold “as is.” In this case, the store would probably not make an adjustment and would assume that the consumer bought at the sale at his or her own risk.
10. Yes. Jennifer has a right to a complete game.
11. Yes. The law requires stores to have enough advertised sale merchandise in stock to meet a reasonable public demand. Since it was the beginning of the sale, the store should not have been out of stock. It should issue a rain check or reasonable substitute.
12. No. The law regulating martial arts schools and health spas provides for only three days to cancel, although you may be able to cancel if a doctor states that

you cannot participate because of disability for six months, if you move more than twenty-five miles from the facility, or if the seller stops offering services included in your contract.

For all items: Be sure that the teens recognize their responsibility to be sure they have a valid complaint before complaining. As buyers, they must treat the product reasonably and use it as it was intended.

Activity 3. Complaining the Right Way

Go over Teen Sheet T-1-3A with the group, reviewing what information and material should be included in effective complaint letters and emphasizing the steps they should use to lodge a complaint.

Have the teens divide into small groups of two or three and choose one of the problem situations on Teen Sheet T-1-3B. Give them 10 to 15 minutes to write letters of complaint. Have a volunteer from each group read the letters aloud. Have teens give suggestions for improving the letters and comment on positive features of each.

Wrap-Up

Give each teen a copy of Teen Sheet T-1-4 and ask them to complete the sentences. These responses can serve as a record of the group's achievement. You may also ask the teens to share their answers with each other.

More to Do

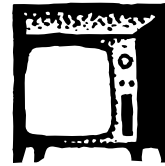
Invite a speaker from a community organization to talk about consumer problems and how that organization can help. Consider inviting someone from a consumer protection-oriented agency or a consumer representative from business such as the Better Business Bureau, Chamber of Commerce, regional, county, or local consumer agency, Society of Consumer Affairs Professionals, or regional attorney general's office.

Additional Resource

Consumer's Resource Handbook (Washington, D.C.: U.S. Office of Consumer Affairs, 1997). A what-to-do, where-to-go manual for resolving consumer problems. Single, free copies may be obtained by writing to Handbook, Consumer Information Center, Pueblo, CO 81009.

Source: *Rights and Responsibilities of Consumers*, Consumer Education, University of Tennessee.

Unit 2



Understanding Advertising

Advertising is a way for manufacturers to communicate benefits of their products to consumers. Advertising is used to inform, interest, and persuade consumers to buy a product or service. Advertisements might also seek to develop a positive image of the company or industry. Many different media communicate advertising messages—TV, radio, newspapers, magazines, signs, and billboards. Advertising has a powerful influence on consumers' behavior. Think about it. How did you learn about some of the products you buy? Chances are that advertising affected many of your purchases.

We don't completely understand why advertising is so persuasive. Some people picture Americans as puppets on the strings of sellers, buying whatever the advertisers tell us is beautiful or sexy or preferred by a famous movie star. Other people believe that we are not so easily fooled. Perhaps advertisements can only persuade us to buy something that we already want—they give us a push in the direction we are already going.

Consumers, however, generally want ads to contain information that can help them make decisions. Advertisements can tell a consumer that a product exists, what it does, where it can be purchased, how much it costs, how it is made, and how well it works. Consumers must be able to analyze ads and use the information they provide to help them make good spending decisions.

Objectives

Teens will

1. gain a better understanding of some common advertising techniques.
2. be aware of the potential of advertisements to convey information.
3. be able to recognize misleading or deceptive ads.
4. explore the creative problems involved with designing advertisements.
5. be given the opportunity to explore their own creative side and understand how much work goes into making an advertisement.

Activities

1. Ten Magic Methods of Advertising (30 minutes), Teen Sheets T-2-1A and B
2. Headlines (20 minutes), Teen Sheet T-2-2
3. How Much Power Do You Have? (20 minutes), Teen Sheet T-2-3
4. TV Ad Sample (60 minutes, at home assignment), Teen Sheets T-2-4A and B
5. Make Your Own Ad (2 hours), Teen Sheet T-2-5
6. Wrap Up Your Understanding of Advertising (10 minutes), Teen Sheet T-2-6

Activity 1. Ten Magic Methods of Advertising

Teen Sheet T-2-1A lists ten methods used by advertisers when creating an ad. Some products use a combination of these methods, and some clearly use one particular method. Completing both parts of Activity 1 will help teens evaluate critically and learn why advertisers choose specific methods to sell their products.

First, review the “ten magic methods of advertising” on Teen Sheet T-2-1A. Ask participants if they can think of current ads or commercials that use these methods. Next, supply teens with an assortment of ads from printed media to categorize. (Provide at least five ads for each member of the group.) You may want to position signs for each type of ad and have the group find samples to place in the categories. At the end of the activity, review each category of ads and discuss why the advertisers may have chosen these particular methods and what impact an alternative method might have on the product’s appeal.

Hand out Teen Sheet T-2-1B and ask teens to select a product or item to advertise. Using the descriptions of the ten advertising appeals on T-2-1-A, have teens draw several ideas of how to advertise the product using the different appeals. (Rough sketches are fine.)

Activity 2. Headlines

Teen Sheet T-2-2 is an activity to promote understanding the importance of headlines and how to say a lot with a few words. Discuss why headlines are so important. People often only read headlines, and an advertiser has to be able to sell the product with a few words to entice the reader to continue reading. Headlines are also important in billboards, which usually give a reader only a few seconds to absorb the entire idea. Have teens work as individuals or in teams to choose a product and develop a headline to promote it using the principles for writing good headlines on Teen Sheet T-2-2. Ask teens to be original, choosing a product that does not already have a well-known headline or suggest they make a new headline to substitute for an already popular ad.

One way to make this activity relevant to something the teens are experiencing is to suggest that they develop a headline for a promotion related to a current school or club project such as a fruit sale, play, or community event.

Using ads that already have popular headlines, take the headline away and have the group discuss whether the ad is as effective without it and whether the ad can stand alone and sell the product without some catchy words to get a reader’s attention.

Activity 3. How Much Power Do You Have?

Teen Sheet T-2-3 is a quiz that allows the teens to see how much they influence the world of advertising. This is a perfect discussion starter to get the group focused on the impact consumers can have with companies and how their purchase decisions influence what is sold and how it is sold. Have the group discuss how they can use their power in the marketplace to influence the world of advertising as well as the world of business.

Answers to the quiz:

1. d
2. d
3. 1—a; 2—d; 3—e; 4—c; 5—b; 6—f
4. checking accounts—b; own stocks or bonds—c
5. c
6. c
7. d
8. d
9. d

Data on teen spending are from "Teenage Marketing Lifestyle Study, Wave 30, Fall 1997," by Michael Wood, Teenage Research Unlimited, 707 Skokie Blvd., Northbrook, Illinois 60062; and Selina S. Guber and Jon Berry, *Marketing to and through Kids* (New York: McGraw-Hill, 1993).

Activity 4. TV Ad Sample

Ask teens to watch TV for an hour and record information on Teen Sheet T-2-4A about the ads they saw. When they have completed the activity, ask them to share their observations. If this activity is given as a take-home assignment, also give participants Teen Sheet T-2-4B, "Things to Think About," to be completed at the same time and plan to discuss briefly at the next meeting. Ask them to write answers to the questions. What did they see? What bothered them? Make sure they know that complaints about advertising messages can be sent to the seller, the network, and consumer agencies. (See Resources section.)

Activity 5. Make Your Own Ad

This activity can be fun for teenagers and allows the group to take what they have learned so far and use their creative skills to make a sample ad or TV commercial. They should also learn that it is not always easy to mix information and persuasion. Hand out Teen Sheet T-2-5 as a guide.

Depending on the availability of equipment and your own time, this activity can be done in a variety of ways.

1. Have teens use a cassette recorder to tape radio ads that they develop. Encourage them to add appropriate music and sound effects.
2. Use art supplies and make billboards or magazine and newspaper ads.
3. The ad can be videotaped if you or the teen's family have a video camera and operator. The group must take the time to create a written script as well as rehearse the commercial before taping. This allows for the best quality possible in the finished product. Before taping, review the Video Tips on the teen sheet and emphasize the importance of planning the commercial.

Be sure that everyone takes a meaningful role. This activity will give the teens an insight into how a commercial is created and allow them to experience the creative process. It also provides an opportunity for teens to polish their public speaking skills. Let the group watch all the ads that are created and encourage them to swap tapes with another group that has done the same activity to promote additional exchange of ideas and discussion of different ad and taping techniques. Encourage teens to make their work original and avoid copying something they have already seen on TV.

Activity 6. Wrap Up Your Understanding of Advertising

Give each teen a copy of the sentences on Teen Sheet T-2-6 to complete. This can serve as a record of the group's achievement. You may also ask the teens to share their answers with each other.

More to Do

Invite a speaker from a local advertising agency to come and speak about the field of advertising. Ask the speaker to review the activities and the commercials that the group created and give them some constructive advice about the work they have done. Some examples of resource people would be a Chamber of Commerce member, advertising agency executive, or newspaper, magazine, radio, or TV advertising salesperson.

Videos

Show one or all of the following videos to provide the group with more information.

Why Ads Work: The Power of Self-Deception (23 minutes): "The most important

words in advertising are the ones you don't see or hear. *Why Ads Work* proposes that ads rarely lie, they merely allow plenty of room for self-deception. Ads use humor, drama, and entertainment because people being humored and entertained are not critical—they 'suspend their disbelief.' In short, they become the perfect consumer. *Why Ads Work* will help your teens reclaim their critical powers. Think of this video as a retraining of listening and reading skills. The technique is to focus on claims made by ads—the actual selling part that 'claims' some benefits or value for the product." © 1996, Learning Seed, 330 Telser Road, Lake Zurich, Illinois 60047.

Why You Buy: How Ads Persuade (33 minutes): This video "is designed to increase viewer awareness of persuasion tactics used in advertising. The video explains six tactics: involvement techniques that overcome normal inertia and sales resistance, the appeal to emotional needs, the use of buzz words, the use of association to transfer desirable traits from people and situations to products, the development of market segmentation and product positioning, and the appeal to fear." © 1988, Learning Seed, 330 Telser Road, Lake Zurich, Illinois 60047.

Buy Me That Too (30 minutes) "helps children weave through the maze of television advertising by showing tricks advertisers use to fool viewers, revealing facts that ads don't provide, and arming children with concrete tips for surviving the TV advertising blitz. The show features children expressing how they feel about commercials. Host Jim Fyfe introduces clips from actual commercials, movies, and video games and gives tips for spotting deceptive ads. The message to children is: What you see may not be what you get." © 1992 Home Box Office, Inc., HBO Project Knowledge, 1100 Avenue of the Americas, New York, N.Y. 10036. This video is most appropriate for a preteen audience.

Unit 3

Money Sense



There are nearly as many different philosophies about money management as there are people. There is no one right way to manage your money except the way that works best for you. Money is a resource. Most of us use our resources of time and energy to earn money. It is not so important how much money you have. What is important is that you spend your valuable resources of money, time, and energy in a way that brings you satisfaction. If you want to improve your money management, you'll need to use the following steps:

Step 1. Think about what you want your money to do for you. What is important to you and how does money relate to your values?

Step 2: Develop money awareness—find out how you spend your money by keeping track of your income and expenditures.

Step 3: Evaluate your current money management practices. If your money isn't working for you the way you'd like it to, develop a plan to help you change your spending patterns.

Step 4: Stick to your plan. Try managing your money and see how it can work for you.

Objectives

Teens will

1. begin to identify the relative value that money has for them.
2. begin to identify money-related goals.
3. record how they spend their money.
4. evaluate the way they spend their money.
5. plan ways to improve their money management.

Activities

1. Values Voting (15–20 minutes)
2. Ten Things I Love to Do (20 minutes), Teen Sheet T-3-2
3. Does It Stack Up? (20 minutes), Teen Sheet T-3-3
4. Reaction Stories (15–60 minutes, depending on number of stories used), Teen Sheets T-4A to D
5. How Do You Rate? (15 minutes), Teen Sheet T-3-5
6. 24-Hour Dollar Recall (20 minutes), Teen Sheet T-3-6
7. Money's Comings and Goings (20 minutes plus time between two meetings), Teen Sheet T-3-7
8. The Bean Game: Making Spending Choices (30 minutes), Teen Sheet T-3-8
9. Wrap-Up (10 minutes), Teen Sheet T-3-9

The first three activities relate to values associated with money and its use. You may choose to use one or more of these. The first, “Values Voting,” is a good ice-breaker. “Reaction Stories” is a high-interest activity, especially for older teens, and could be combined with either “24-Hour Dollar Recall” or “Money’s Comings and Goings” to focus the teens’ attitudes about money and lifestyles and their own spending patterns. The last activity is an evaluation and provides valuable information on knowledge gained by the teens through participation in this unit.

Activity 1. Values Voting

The leader reads each question in the list below aloud beginning with “How many of you. . . .” The participants then show where they stand on the issue by using the following actions: strongly agree—arms up with thumbs up; agree—thumbs up; disagree—thumbs down; strongly disagree—arms way down with thumbs down; no opinion or undecided—arms folded.

A simple count of reactions to each statement will aid in discussing the results. To avoid influencing participants, the leader should not vote. The attitude of the leader is very important in this exercise. He or she should avoid being judgmental—this might inhibit the discussion.

How many of you

1. think teenagers should have an allowance?
2. know exactly where your money goes?
3. think teenagers should be able to use credit?
4. eventually want a highly paid job?
5. are happy with the amount of money you now have?
6. think the best things in life are free?
7. have ever had a savings or checking account?
8. believe that it costs more than \$100,000 to raise a child?
9. think twice before going to a movie?
10. never bought anything on impulse?
11. think young people should work their way through college?
12. have ever been in debt?
13. know what you want to do after high school?

Discussion

“Values Voting” is a useful exercise for learning more about a group and also helps the group members begin to sort out their feelings and opinions. You should watch carefully to see what subjects seem to interest the group and then go back to some of the questions for discussion. You might pick statements that got strong reactions from the group, for example:

1. Ask for a revote on question 2 by saying you noticed that some people said they know exactly where their money goes or no members said they know where their money goes. Talk about this question. Why don't they know? Why should they care? How do you learn money awareness?
2. Question 6 expresses ideas that we hear a lot. What does it mean? What were you thinking about when you voted? What's the best thing in your life that money can't buy?
3. Some estimates have shown that a middle-class family could spend as much as \$100,000 to raise a child (question 8). Do teenagers think about this? Does anyone know a teenager who is raising a child? How would the financial responsibility of a baby change your life?

Activity 1 is adapted from Sidney B. Simon, Leland W. Howe, and Howard Kirschenbaum, *Values Clarification: A Handbook of Practical Strategies* (New York: Hart, 1972).

Activity 2. Ten Things I Love to Do

Depending on the amount of time available, you may want to use both Activities 1 and 2 because both are concerned with values. Teen Sheet T-3-2 helps teens examine how they spend their time and whether what they are doing is the same as what they would like to do. The topic of money comes in naturally when teens are asked about what they love to do that costs money. You can talk about other values that compete with monetary ones.

Discussion

An easy way to start discussion about “Ten Things I Love to Do” is to have the group complete sentences. Tell them to look over what they have just said about themselves and finish the following sentences:

1. I was surprised that. . . .
2. I'm pleased that. . . .
3. I'm disappointed that. . . .

Make sure that teens understand what values are. You might ask them for definitions and examples or ask them what values are being expressed by statements in their list of ten things they love to do. Values are deep-rooted beliefs that people have about what is good and desirable. How do we learn our values? From parents, school, peers? Ask teens how they think they learned to value the things that are important to them.

Discussion Questions

1. In what column did you have the highest number of checks? Did more than half of your activities fall into this category? What does this mean? (It reflects a very strong value that greatly influences your behavior.)

2. Look at your total score for the \$ column. Did you find that you need lots of money to enjoy yourself, to do the things you love? How important is money for doing the things you love?
3. Compare the total number of P's and A's you have. Are you more group-oriented or do you prefer to do things by yourself?
4. How many activities are the same as those your parents might have had on their list? Which ones? What do you think this means? Are there more activities enjoyed by your friends than by your parents on your list? What does this tell you?
5. Look at the dates when you last did these activities. Which activity was done the most recently? Which one was a long time ago? Are there some things you like to do that you haven't done lately? Why? What could you do about this?
6. What are your five most favorite activities? Can you find any patterns in the things you love to do?
7. Do you think it is important to be aware of the things you like to do? Why? (Some people go through life not knowing what is important to them, and when they have to make decisions, they find it difficult or make poor decisions. Knowing what is important to us helps in planning our lives.)
8. How many of your activities require planning? Which ones? Is it important to plan ahead? Why or why not?
9. Do you enjoy doing things that take a short amount of time, or do you like to do things that you become involved in and take several hours?
10. Do you do what is important to you or do you try to "keep up with the Joneses"?
11. Which things that you love to do require some risk?
12. Is there anything about your list you would like to change?

Activity 2 is adapted from Sidney B. Simon, Leland W. Howe, and Howard Kirschenbaum, *Values Clarification: A Handbook of Practical Strategies* (New York: Hart, 1972), and University of Hawaii Cooperation Extension Service, *That Certain Feeling*, Circular 484 (1974).

Activity 3. Does It Stack Up?

This activity requires some preparation on the part of the leader. You need one set of goals for each teen. Cut copies of Teen Sheet T-3-3 into strips. The goals all relate in some way to how teens choose to use monetary resources. In other words, a limited amount of money is available, so how should a teen choose to use it?

Pass out strips containing two goals to each person. Have each teen arrange the goals according to which is more important to him or her at the present time. For example, someone may put education ahead of clothes as an important thing on which to spend money. Continue passing out goals two at a time, allowing the youth to rearrange their choices. Once they have finished the ranking, ask the following questions:

1. Is there any ranking you would like to change?
2. What are your financial priorities?
3. Would any of your rankings change in three years? Five years?
4. What would your financial lifestyle be like if you reversed your priorities?

Now, pair off teens (each pair consisting of a male and female, if possible) and have them work together to rank one set of goals as if they were a married couple or roommates. Discussion and debate will occur. Ask the group the following questions:

1. What are the items that cause the greatest debate?
2. Can a happy, workable compromise be achieved?
3. Who has the final say? Does one person in the pair seem to dominate?

4. Have you seen similar situations arise in families?

The teens should now realize how they want to prioritize their money spending. They should also be aware that these priorities may change in the future and of how any changes will affect their lives.

Source: Dorothy Price, "Derivation of Hypothesis Regarding Family Economic Behavior," Ph.D. dissertation, Michigan State University, 1964.

Activity 4. Reaction Stories

“Reaction Stories” on Teen Sheets T-3-4A to D give teens a chance to look at other people’s values and goals and react in small groups of two or three, preferably friends. For this activity, have them divide into smaller groups of their own choice. Give them time to read the stories and talk about them for five to ten minutes. Then ask the small groups to report on their reactions to each question.

Discussion

“Reaction Stories” do not have to be interpreted in any particular way. Every teen will probably react differently, depending on experience and values. For discussion purposes, however, here are a few points relating to each story that you, the leader, might raise if nobody else does.

Reaction Story 1

1. “Living off the land” is work; it takes a lot of skill and the right tools. Teens might discuss the pros and cons of this lifestyle.
2. Cooperation is necessary, and the couple spends very little time apart. You might have teens talk about the lifestyle they want for themselves and whether they expect to have a partner. Are they willing to compromise?
3. For most people work is a means of trading time and skills for money. What mix of work and leisure do teens expect or want?

Reaction Story 2

1. Do Tom and Cheryl have a money management plan? How does what Susan is able to see in one evening fit in with the rest of their lives? Tom and Cheryl might have a financial plan, and they may both really value material possessions. They might not

have anticipated spending as much as they have.

2. Setting goals together is important for happy marriages. Are there any goals that Cheryl and Tom forgot to include in their lifestyle plan? Time to enjoy each other’s company and do things together is important. Saving for future goals and unexpected expenses is also important in creating financial security. Do you think Cheryl had unrealistic ideas about marriage or is she just working too hard to enjoy it?

Reaction Story 3

1. The major point this story is making is that people have different priorities and are willing to make different sacrifices. Every situation, though, usually has room for improvement. How could Joyce change her life around to include more time with friends and make herself more financially comfortable (teach dance, take local engagements). Getting a roommate might help in both areas.
2. How do the teens feel about having a career plan? Should Joyce give herself a time limit to succeed before she tries something else?
3. What career plans do the teens have?

Reaction Story 4

1. Clark’s father is not mentioned—the assumption is that he has died or that Clark’s parents are separated or divorced. Circumstances play a large part in shaping lifestyle and financial plans. What choices did or does Clark have? How might his present choices shape his future?
2. What might Clark’s mother be thinking? You could have the teens role play a conversation between them. Clark’s mother may want him to have more time to himself and not feel the burden of responsibility as heavily as he does. What other scenarios are possible?

Activity 5. How Do You Rate?

Teens will use Teen Sheet T-3-5 to look at some of their money management behavior. The questions in this activity are purposefully general. Answers depend on what purchases are being discussed.

Discussion

Go through the questions one at a time and talk about reasons why people said yes or no. Also, see if the teens' ratings agree with their own evaluation of their money management. You might raise the following points, keyed to the question numbers on the teen sheet:

1. How would the teens decide what is important?
2. What is a "useful" thing?
3. Ask the teens to share their ideas of what constitutes a special purchase. Discuss their different opinions as to what is special.
4. What do the teens consider a need? Could one person's want be another person's need? Or the reverse?
5. When do the teens consider the cost of a purchase? At the store? How many have planned a day or more ahead before buying something? What purchases require planning ahead?
- 6 and 7. What is a good amount of money to save per week or per month for a fourteen-year-old, a sixteen-year-old, and an eighteen-year-old? Have the teens discuss differing needs for savings plans among age groups and individuals.

Activities 6 and 7. 24-Hour Dollar Recall and Money's Comings and Goings

Both these activities deal with spending awareness—knowing where the money goes. It is difficult to adjust spending patterns unless we know what they are—accurate records are better than "guesstimates." If possible, give the teens Teen Sheet T-3-6 to be done between meetings. Alternatively, you may do Teen Sheet T-3-6 at the first session and have the teens apply their knowledge to keeping track of spending on Teen Sheet T-3-7 for a discussion at a future meeting.

After they have completed the activity or activities, ask the teens to think about how they would change the way they have spent their money. Discuss ways that the more satisfied teens use to organize their money. Is it possible to change wants (or needs)? What buying rules can be suggested that would improve money management? See if the group would like to adopt a buying rule (wait twenty-four hours, think twice) to practice for the next meeting.

At the next meeting ask them whether they have made any changes in their spending behavior.

Activity 8. The Bean Game: Making Spending Choices

Present this activity as an opportunity to practice budgeting without spending a dime. Instead, participants will have a twenty-bean budget. You can conduct the game on an individual or small group basis. If you are teaching more than six people, form small groups of three to five people. Each group should consider itself a family, defining its structure and needs as the game proceeds.

Give each individual or group a set of game cards (made from Teen Sheet T-3-8) and twenty beans. Tell them to go through the cards and use the beans to mark their selections in the categories they choose.

Group members may change their minds about how many beans to spend on a category as they go through the game cards. Beans can be moved around until the group comes to a final set of choices, but group members must agree about how beans are spent. Group members may think of situations not covered by the game card categories and add their own. They may also spend more or fewer beans than suggested for a particular item if they can justify their reasons.

After group members have decided how to spend their twenty-bean budgets, give them a new scenario: one family member just lost his or her job, so their budget is now thirteen beans. Instruct them to go back to their game cards and adjust their spending to that level. Each group should return seven beans to you after making new choices. Remind group members that they must agree on their final choices.

Discussion Questions

After the game is completed, use the following list of sample questions and key points to discuss the activity.

1. Compare your decisions to those of other groups. How similar or different were the choices? How did the values, goals, and past experiences of group members affect choices?
2. Did any groups include savings in their budgets? In which round?
3. When you cut back to a thirteen-bean budget, did you change some of your choices to use nonmoney resources such as time, skills, or community services instead of spending beans for that category? Share the examples.

Adapted from activity developed by Louise Parker, Theo Thomas, and Sally Horton, money management advisers, Cooperative Extension Service, Washington State University.

Activity 9. Wrap-Up

Ask the teens to complete the statements on Teen Sheet T-3-9. Their answers can serve as an evaluation of the unit, providing information on knowledge gained and how the teens intend to change their behavior. The group can compare and discuss their answers.

More to Do

Several Cornell Cooperative Extension publications are available to aid consumers in their financial management planning. Older teens, soon to be on their own, would find the record sheets and information valuable. Ask your Cooperative Extension educator for a list of current financial management publications.

Teens could work with their parent(s) to calculate their family's net worth; request the Cornell Cooperative Extension publication *Financial Balance Sheet* 322TOP-15, available from the Cornell University Media Services Resource Center, 7 Cornell Business and Technology Park, Ithaca, N.Y. 14850.

The Money Tree (1971) is a 20-minute film dramatizing the failure of a marriage because of financial irresponsibility and materialism. Older teens would relate well to a discussion of how the young couple portrayed have been influenced by money and money values. The film is available on loan from the Cornell University Resource Center. Contact your agent for information. (The film is somewhat dated in appearance, but the message is moving and effective if students can get past the older clothing and auto styles.)

Unit 4

Shopping at Home

Consumers spend more than \$87 billion a year on mail order and catalog sales, television shopping, Internet purchases, and direct selling schemes such as door-to-door sales and party plans. Shopping at home or in friends' homes is a continuing trend as consumers take advantage of the convenience, personal service, and social atmosphere when making purchases.

Teens use some of these shopping alternatives, and they need to be aware of advertising and merchandising techniques and of their rights and responsibilities in these purchase arrangements. This unit combines well with the consumer decision-making skills covered in Unit 5, "Be Aware, Compare, and Buy Wise," and consumers' rights and responsibilities covered in Unit 1, "Effective Complaints."

Objectives

Teens will

1. increase their awareness and understanding of the shopping alternatives of mail order and catalog sales, direct selling, Internet buying, and "telebuying."
2. identify the advantages and disadvantages of these shopping-at-home opportunities.
3. examine advertising and merchandising techniques used in the various sales methods.
4. gain skills in evaluating the quality of information provided to consumers through these sales methods.

5. gain experience and skills for purchasing through mail order and direct selling opportunities.
6. increase their knowledge and use of consumers' rights and responsibilities for shopping at home.

Activities

1. Red Flags of Fraud (10 minutes), Teen Sheet T-4-1
2. Pluses and Minuses of Shopping at Home (20 minutes, 10 minutes each at start and end of unit), Teen Sheet T-4-2
3. Mail Order Markets (35 minutes), Teen Sheets T-4-3A and B
4. Direct Sales Savvy (60 to 90 minutes), Teen Sheets T-4-4A and B
5. Television Shopping (30 minutes)
6. Surfing the Net (30 minutes), Teen Sheets T-4-6A and B
7. Wrap-Up, Teen Sheet T-4-7

In preparation for this unit's activities, begin collecting and recording examples of shopping-at-home opportunities such as mail order sales information catalogs and literature from door-to-door sales and party plans and watch for TV direct response ads. You can ask the teens to collect such material between your meetings as you progress through the activities. Just examining your group's collection at the end of the unit will be an interesting experience and an excellent way to review concepts learned.

Activity 1. Red Flags of Fraud

Teen Sheet T-4-1, "Red Flags of Fraud," gives good advice to ensure a wise shop-at-home transaction. Review the list of cues that may signal fraudulent sales claims. Ask teens to share their personal experiences or those of people they know who may have had a negative experience with one or more of these claims.

Activity 2. Pluses and Minuses of Shopping at Home

Before discussing shopping at home and completing any activities, ask the teens to take five to ten minutes to think individually about the advantages and disadvantages of buying through direct selling and mail order by filling out Teen Sheet T-4-2. You can give them a little information on the types of sales to consider: mail order and catalog sales, door-to-door sales, party plans, and TV ads and infomercials. Try not to influence their answers by offering specifics or commenting on the quality of these sales techniques. Collect their sheets. At the end of the unit you will hand the sheets out again and ask the same question, looking for what they have learned in completing the unit's activities.

Activity 3. Mail Order Markets

In this activity, teens will evaluate opportunities to buy through mail order sales. They will learn about their rights and responsibilities as consumers in purchasing by mail order and will review printed mail order product and ordering information. You'll need samples of mail order catalogs, flyers, and order blanks for each teen. To obtain printed information on mail order and catalog sales, see the Resources section. Review and discuss Teen Sheet T-4-3A with your group.

To complete Teen Sheet T-4-3B, each teen will select a sample catalog or printed information from a mail order company and will analyze the offer by completing the sheet. Lead a discussion with the group by asking questions such as: Who was favorably impressed by the mail order offer? Can someone share an example of a misleading illustration? How were product descriptions used to entice you to buy? Did any products offer a warranty? What would you do if you received the product and were not satisfied?

Consumers dissatisfied with mail order purchases can first make an honest attempt to resolve the problem with the merchant. For mail fraud, misrepresentation, or any mail service question, contact your local postmaster or the Consumer Advocate, U.S. Postal Service, Washington, D.C. 20260. Your local post office has a numbered Consumer Service Card. Half of the form is mailed to the Office of Consumer Affairs, U.S. Postal Service, and half is mailed to the postal inspector at the address of the mail order company. You can ask for a sample from your post office to show to the teens. Many consumers have gotten results through this method.

For problems with unordered merchandise and mail order delay, contact Consumer Inquiries, Federal Trade Commission, Washington, D.C. 20580. For mail order questions contact a local consumer protection agency, the Better Business Bureau, or the Direct Mail/Marketing Association, 6 East 43d Street, New York, N.Y. 10017.

Teens are probably familiar with mail order sales through audiotape, record, and book clubs. Most of these arrangements work on a negative option basis. Unless you state in writing that you do not want a particular monthly selection, that selection is mailed to you automatically. You agree to this arrangement when you sign up for the club so this type of sales method is not covered under the mail order rule that says consumers are under no obligation to pay for unordered merchandise. By signing up, a club member agrees to accept the club's monthly selection unless he or she says no. Club members may return unopened merchandise to the company with no additional postage. It is also possible to change the agreement with the company so that you receive regular catalogs but no regular shipments. Simply request in writing that you be changed to an option in which you initiate orders for selections you want to purchase.

Activity 4. Direct Sales Savvy

This is a creative exercise in dealing with door-to-door and party direct sales situations. Probably all the teens can relate an experience that either they or a member of their family have had in a direct selling situation. Ask them to recall door-to-door salespeople who have visited their homes and merchandise parties that have been held in their community. Teen Sheet T-4-4A provides some criteria for judging a direct selling situation. Discuss these points with the teens.

Teen Sheet T-4-4B asks teens to make up a skit with two plots about direct selling. This activity requires lots of creativity from the teens and guidance from you as the leader. Divide participants into smaller groups. They can either use one of the situations listed or one they made up. Be sure to check with each group to see that they are working on a realistic situation and one that either illustrates door-to-door sales or party selling. Give them about twenty minutes to plan the skit in two versions, showing a negative and positive situation. Then ask each group to perform. At the end of each skit raise questions with the whole group about the positive and negative points. Can teens suggest other actions that might have been taken?

Activity 5. Television Shopping

As part of your group's investigation of shopping at home, gather information on TV ads that require a direct response. Usually for these ads you view a demonstration of the product and receive information on its properties. To purchase the item you can either call a toll-free number and use a charge card or you can mail payment to an address that is given. Ask teens to watch for these ads between meetings. Have them record the type of product advertised, characteristics illustrated, how it performs, what it contains, cost, and how to order. Also ask them to note special sales pitches such as "So you don't forget, order before midnight tonight." Lead a discussion about these ads. What audiences do they appeal to? Do the products fulfill wants or needs or both? How? What generalities are used in some of these ads to leave things to your imagination?

Activity 6. Surfing the Net

Discussion Questions

1. How many of you have purchased an item through the Internet? Allow some time for individuals to tell about their experiences.
2. What do you think are the advantages and disadvantages of shopping in cyberspace?

Review the section "Basics of Shopping the Internet" on Teen Sheet T-4-6A.

When you are finished with the unit, return the teen sheet T-4-2, "Pluses and Minuses of Shopping at Home," to the teens. Ask them to complete Teen Sheet T-4-6B and tell how their feelings about the advantages and disadvantages of shopping at home have changed. How would they advise their friends about this kind of shopping?

Activity 7

Give each teen a copy of Teen Sheet T-4-7 and ask them to complete the sentences. This can serve as a record of the group's achievement. You may also choose to have the teens share their answers with the group.

Unit 5

Be Aware, Compare, and Buy Wise

How does a young consumer become a good shopper? First, a consumer should decide clearly what he or she needs and wants from the marketplace, then learn what information is needed to make the best possible choices. As consumers, through experiences both good and bad, we gradually gather information that can be used over and over. We also need to acquire new information from time to time. What we know about a mountain bike and who sells them might not help us select a piece of jewelry for a friend.

Likewise, the purchasing information needed for a specific product will change as technology—or the market—changes the product or the way it is sold. Today's consumers have a wide variety of choices for many products and services. Many products are offered in a range of brands with different characteristics. Similarly, services offered for sale to consumers have a variety of features such as extended hours, service while you wait, and custom design. We are lucky to have many choices available, but we can become confused by the variety presented in the market.

There is no single, absolutely perfect, satisfaction-guaranteed way to “buy wise.” Different people approach consumer decision making in different ways, developing their own strategies for making purchases in the marketplace.

This unit invites teens to evaluate their behavior as consumers and focus on increasing their knowledge and skills. It introduces teens to objective, comparative product

evaluations and tests and information sources that can help them make informed choices. It provides practice in using comparative techniques on products that many teens use frequently. It will acquaint young consumers with some effective strategies for being “buy wise.”

Objectives

Teens will

1. gain skills in identifying properties or characteristics of consumer goods and services to reach informed choices.
2. gain skills in interpreting and using information about products and realize the importance of making informed choices.
3. recognize the need to weigh the importance of product characteristics against their own wants and needs.
4. use comparative information and try different products.
5. improve their understanding of the relative costs of products by considering per-use as well as per-item cost.
6. consider the trade-offs among product characteristics as they compare products to reach a purchase decision.
7. recognize different types and amounts of information necessary for making decisions about different products.

8. increase their awareness of options available by shopping at different types of stores.
9. become familiar with labeling information on products and design a product label.
10. examine their own decision-making practices as consumers.
11. become acquainted with a step-by-step system of consumer decision making.

Activities

1. My Consumer Behavior (20 minutes; 10 minutes each at the start and end of the unit for evaluation of accomplishments), Teen Sheet T-5-1
2. Characteristics of Products (10 minutes)
3. Opening the Issue (10 minutes), Teen Sheet T-5-3
4. Purchase Particulars (25 minutes), Teen Sheets T-5-4A and B
5. Reports and Tests
6. Exploring Consumer Products (15 minutes), Teen Sheet T-5-6A to D
7. Price Check (30 minutes for discussion; field trip for store visit may require a few hours; store visit could be given as an assignment between sessions, Teen Sheet T-5-7
8. Label Language (30 minutes), Teen Sheet T-5-8
9. Word Wise (10 minutes)
10. Buy Wise in Action, Teen Sheets T-5-10A and B
11. Wrap-Up, Teen Sheet T-5-11A and B

Activity 1. My Consumer Behavior

Ask the teens to complete Teen Sheet T-5-1, “My Consumer Behavior.” When you have finished this unit’s activities, return the sheet to the teens and have them complete Teen Sheet T-5-11A and compare their before and after responses.

Activity 2. Characteristics of Products

This quick activity is suggested especially for groups who might need some time to develop skills in understanding and identifying the characteristics or properties of a product or service they might buy. The activity will lead nicely into “Purchase Particulars” (Teen Sheets T-5-4A and B).

Either collect printed ads and pages from catalogs for consumer products and services or ask the teens to bring in sample ads and catalogs. You should have at least five different ads per teen to make the activity interesting. First have the teens, in small groups or individually, sort through the ads and catalog pages circling any features or characteristics of a product or service that are illustrated or described. This should only take about five minutes. Ask them to tell the rest of the group what they found.

Discussion Questions

1. Are some features of products objective?
2. How could the manufacturer or provider prove some of the features mentioned?
3. Which characteristics could be measured, tested, or observed?
4. Which characteristics are subjective and related to personal values and preferences?
5. Are any characteristics left to the imagination? Are these objective and measurable?

Activity 3. Opening the Issue

Have the teens read each situation on Teen Sheet T-5-3 and indicate their reaction along the continuum. Go over the points one at a time, encouraging teens to discuss their responses and reactions. Be sure that each teen has an opportunity to contribute to the discussion.

Discussion Questions

1. Have you ever made a purchase that turned out to be a “lemon” or bought something you didn’t use once you got it home? What information might have saved you from making this unsatisfactory purchase?
2. What information sources do you already know how to use? How did you find out about them? What did you learn?
3. What buying rules do you have for yourself? Does anyone have a buying rule to operate by all the time? The following are examples of such rules:
 - I always compare the first item I see with at least two others.
 - For purchases over \$20, I always wait twenty-four hours to be sure I still really want the product.
 - I always buy the most (or least) expensive brand I can find.
 - I never pay full price for anything.
4. Would you prefer to have fewer choices among products than you have? Would it be easier if there were fewer brands, models, or sizes? Would you be giving anything up?

Activity 4. Purchase Particulars

In this activity the teens identify characteristics or properties of a good or service they are thinking of buying. Either have them choose the item or suggest some, for example:

Clothing and apparel

- jeans
- sweatshirts
- sneakers
- T-shirts
- jackets

Audio equipment

- radio
- audio system
- CD player

Food

- snack items
- beverages
- cereals

Bicycles

Cameras

Classes

- exercise
- sports conditioning
- music
- art
- nature

Repair services

- bicycle
- computer equipment

Dry cleaning

Review the introduction to the activity on Teen Sheet T-5-4A with the teens. Then ask them to list the item they are analyzing and to spend five to eight minutes recording the features of this item.

Ask the teens to tell how they ranked the features. Why are some essential? Which features were not essential and why? What if the price, amount of time you have, or your

situation were to change? What are some examples? What are some trade-offs in features you would consider? (You might give up one feature for a lower price, value one feature over another, and select the product that had the feature rated highest.) Then ask the teens to complete Teen Sheet T-5-4B. Give them five to eight minutes and then discuss their answers.

Activity 5. Reports and Tests

This activity uses role playing to introduce teens to product comparison and testing information available in consumer product testing and reporting magazines. Obtain copies of magazines such as *Consumer Reports*, *Zillions* (the youth version of *Consumer Reports*), and *Consumer Research*. If purchasing a car is of interest, there are numerous magazines that report on various makes and models. These publications can be easily located in a public library. The subscription to *Zillions* is inexpensive for groups. See ordering information in the Resources section of this manual.

Borrow different months' issues of the magazines. Teens can work in groups of two or three or individually. Supply each group or teen with paper and pencil to make notes. Ask them to review the magazines and pick one report they wish to role play as an investigative reporter for a television "Consumer Be Aware" show. When working as a group, one teen could be the reporter, the others could be persons being interviewed—the product's manufacturer, the laboratory technician running the tests, and so on.

Allow fifteen to twenty minutes for the teens to plan their reports. Check with each group to see how they are progressing. They may need more or less time. Then call on each group to present its report.

Discussion Questions

1. Which kinds of tests do you prefer?
2. Who conducted the test and for what reason(s)? Do the motivation of the author and the purpose of the study cause you to be skeptical about the findings that are reported?
3. What features of a product are most important to you?
4. Do peoples' preferences for features affect how they might use product testing information?
5. If you were buying one of these products, what other information would you need? (availability, features not included in the report)
6. What does it cost you to obtain and use this product-testing information from magazines? (cost of magazines, time to obtain and read)
7. If you were testing these products, would you do some tests differently?

Activity 6. Exploring Consumer Products

This activity consists of several hands-on exercises to evaluate specific consumer products. Although it may be impossible to recreate a consumer testing lab in the classroom or club setting, some principles of scientific testing are modified here to encourage teens to evaluate the products they buy critically in relation to the price they pay.

Products to be evaluated are shampoos and a choice of food products. Select two or more evaluations, which are given on Teen Sheets T-5-6-A to D, depending on the time available and the specific interests of the members of your group.

Directions for each evaluation are explained on the teen sheets. Be completely familiar with the procedures for each evaluation that

the teens will conduct and assemble the necessary supplies and equipment for the exercises beforehand.

Teen sheets for this activity will provide the following experiences:

- A. Calculate per-use cost of a shampoo and a substitute. Provide practice in thinking of ways to reduce costs in other categories of spending.
- B. Calculate cost savings of substituting one product for another. Calculate per-use cost of specific items.
- C. Compare label information of product substitutions. (Suggested items to evaluate are pizza from restaurant, frozen from grocery store, made from scratch at home; three different brands of frozen pizza; frozen dinners; snack foods; juices, and others.)
- D. Blind taste test. Combine this strategy with preparations for B and C.

Directions: Arrange for teens to try three samples of a food product, each a different brand. The items should be served in plain cups or on plain plates labeled with a simple product code (for example, A, B, and C or 100, 102, and 104). The idea is that no one except the leader will know which product is which. Ask teens to evaluate each sample, recording their impressions on the chart on Teen Sheet T-5-6D. Teens should cleanse their palates after each tasting with lukewarm water before trying the next sample. In a commercial test lab, the subjects would be in private cubicles so they could not see other testers' facial expressions or hear their comments. If your situation does not allow this experiment control, ask teens to minimize any outward expression or remarks that could influence other testers. Obviously, the study will not be valid if those in the experiment alter their responses based on discussion and the nonverbal evaluations of others. One way to control for this bias is to create a more elaborate presentation so that the samples are not presented to all subjects in

the same order. Teens in a focus group who participated in this activity were surprised to learn that they preferred the flavor and carbonation of a store brand cola over that of the national brand.

Discussion Questions

Ask teens to summarize what they learned from this activity.

- 1. How should individuals think about their purchases of consumer goods?
- 2. How much could be saved by selecting a lower-cost substitute for some goods?
- 3. Is it worth making a change?
- 4. Can goods of equally fine quality be obtained for a lower price?
- 5. How much time and effort are you willing to spend in evaluating goods that cost less than \$2, \$5, \$10, \$25, \$50, \$100, and so on?

Activity 7. Price Check

In this activity the teens compare prices in different stores. Teen Sheet T-5-7 can be distributed and reviewed at one session; when the group meets the next time the teens can report their findings. (Alternatively, you may choose to make the activity a field trip where everyone goes to a shopping center, gathers prices, and then meets back together to report.) Encourage teens to visit different types of stores.

Go over the discussion questions on the teen sheet, having each teen report his or her findings. The following background information may be helpful in leading the discussion.

Price differences for products can be explained in several ways. Store location, size, decor, services offered to customers, and number of employees all affect the cost of doing business. The costs must be recovered for the store to stay in business. Also, where and how the store obtains its merchandise can affect costs. Some stores count on doing a lot of business and may have lower prices because of volume. They accept a lower profit margin on each item because they will sell many more items than a smaller store. Theft and vandalism from both employees and customers add to the cost of running a store.

There may or may not be large price differences for consumer merchandise between stores in the same community. The sellers' costs and the competition (or lack of it) in an area affect prices. If there are few competing stores so consumers have few or no choices, prices may be higher than in areas where many stores offer the same merchandise. Stores may choose to put certain items on "special," selling at little or no profit, in hopes of attracting customers for other purchases. This practice is known as offering a "loss leader."

Activity 8. Label Language

One buy-wise strategy is to get in the habit of reading product labels. Law requires that all food packages contain information about ingredients, nutritive value, serving number and size, and warnings for people on special diets as well as other useful information. Consumer products other than food also have labels.

Labels might give the following information:

- What the product is
- Name and address of the manufacturer and distributor
- Directions for use
- Warnings about use
- Directions for care
- Construction or design features
- What the product is made from
- How you can expect the product to work
- Seals of approval (for example, Underwriters Laboratory evaluates and approves electrical products)
- Warranty information

There are no uniform laws that apply to all consumer products. Most labels will tell you at least some of the things listed above. Clothing, for example, must have labels that tell the fiber content (100 percent nylon or 35 percent polyester/65 percent cotton) and how to care for the item. Some labels specify how the product is to be used. Others include statements about the manufacturer's liability and backing of the product and what the manufacturer will do if something is wrong or goes wrong with the product. This is known as a warranty. If there is a problem with a product you have purchased, it is useful to have kept the warranty information that is often included on—or in—the original packaging.

A good way to introduce label information is to ask teens to bring in examples of labels and product information. The leader can also supply samples. The teens can sort the labels by type: ingredient or composition; directions for use or care; seal of approval or quality; warranty. Some labels contain several categories of information.

Using Teen Sheet T-5-8, have each teen select a sample label and see how many of the facts listed on the page he or she can find in one minute.

Making a label is an activity that can be used to teach various skills. Ask the teens to pick a product and write a label for it (for example, shirt, jeans, CD player, toaster, roller blades, hair dryer, cosmetics, nonprescription drug, or box of cereal). Duplicate copies of Teen Sheet T-5-8 and give to teens to complete. Colored pencils or markers work best to write and add information. The teens can work in small groups or individually. Have them look at the samples of labels you have collected for ideas. Encourage them to include information that is useful to have on labels. After the labels are finished, have the teens display them and tell why they included the information they did.

Discussion Questions

1. Is it possible for a label to provide all the information that is important?
2. Who should decide what goes on a label—the manufacturer, consumer, or government?
3. How should the information on labels be checked to make sure it is truthful and reliable?
4. Why is it that some people do not read the labels on the products they buy?

Activity 9. Word Wise

This is a short activity to get the group thinking about their own behavior as consumers and what they like and dislike about it. Ask the teens to think of five “ing” words that describe consumers and write them down. To get them started you can suggest one or two words, such as planning, conserving, saving, overspending, wanting, pleasing, worrying, or shopping. Give the group a few minutes to think and have them look at their list.

1. Ask the group for some of their words. Keep a list of all the words that come up or write them on a chalkboard or a large piece of paper on the wall.
2. Ask the teens to put a star next to any of the words that they would like to take off the list. Are they consumer habits that can be changed? Why change them? How?
3. Ask the teens to name the words that suggest buy-wise behavior. Have them explain their answers.
4. Last, go quickly around the group and ask each person for a word to keep on the list. The word will tell other people something they like about themselves.
5. Make a point of closing the activity with a statement about differences in consumer behavior. Buy-wise behavior is a suggestion that each person has to adapt to make plans that work for him or herself.

Label creation activity developed by Kathy Rau, Cornell Cooperative Extension, Nassau County.

Activity 10. Buy Wise in Action

Buy-wise decision making is a plan—a way of thinking about making purchases. It is a strategy to overcome impulse-spending urges. You can think of it as a series of questions. If you ask them, you might find that they help you make consumer decisions that you feel good about. You can often avoid buying items that you don't really need and feel guilty for having purchased. You will also gain satisfaction from knowing that you tried to find the best possible product at the best possible price.

Discussion Questions

1. Do you really need this item? Why? What satisfaction will it bring you? Is there something else you will need more in the future?
2. Do you have sufficient resources? Can you afford the item without having to sacrifice something else? Which is more important? Is there a way to accomplish the same objective without spending money?
3. What do you want the product to do? What are your expectations? What criteria should the product meet?
4. What do you need to know before you buy the item? Where can you find the information?
5. How much time and effort are you willing to use to get the information? Is your need for information great enough and the cost of the product high enough to justify a search for information?
6. Have you answered the first five questions? Are you sure of your needs, resources, and criteria? Do you know what information you need? Did you find a product that meets your needs, resources, and criteria? Is it the best choice you can make? If not, perhaps you need to begin asking questions again.

This activity involves teens in applying buy-wise decision making. Depending on the time available, you may extend the activity over two meetings and have the teens shop on their own, or the group may take a field trip to apply buy-wise principles in a shopping center. Teens do not have to purchase a good or service. The trip can and perhaps should be a “market check” when they decide which choice they would make if they were buying. In a meeting, give the teens time to fill out Teen Sheet T-5-10A, “My Buy-Wise Plan.”

Alternatively, or as an example for the group, a sample comparison could be done using catalogs or sale ads from various stores.

Review the questions listed above and discuss these points with the teens as they fill out the plan and as a means of revising or evaluating it. For example: Do you have enough resources for this purchase? What information would help you make a good selection?

Now it's time to shop for the product. On Teen Sheet T-5-10B, “Check It Out,” teens can record their shopping experience and evaluate their decisions. They should, if possible, comparison shop for an item in two or three stores checking similar brands. Under the columns “I like this” and “I don't like this” they should note features, store services, and other factors that the product has or lacks.

After the teens have completed “Check It Out,” ask them to report their findings. The questions at the bottom of the sheet provide you and the teens with an evaluation of the activity. They will record what they learned, how they will apply it in the future, and perhaps how their shopping behavior has changed.

Activity 11. Wrap-Up

Hand out Teen Sheet T-5-11A and ask teens to fill it out based on knowledge gained during the unit.

Give each teen a copy of Teen Sheet T-5-11B to complete the sentences. This can serve as a record of the group's achievement. You may also ask the teens to share their answers with each other.

Unit 6

Stash Cash

An individual's values and goals related to savings are personal and unique. This unit is designed to help teens know more about savings as a financial management tool. Deregulation of the financial marketplace has meant, among other things, increased choices for consumers' savings accounts and investment options. Saving can be defined as choosing to set aside some current income or money for a future goal. Savings instruments, strictly speaking, can be distinguished from investments by identifying as savings accounts (or instruments) those that pay a fixed or variable rate of interest while the principal or money deposited remains constant. The principal in an investment may increase or decrease in addition to providing a return or interest on the investment.

Savings can assist teens in reaching future goals. Maintaining a savings account can also be useful in establishing a financial identity as a creditworthy individual. A savings account that is regularly increased with deposits and managed responsibly can be used as a reference when opening other financial accounts and applying for a loan or a consumer credit account or card.

The resources listed at the end of this guide can supplement information provided here to support your work with teens.

Objectives

Teens will

1. identify and clarify their goals for savings.
2. learn at least two ways to establish a pattern of savings.
3. increase their understanding of the basic concept of savings.
4. gain an understanding and increased knowledge of compounding interest on savings.
5. explore the savings options available to them.
6. identify three characteristics of savings options (safety, liquidity, and yield) and use them to evaluate choices.

Activities

1. To Save or Not to Save? (20 minutes), Teen Sheet T-6-1A and B
2. Savings Games and Gains (10 minutes)
3. How Savings Can Work for You (60 minutes), Teen Sheets T-6-3A and B
4. Investing Your Nest Egg (45 minutes), Teen Sheets, T-6-4A, B, and C
5. Wrap-Up (10 minutes), Teen Sheet T-6-5

The first two activities are warm-ups about the specifics of savings, interest, compounding, examining savings, and investing options. They can be done in one session. In Activity 1, teens discuss situations in which there is a choice between spending immediately and

saving for long- and short-term goals. Activity 2 is a brainstorming opportunity for the teens as a group to think through various techniques or activities that could be used to establish a regular savings habit.

Activity 3 is a paper, pencil, and calculator exercise to illustrate how earnings or interest on savings can add up to reach a savings goal. This is an excellent opportunity to illustrate the value of good math skills in managing personal affairs. Activity 4 suggests ways to evaluate savings and investing choices and involves teens in thinking through a choice for a savings account. The last activity is a wrap-up and evaluation and provides you as a leader with evidence that the teens have gained knowledge and skills in comparing savings accounts.

Activity 1. To Save or Not to Save

Before the activity begins, have three or four pieces of wrapped chocolate candy at each teen's seat, but do not say anything about them. They will be used later in the activity.

The line at the top of Teen Sheet T-6-1A describes two opposite actions an individual might take after receiving money. Ask the teens where on the line (the values continuum) they would be. Another way to conduct this activity is to place a line of masking tape on the floor indicating the positions as they appear on the teen sheet. Ask teens to position themselves on the masking tape at the spot they feel represents their current savings behavior. Since no two people can occupy the same space on the line, they will have to discuss their own values and decisions so as to place themselves in the right order. It is important for

the teens to discuss their own values and recognize the validity of the values others hold as well. Ask them why some people might be at different places on the line. For example, some people might have needs that require spending soon. Others can delay some spending. Other people have difficulty spending at all. Talk with the teens about some reasons why spending all funds immediately or not being able to spend can be problems. (Hint: Money is a tool and viewed as a means to an end.) The paragraphs following the line on the teen sheet explain the pros and cons of spending versus saving.

Teen Sheet T-6-1B asks the teens to select from among several pairs of spending or saving choices. The choices involve different criteria and motives. Some choices mean selecting between a want or a need. Others require spending now or saving for later. Choices will depend on the individual's priorities and directions in life and the current situation. Ask the teens to share these with the group. Go over the Discussion Questions on Teen Sheet T-6-1B.

At the conclusion of the activity, ask how many teens have eaten their candy. Discuss the similarities between the tendencies people might have to eat all the chocolate, save it all, or eat some now and save some for later with the ways they handle money.

Activity 2. Savings Games and Gains

Ask the teens to form two or three groups. Challenge them to think of as many ways as possible in five minutes to set up a plan or a strategy for saving regularly. Before beginning, suggest one or two ideas to get them going. (For example, automatically save a third or half your allowance or save all your change at the end of the week.)

When the time is up, ask each group to report on how many different ways they came up with. Ask them to tell two or three of the unusual ones. Which ones would someone be willing to try? Which ones are easiest to do? Which ones would require unique circumstances? Why?

As a follow-up, ask the teens to estimate an amount that could be saved using one of the strategies they named that they might try. Ask them to figure how much they could save in five years. For example, \$5 saved a week equals \$260 per year. This amount would be even higher at the end of the year by including the interest earned on the account. The interest will vary depending on the terms of the particular account.

Activity 3. How Savings Can Work for You

For this activity, ask teens to bring in a hand calculator. Only addition, subtraction, multiplication, and division are necessary functions.

First, ask the teens to list on Teen Sheet T-6-3A three or four things they would like to save for. They should circle the most important item. An inflation factor should be considered when making long-range financial plans (more than one year). Usually more money will be needed for a future purchase than if the purchase were to be made today.

Teens will learn to calculate the inflation factor and decide how much more they must save to reach their goal. Point out that they should figure on inflation raising the prices of items 3 percent per year. To save for a goal, you need to plan on either receiving continuing interest on a lump sum deposit over time or regularly saving smaller amounts that accrue interest until the goal is reached over time. Most people, especially teens and younger adults, use the latter method to reach a goal.

Work through the example about saving for a new car on Teen Sheet T-6-3B, having the teens do the calculations for each step. The goal is to buy a car three years from now. This exercise illustrates how compounding works, not only gaining interest each period (year) on the principal or deposit but also earning interest on the interest.

After they have completed this example, ask the teens to go back to their own list and, using their calculators, figure out how much they would need to deposit in one lump sum to buy the item they want in the future. Use the same procedure as for the car example.

The next example approaches the goal of saving \$5,000 for college by saving a smaller amount each month or year. Review the example with your group. Ask the teens to try to guess how much they would have to save each year to reach their goal by their deadline. Again, an outline is provided for their calculations.

Textbooks contain tables that provide information to arrive at these determinations. Financial institutions also have these tables available. Students or parents may own calculators that perform these financial calculations with the press of a button. There are also numerous Web sites with financial calculators. A sampling of such sites is included in the Resources section. Use the "Impact of Time Value of Money" chart to show teens the power of compounding.

The Impact of Time Value of Money at 9 Percent Interest

Total of \$18,000 invested

<i>Age</i>	<i>Contributions Made Early</i>
22	2,000
23	2,000
24	2,000
25	2,000
26	2,000
27	2,000
28	2,000
29	2,000
30	2,000
31	0
32	0
33	0
34	0
35	0
36	0
37	0
38	0
39	0
40	0
41	0
42	0
43	0
44	0
45	0
46	0
47	0
48	0
49	0
50	0
51	0
52	0
53	0
54	0
55	0
56	0
57	0
58	0
59	0
60	0
61	0
62	0
63	0
64	0
65	0

Amount Available at age 65 **\$579,471**

Total of \$70,000 invested

<i>Age</i>	<i>Contributions Made Later</i>
22	0
23	0
24	0
25	0
26	0
27	0
28	0
29	0
30	0
31	2,000
32	2,000
33	2,000
34	2,000
35	2,000
36	2,000
37	2,000
38	2,000
39	2,000
40	2,000
41	2,000
42	2,000
43	2,000
44	2,000
45	2,000
46	2,000
47	2,000
48	2,000
49	2,000
50	2,000
51	2,000
52	2,000
53	2,000
54	2,000
55	2,000
56	2,000
57	2,000
58	2,000
59	2,000
60	2,000
61	2,000
62	2,000
63	2,000
64	2,000
65	2,000

Amount Available at age 65 **\$470,249**

Source: High School Financial Planning, 1997, National Endowment for Financial Education, Denver, Colorado 80237-3403.

Activity 4. Investing Your Nest Egg

Discuss the safety, liquidity, yield (SLY) principles of investing money listed on Teen Sheet T-6-4A. Explain that teens may be more likely to use savings accounts rather than investments because they are in “accumulation mode” at this stage of their lives. It is wise to get in the habit of setting aside money for future use at a young age and to learn about the financial marketplace so that future decisions will be based on good information and understanding of investment options. Here are some additional points related to SLY.

Safety

The federal government insures consumers against the closure or bankruptcy of banks through the Federal Deposit Insurance Corporation (FDIC). Savings and loan company accounts are insured through the National Credit Union Association (NCUA). All accounts are insured up to \$100,000.

Liquidity

Pulling money out early from a certificate of deposit or savings bond will mean that interest is partially or wholly lost as a penalty. The banking industry calls this loss of interest a “penalty for early withdrawal.”

Yield

There are options beyond those presented that offer liquidity, safety, and a higher yield. These options usually require large deposits to open the account, although in recent years the minimum amount needed to establish an investment account has dropped to as low as \$250 or \$500. Some appropriate options for teens who have substantial funds to invest might be Super NOW accounts, mutual funds, money market funds, and treasury bills.

The table on page 38 summarizes some of the common savings options. Contact local financial institutions to find out the current

interest rates and terms or conditions of various accounts. Additional information can be obtained by visiting the Web sites posted by various financial institutions. Addresses of a sample of such sites are provided in the Resources section.

Ask teens to discuss the experiences they have had with savings accounts, bonds, investments, and so on. You might ask the following questions to get discussion started. How many of you have

1. a savings account?
2. a checking account?
3. investments—custodial?
4. investments you manage yourself?
5. received a savings bond as a gift?
6. purchased a savings bond yourself?
7. an allowance from which you set aside some savings?

Have teens generate a list of questions to ask when evaluating a savings account. Use Teen Sheet T-6-4B to guide discussion. Encourage them to investigate at least three different banks or credit unions before selecting the one that is best for each one's situation. Hand out Teen Sheet T-6-4C. On a large sheet of newsprint have teens make a chart with the questions down the side and Bank A, Bank B, Bank C, and so on across the top.

This activity is similar to one found in Unit 7, “Check Out Checking Accounts.” To be more efficient in planning and to save duplicating contacts at financial institutions, you may want to conduct the bank visits and evaluation of accounts for both savings and checking accounts at the same time. The panel discussion described in Unit 7 can also cover savings accounts and investment options. Consider inviting a representative from a local investment firm who can discuss stocks, bonds, and mutual funds in more depth.

Following are some questions you may want to include. As much as possible let the teens think of questions without being prompted.

Instrument	Institutions	Interest Rates	Minimum Deposit	Withdrawal Restrictions	Safety	Other Benefits
1. Passbook Savings Passbook Savings Share Accounts	Banks S&Ls CUs	5.5% max.* 5.5% max.* Up to market rate	\$50 or less	None	Government insured*	Ease and convenience
2. Certificates of Deposit Share Certificates	Banks S&Ls CUs	Fixed or variable market rate**	\$500 and up	Penalties for early withdrawal	Government insured	Higher interest than simple savings
3. Money Market Deposit Accounts	Banks S&Ls CUs	Variable market rate	\$2,500 and up	None	Government insured	Limited check-writing
4. NOW Accounts NOW Accounts Share Drafts	Banks S&Ls CUs	5.25% max.* 5.25% max.* Up to market rate	\$300 and up to earn interest/ avoid charges	Penalties if balance falls below minimum	Government insured*	Check-writing
5. SuperNOW Accounts	Banks S&Ls CUs	Variable market rate	\$2,500 and up	Penalties if balance falls below minimum	Government insured	Check-writing
6. Money Market Funds	Non-bank financial institutions	Variable market rate	\$500 and up	None	Depends on safety of investments	Limited check-writing
7. Savings Bonds	U.S. Government	Variable rate 85% of market yield if held for 5 years	\$25	Interest rate is lower if cashed before 5-year maturity	Government guaranteed	Exemption from state/local taxes; Federal tax deferral

Questions

1. Is the bank or credit union convenient to use?
2. What hours is it open?
3. Does it have a walk-up or drive-through window?
4. Are there branches in areas where I travel?
5. What kinds of accounts are available?
6. Is a minimum dollar amount needed to open an account?
7. What interest rate will the account pay?
8. How often is the account credited with interest?
9. What is the effective annual yield?
10. Are there penalties for withdrawal of funds?
11. Are any fees charged to maintain the account?

Activity 5. Wrap-Up

Provide copies of Teen Sheet T-6-5 and ask teens to complete the sentences. This activity will serve as an evaluation of the learning that has resulted from this unit and will suggest to teens how they might increase their knowledge of financial skills even more.

Unit 7

Check Out Checking Accounts

Even in this age of computerized banking, the majority of financial transactions are still done by checks and debit cards. Banks and other financial institutions such as savings and loans and credit unions offer consumers a variety of accounts from which to choose. Debit accounts (pay-out) that include check-writing privileges can also offer electronic payment features such as telephone bill paying, automatic bill paying, and use of an automatic teller machine (ATM) for up to twenty-four-hour access to your account. Obtaining and using a checking account requires effective decision making and management skills.

A well-kept checking account can help a teen establish a record as a sound money manager. This can be one step toward obtaining a credit card, charge account, or loan. Checking accounts help a person keep track of money, save time, keep money safe, and provide legal proof that payment has been made.

This unit explores advantages and disadvantages of these accounts, involves teens in the specifics of managing a checking account, and looks ahead to the future of banking for consumers. Some teens will already have checking accounts, others soon will open one, and still others will not have an immediate need for this financial service. Be sure to identify alternatives to checks which teens could use effectively—money orders, cashier's checks, or travelers' checks. If most

of your teens do not seem ready for a checking account either now or in the near future, you could suggest that they investigate a checking account for their group or club. Additional background information for leaders is provided with the instructions for each of the activities in the unit. The Resources section at the end of this guide identifies free or inexpensive materials that clearly explain certain banking procedures and consumer banking issues. You may wish to order some of these materials to give to teens.

Objectives

Teens will

1. learn at least two ways checking accounts can be used as a tool in managing money.
2. identify personal wants and needs for a checking account.
3. increase their understanding of how checking accounts and EFT (electronic fund transfer systems) work.
4. compare financial services and their costs.
5. gain skills in managing a checking account.
6. identify two or more problems and their solutions related to managing a checking account.
7. explore the future effects of technology on consumer banking.

Activities

1. A Checking Account Is a Checking Account—Or Is It? (30 minutes), Teen Sheet T-7-1
2. Trying a Checking Account on for Size (30 minutes group time, 1-hour field trip, 30 minutes closure), Teen Sheets T-7-2A and B
3. The Balancing Act: Managing a Checkbook (1 hour), Teen Sheets T-7-3A to D
4. Looking through a Crystal Ball (1 hour)
5. Wrap-Up (10 minutes)

The first activity is a warm-up to understand the various checking accounts available to consumers and their features and costs. It prepares teens to make a survey of the community's financial institutions in Activity 2. The third activity can be conducted completely within a meeting setting and suggests that teens practice checking account management skills on their own, using their financial transactions as examples. Activity 4 is a summary of the unit. Teens can learn from banking personnel and other adults about the future of consumer banking. The records teens complete in this unit provide evidence of knowledge and skills gained.

Activity 1. A Checking Account Is a Checking Account—Or Is It?

Ask teens before the meeting to collect newspaper ads and brochures about checking accounts or collect them yourself and provide them for this activity. Have the teens individually or in small groups look at the materials to find the terms or phrases listed on Teen Sheet T-7-1. Ask them to define each term briefly and note which financial institution mentions it in the promotional literature. They may not find all the terms and may not be able to define them all. Use the discussion questions. Be sure to tell the teens that they do not need to have all the answers now. The next activity will provide more information. Ask the teens if they found more terms or phrases they would like to add to the list.

Discussion Questions

1. How many of the terms or phrases were you able to define? Share some of your definitions.
2. Which terms did you not understand or find? Discuss these with your group.
3. Name some words used in the ads and brochures that appeal to you as a bank customer. What were some promotional techniques used? For example "free," "easy to use."
4. Do you still need more information before you can select a bank or financial institution for a checking account? If so, divide the remaining terms that you haven't defined among the people participating in this unit's activities. See if you can have the terms defined by the next time the group meets.

Activity 2. Trying a Checking Account on for Size

The financial services industry offers many different accounts. Some banks are most interested in customer accounts. Some are most interested in customers with large incomes who will make large deposits. Other financial institutions want to market their services to new customers who may have small account balances but who might also use other bank services such as credit in the form of loans and bank charge cards. To obtain an account that has the services to meet their needs at a favorable price, consumers should comparison shop for bank services just as they would for clothing or another consumer good.

This activity first involves teens in surveying the kinds of consumer accounts available in the community. Have the teens work in small groups to make a list of questions to provide more information on the types of checking accounts available. Teen Sheet T-7-2A lists some questions. Be sure to include questions raised from the previous activity. You can provide them with a sheet of newsprint to transfer these questions onto a chart with the names of the financial institutions they wish to survey listed on top. They should receive deposit agreements and terms and be told the charges for every account they inquire about. Depending on the size of the entire group, the teens could then divide into groups of two or three, with each surveying one financial institution.

You or another adult should contact the financial institutions before the teens visit in groups. Ask for the customer service representative and explain the purpose of the visit. This bank staff member can then be available for questions and may also arrange a tour of some of the institution's facilities. You may also be able to meet other personnel at the bank who might participate in the panel discussion explained in Activity 4.

At the next session or when your group returns from the community survey, have the teens record the information they obtained on their chart. As a group, ask the teens to discuss the questions on Teen Sheet T-7-2B. This will give them an opportunity to compare services and costs of accounts.

Finally, each teen can voice his or her preference for the accounts available. The questions under "Finding the Right Account" on the teen sheet can guide this sharing of thoughts.

Activity 3.

The Balancing Act: Managing a Checkbook

This activity gives teens an opportunity to practice skills associated with using and managing a checking account. Practicing writing checks and deposit slips may be very tiresome and dull, especially for teens. It is important to relate these activities to their interests and needs. At the start of the session have the teens design their own checks. You can provide them with paper and colorful markers. You can photocopy these checks for extras for them to use later. These forms teens develop can also be used later for an exhibit or poster display at community meetings or events. Be sure that each check design includes the required information listed on Teen Sheet T-7-3A. Teen Sheet T-7-3B has samples of a check, a deposit slip, and a check register. If you decide not to have teens design their own checks, you can duplicate the sample forms on Teen Sheet T-7-3B.

Ask the teens to use copies or extras of the forms to record their expenditures for the next few weeks. See Teen Sheet T-7-3A for suggestions. The teens will have a chance to fill out checks and record withdrawals from and deposits to their “accounts.”

At the end of a week (or another time period), the teens can tally their deposits and withdrawals. They will compare the amounts used for checks with the amount deducted in the register. This is similar to balancing a checkbook against a checking statement. Some teens might want to record some cash expenditures as automated teller withdrawals and show these on the account register. You may be able to obtain sample statements from financial institutions for reference.

During the meeting, teens can practice writing checks on their forms to address the situations A through E on Teen Sheet 7-3C

under “Checking Out Your Check-Writing Skills.” Each teen can choose one situation and then discuss how he or she completed the check for the particular situation and why. The “Check-Writing Guide” (Teen Sheet T-7-3B) may be useful to help the teens understand what information must be included when writing a check and why.

Finally, to explore checking account management further during the meeting, use the four case studies on Teen Sheet T-7-3D: “Lagging Behind,” “The Ballad of the Bounced Check,” “It’s a Losing Battle,” and “Brian’s Sad Song.” Have the teens choose one case study and read it either individually or in small groups. Ask them to suggest what the checking account owner should have done and what he or she can do to solve the current problem.

Answers or Responses to Problems and Case Studies

Checking Out Your Check-Writing Skills, Teen Sheet T-7-3C

- A. The safest way to write the check in this situation is for Marie to make the check payable to herself and to endorse it when she is at the bank and ready to cash it. It could be written to pay to the order of “cash” but anyone could cash it if it were lost or stolen.
- B. Marie should endorse the check for deposit only and then sign her name. The name should be written as it appears on the front of the check.
- C. Cents are written as fractions of a dollar in the portion of the check under the name of the person or firm to which the check is written: 69/100. The amount in numbers should appear after the \$ sign: \$0.69. Extra space in both entries should be filled in with wavy lines.
- D. Be sure the teen has spelled the name correctly and entered the amount in words and numbers.

E. This one is a little involved, but so is life! The check will be made out to Sue Jones and signed by Sam Bailey. It should first be endorsed "Pay to the Order of Julia Monroe" and signed by Sue, then endorsed by Julia Monroe to pay to the order of Marie Monroe. Marie then endorses the check "Pay to the Order of Middletown High School . . . Marie Monroe."

Preparing for Problems, Teen Sheet T-7-3D

"Lagging Behind": Banks are required to state their policy on holds for checks drawn on another bank. Even in this day of computers, there is some time involved in moving funds and posting into another account. Kathleen should be aware of her bank's policy on check clearance. She can always bank somewhere else if she can find a policy she views as more favorable to her needs.

"The Ballad of the Bounced Check": Marsha probably had not recorded her checks in the check record, which can be either a stub or a separate book. If you fill this record out before writing the check, you will know what your account balance is before deducting the new check and figuring your new balance.

"It's a Losing Battle": (A) Bill needs to notify the bank and may have to pay a fee to stop payment on the check; (B) Bill might be able to ask the issuers of the checks to stop payment and give him a new check. They may have to pay a fee for this service, which Bill may have to repay from the amount of the check. He should have endorsed them when he arrived at the bank or endorsed them "For deposit only" to his account.

"Brian's Sad Song": If your card is lost or stolen and you notify the financial institution issuing the card within two business days after you learn of the loss, you will be liable for only \$50 of any money that may be deducted from your account by a thief using your card. You could be liable (or out!) up to \$500 if you miss the two-day deadline. If Brian does not notify his bank within sixty days after he receives his bank account statement, he could be liable for any amount a thief withdraws with his card. It's not a good idea to keep your secret code or personal identification number (PIN) near your ATM card. Also, you are advised not to use numbers easily associated with yourself such as a birth date. Thieves would probably try these numbers in an attempt to access your account. Strictly speaking, Brian was not fulfilling his part of the contract with the bank by being careless about access to his account. It is also a good idea to keep a record of account numbers, PIN numbers, and where your account is located in a safe place in your home such as a fire-safe file cabinet.

Activity 4. Looking through a Crystal Ball

After completing the first three activities, no doubt you and your teens have some questions about checking accounts and the future of checking in the United States. The best way to get answers to these questions is to invite a panel of bank, savings and loan, or credit union employees to your meeting. These employees will be helpful and glad to answer your questions. Teens can also invite one or two parents or other adults who use checking accounts to be a part of the panel serving as consumer representatives. Other parents and friends may be invited as guests to hear the presentation.

At the meeting before you conduct the panel, have the teens prepare a list of questions to ask. To get you started, here are some possible questions:

1. What happens when a check is written and you don't have enough money in the bank to cover it? Can you go to jail?
2. What if you lose your checks or someone steals them?
3. What if you write a check and you forget to write down the amount of the check? Is there some way to find out how much the check was for before you get the bank statement?
4. What is a debit card and how does it differ from a credit card?
5. In the future, will we have checks or will we just use debit cards?
6. How do checking account customers differ (for example, in the amount of balance, other services they use, and so on)?
7. Explain how some customers receive interest on checking account balances.
8. Why is it that some banks don't automatically show a check you deposited in your account and the deposit doesn't show up

for a long time? (This would be a good time to talk about available and unavailable balance.)

9. What do FSLIC and FDIC mean? Should you be concerned about whether your account is insured?
10. Why is it so hard to write a check in another town? What forms of identification are best to have to allow easier check writing?

Conducting a Panel Discussion

A panel can be any size, although two to three persons are enough to make a good panel.

The teens should select a person from their group to be a moderator. The moderator directs questions from the group to the panel members. The moderator can decide if a particular question should be answered by all panel members or just one or two. The moderator can also direct discussion by limiting the time for questions and answers. The moderator should help the panel members and the group keep the discussion moving and interesting.

An ideal time period for a panel discussion is from forty-five minutes to a hour. Teens may want to ask individual members more questions after the formal panel discussion is over.

The panel will help teens look through a crystal ball into the future to help avoid problems with checking accounts and to make them aware of the future of checking and banking in general.

Activity 5. Wrap-Up

Give each teen a copy of the sentences to complete (Teen Sheet T-7-5). Their responses can serve as a record of the group's achievement. You may also choose to have the teens share their answers with each other.

Unit 8

The Credit Is Yours



This unit helps teens understand that credit is more than a way to buy something they want; it is a promise and an obligation to pay for that item as well. The advantages and disadvantages are explored through a series of activities. A variety of activities is included to allow you to select the ones appropriate for the age and skills of the teens in your group.

Teens probably will have seen their parents or other adults using credit cards so they will have some knowledge of when and how to use credit. But they may not be aware of the variety of ways credit is used. The lesson emphasizes awareness of credit, its advantages, disadvantages, what criteria lenders use to determine creditworthiness, and credit vocabulary. The exercises give the learners an opportunity to explore, reflect, and apply their new knowledge.

Use at least three of the activities or as many as possible to structure the best learning experience.

Objectives

Teens will

1. gain an understanding of the paired concepts of credit and debt.
2. recognize the costs of using credit, including opportunity costs.
3. learn advantages and disadvantages of using credit.
4. be able to define credit terms.
5. be able to list different sources of credit.
6. be able to relate how credit is obtained and name the five Cs of creditworthiness.
7. gain an awareness of major credit laws.
8. Older teens will compare credit products to see how they differ on the purchase of an item.

Activities

1. Credit Word Search (10 minutes), Teen Sheet T-8-1
2. Credit Sprint (10 minutes)
3. Credit Voting (15 minutes), Teen Sheet T-8-3
4. Credit : Plus or Minus (20 minutes), Teen Sheets T-8-4A, B, and C
5. What's Your Credit Score? (20 minutes), Teen Sheet T-8-5A and B
6. Your Credit Reputation (45 minutes)
7. Your Rights in Credit Laws (40 minutes), Teen Sheet T-8-7 A and B

8. Balloon Credit Glossary (40 minutes)
9. Credit Match (15 minutes), Teen Sheet T-8-9
10. Credit Jeopardy (40 minutes)
11. Credit Price Tags (60 minutes), Teen Sheets T-8-11A and B
12. Credit Scramble (5 to 10 minutes), Teen Sheet T-8-12
13. Wrap-Up (5 to 10 minutes), Teen Sheet T-8-13

Management of credit is not covered in any detail. If your group is composed mainly of older teens (aged seventeen and older) they will soon be completely responsible for credit use. Supplement this unit by using some of the resources listed at the end of this leader's guide.

Activity 1

Use Teen Sheet T-8-1 to introduce some vocabulary words associated with the use of credit. It will be most effective handed out as homework to be done and brought to the lesson. If that is not possible, have the teens work on it while you are setting up the materials and activities for the lesson.

Introduce credit as the topic for today. Invite teens to make comments on credit. Give everyone who wants to say something a chance to do so but do not insist that each person speak.

List the comments on newsprint or a chalkboard where everyone can see them and keep them visible throughout the lesson. Allow all ideas—accurate comments, inaccurate comments, opinions, and facts.

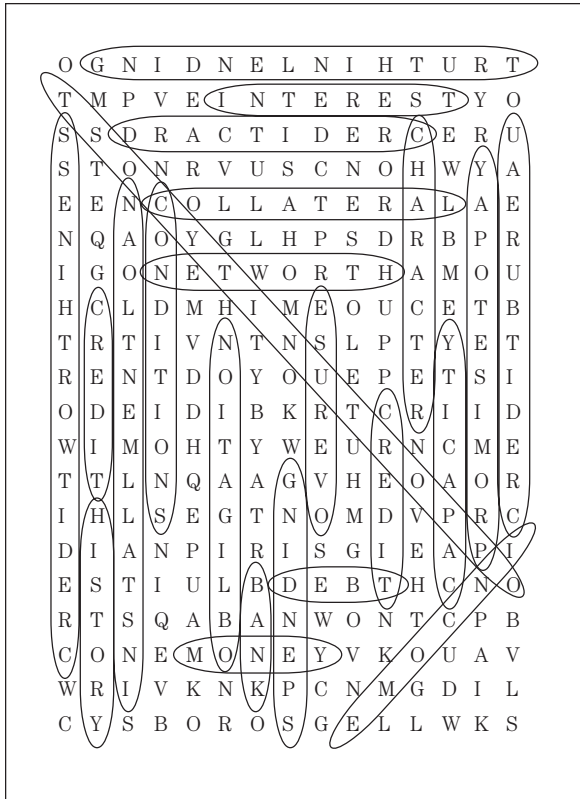
Head off anyone who seems inclined to go on and on about a problem he or she knows someone had with credit by agreeing that credit can be a problem and that is why today's topic is so important.

After everyone has had an opportunity, explain that credit consists of two parts: access to cash, goods, and services that you do not have, and debt, which is an obligation to repay that money plus an additional amount, interest, out of future income. In most cases, to ensure that the money is repaid, a legal document called a contract is signed. The contract binds you and the lender to the terms stated in it. Signing the document makes you responsible for living up to the terms of the contract. The contract is enforceable in a court of law.

In our consumer society it is very difficult to avoid using credit. Credit can simplify our lives if we understand it and have the ability to pay off our credit obligations in the future. If used unwisely, however, credit may create more problems than it solves. The idea is to approach credit as you would any other consumer purchase. You need to understand

what you want from it, you need basic information about it, and you will want to shop around for credit in order to be credit wise.

Answer key:



Activity 2. Credit Sprint

To introduce the topic of credit, this activity has the teens brainstorming, in teams, for four minutes, listing all the different goods and services that consumers can buy using credit. Depending on the age and experience of the group, you may wish to provide magazines and newspapers to prompt ideas.

Break the group into sets of three or four teens and give each group a sheet of newsprint and a marker.

Explain brainstorming:

1. Write down as many ideas as possible.
2. No criticism or discussion is allowed—no idea is “dumb.”
3. Piggyback on other people’s ideas.
4. Appoint one person to record ideas.

Tell the group they have one minute to brainstorm all the different goods and services consumers can buy using credit. Indicate that all credit purchases at a particular place of business will count for one (e.g., a stereo and a blanket from a department store is one use). They should try to identify as many different types of credit purchases as possible and the different businesses that extend credit.

After one minute stop the groups and ask them to share ideas. At this point show the teens how conditioned we are and how we limit our thinking by asking them to fold their arms. Now ask them to fold them the opposite way. (Most people feel awkward doing this.) Relate the folding arms exercise to how limited their answers are because their minds are conditioned. Challenge them to come up with more ideas. Ask them to draw a line at the bottom of their lists. Then give them three more minutes to brainstorm on the topic, listing more ideas below the line. Ask the groups to share ideas again.

The following are some uses of credit:

- medical and dental charges
- vacation tours
- airfares
- rental cars
- hotel or motel charges
- installment loan for car
- home mortgage
- utilities (use of electricity, natural or propane gas, water, and phone service for one or two months before paying the bill)
- furniture or major appliances
- borrowing money from a friend
- advance on allowance from parents
- restaurant bills
- concert tickets
- magazine subscriptions
- groceries in the supermarket
- consumer items (clothing, electronic equipment, and so on)
- tuition and books for school
- gasoline for the car
- catalog or TV shopping
- cash advances on credit card
- movie rentals

Activity 3. Credit Voting

This activity will help to identify feelings and ideas teens have about credit. It will give you an idea of topics regarding credit that are of interest to the teens or cause them confusion. Ask the teens to read the statements on Teen Sheet T-8-3 and check whether they agree or disagree with them. Then read the statements aloud and take a group vote on them. If the teens agree with a statement, they should hold their hands out in front of them in a thumbs-up position. If they agree strongly, have them raise their arms with the thumbs up. Disagreement should be expressed by a hand in front, thumbs down, strong disagreement by dropping the arm with the thumb down. Wait for the group to vote before you offer your opinion and be sure to observe which statements get the strongest responses.

Ask the teens to talk about how they voted on the individual items. Focus on their opinions about credit. Stress that credit can be a useful consumer tool when it is used wisely, that there are advantages to having a good credit rating, and that there is no reason to be afraid of credit if one understands how it works. Also, try to get the teens to talk about the origins of their opinions—do they come from parents' comments, friends' experiences, or other sources? If time permits, you might ask the teens to work in groups of two or three to rewrite the statements so that they all agree with them.

Activity 4. Credit: Plus or Minus

Teen Sheet T-8-4A lists some pluses (advantages) and minuses (disadvantages) of credit. This list can be used to help clarify the values and feelings teens expressed in the credit voting activity. Ask the teens to take turns reading a statement and then thinking of an example that relates to it. They may know an individual or recall a situation that illustrates the point made. You may use the following examples to spur their thinking.

Consider No. 2 on the plus side: “You can meet financial needs created by emergencies and temporary difficulties.” A family may unexpectedly need to replace an expensive household item such as a washing machine. If they do not have enough money saved to make the purchase and they need to replace the washing machine immediately, they will have to use credit to buy a new one.

Using the same situation, consider No. 7 on the minus side: “You may not comparison shop if you buy only from stores where you have credit arrangements.” If the members of this family want to avoid using credit as much as possible, they may have a credit account at one department store that carries a variety of items they may need or want. Suddenly they need to replace the washing machine. If they had the flexibility to buy on credit at several stores, they might find the item at a lower price at a discount store. But because they made the choice to have only one credit account, they will have to pay the department store price for the washing machine.

Credit Costs

Often there is a cost for the privilege of using cash, goods, or services before paying for them. In some cases there may be several costs. Ask the teens to list costs they think are associated with credit. Write the costs on newsprint or a chalkboard as the teens mention them. As the teens add a cost to the list, have them explain what they think the cost is. Costs may include

- debt late fee
- interest
- lost wages through garnishment
- annual percentage rate (APR)
- opportunity cost
- finance charge

Use the glossary (Teen Sheet T-8-4B) to describe the costs and compare the definitions for the explanations the teens gave. Explain that buyers need to understand the different costs and how they add to the purchase price of an item so they can calculate the true cost of the item they are buying. Distribute copies of the glossary.

Applying for Credit

Explain that although credit applications differ from lender to lender, the application process is the same. It has two basic steps:

1. Fill out the lender's application. The lender then gets a copy of your credit history (record) from the credit bureau. Your credit record has information from other creditors. The lender will compare your credit file with your application to learn if you have been truthful.
2. The lender reviews and scores your application based on information in the credit file. Lenders look for the five Cs of credit as shown on Teen Sheet T-8-4C (make a poster or overhead transparency, master included, of the five Cs to use as a visual aid; a master is provided here).

The Five Cs of Credit

Character

- Will you repay the installment loan?
- What is your attitude toward credit responsibility?
- Have you used credit before?
- Do you pay your bills on time?
- Have you ever filed for bankruptcy?
- Do you live within your means?

Capacity

- Can you repay the loan?
- Your salary and occupation?
- Place of occupation?
- How reliable is your income?
- Any other sources of income?

Capital

- What are your possessions or net worth?
- What are your assets?
- What do you own?
- What are your liabilities?
- What do you owe?

Collateral

- What will happen if you do not repay the loan?
- What do you have to secure the loan (car, home)?
- What money do you have besides wages (savings, stocks)?

Conditions

- What economic situations could affect your repayment of the loan?
- How secure is your job?
- How financially stable is the firm that employs you?

You will receive a letter of approval or denial no later than thirty days after the lender receives all the required information.

Source: *BUC\$: Building an Understanding of Credit Services* (Ithaca: Cornell Cooperative Extension, 1994).

Activity 5. What's Your Credit Score

Many creditors use some form of scoring system to evaluate applications. This activity is a very simplified approach to exploring the factors used to judge creditworthiness. Distribute Teen Sheet T-8-5A. Briefly explain how to complete the activity. This scoring sheet is a hypothetical example. It is not taken from any particular creditor.

Now, give the teens a few minutes to figure their credit scores by marking an "X" by the statements that apply to them personally. They then should total the number of "Xs" to determine their credit score or rating. Most teens, especially the younger ones, will find they do not rate very well. Have them suggest things they could do to improve their score such as have a steady income, a checking or savings account, and a history of repaying debts.

Then have them turn to Teen Sheet T-8-5B. It lists steps that could be taken to improve a credit score or rating. Ask the teens to put an "X" by the items on the list that are things they might do in the future. Then spend some time discussing these steps.

Emphasize that each creditor may have a different scoring system or other means of determining creditworthiness. Creditors may review the file of a person who rates below their cutoff point and decide to grant credit based on some other information. What is particularly important is that if a person is denied credit by one creditor, it does not necessarily mean that he or she cannot obtain credit elsewhere. Teens with a new permanent job but little or no history of using credit may be denied a credit card or charge account, though in recent years creditors have become more lenient and even eager to lend to young adults. Most young people begin a credit history by opening a checking account or a department store charge account or obtaining a small loan from a financial institution.

Activity 6. Your Credit Reputation

A credit bureau is a clearinghouse for the exchange of information concerning individuals' reputations related to credit dealings. The two basic functions of credit bureaus are to accumulate information about a person when he or she applies for credit and as credit is used and to verify the information a person gives on a credit application. The services of a credit bureau are used by credit grantors such as financial institutions, retail merchants, and small loan companies. Creditors pay to use these services. The credit bureau also performs a service indirectly for credit customers by speeding up the process of reviewing their credit history. Information in credit files is supplied by the person applying for credit (when a credit application is completed), submitted by creditors with whom the person has done business (borrowed money), or obtained from public records such as divorce notices, court judgments, bankruptcies, deaths, marriages, and dispositions of lawsuits. Credit bureaus do not employ outside investigators to furnish reports on a person's morals or character, as insurance companies might do. Credit bureaus do not score or rate a person's creditworthiness; that is up to the creditor.

It is important for teens to be aware of the existence of credit bureaus and to know that they have a right to review their credit history under the Fair Credit Reporting Act of 1971. More information on credit laws is contained in the next activity, "Your Rights in Credit Laws."

For this activity, have teens locate your area credit bureau. Look under "Credit Bureau" in the white pages of the telephone directory or under "Credit Reporting Agencies" in the yellow pages. Local merchants and financial institutions would also have information on the location and operation of credit bureaus

in your area. By telephone or in person have one or more teens obtain information from them on how they work. You may be able to arrange a tour or a guest speaker.

Ask the following questions:

- What geographic area do they service?
- Do they offer consumers any information about their service?
- What suggestions do they have for teens wishing to establish a good credit history?
- What connections does this credit bureau have with credit bureaus in other locations?
- How are credit records transferred when a person moves?
- To whom and how does the credit bureau release information?

Then ask the teens to develop an imaginary credit file. What facts would they include? Ask them to share the file with the group, discuss why items were included, and what chance this person has of obtaining credit.

Source for Activity 6: Mary Harrison and Charlie Durham, "Learning about Credit," Florida Cooperative Extension Service, University of Florida, Gainesville.

Activity 7. Your Rights in Credit Laws

Teens should be aware of credit protection federal and state laws provide to consumers. Teen Sheet T-8-7A briefly describes some of the federal credit protection laws. Review the list with teens and discuss the laws. More details on the laws are contained in resources listed at the end of the manual. Your Cornell Cooperative Extension educator can help you obtain more information.

Credit card companies are regulated by the usury laws of the state in which they are based, though they may issue cards to customers living in other states. In New York State the ceiling on interest rates is 25 percent. In other states it could be as high as 40 percent. Be sure to read the fine print on any potential credit agreement so you fully understand the terms of the contract you are signing.

Collect newspaper and other advertisements that list credit information. Share credit disclosure statements with the teens. These are explanations concerning the terms of credit that are furnished with contracts and credit card accounts (in fine print). Collect copies of these statements and samples of contracts from local creditors. Discuss the credit laws listed on Teen Sheet T-8-7A with your group and refer to the examples you have provided. A good activity is to give each teen a blank credit application (a master is included) or contract. Discuss the information requested by creditors. This activity is particularly valuable for older teens, who will be responsible for their credit use at the age of eighteen.

Ask the teens to do some quick matching of credit laws with the statements on credit protection using Teen Sheet T-8-7B.

Leader's key to answers: (1) FCRA, (2) CCPA, (3) ECOA, (4) CCPA, (5) CCPA, (6) FCRA, (7) ECOA, (8) ECOA, (9) FCBA, (10) FCRA.

An alternate activity would be to divide the teens into small groups of two or three persons. Challenge each group to think of as many credit-related actions as they can in ten minutes that consumers could take to help keep their rights and protections provided under credit laws. When time is called, ask the groups to share their lists. This activity works best when it follows a discussion or another activity on consumers' credit rights. Some examples that teens could name include reading credit contracts before signing to see if information is provided on annual percentage rate and total finance charge, keeping a copy of all credit contracts and bills in case problems or questions occur, paying bills on time, notifying creditors in writing of errors in bills, shopping for and comparing terms of credit before actually obtaining it, and asking for information in your credit file from the local credit bureau to help find out why you were denied credit.

The activities outlined above cover some of the credit protections available to consumers. For more information, consult the Resources section. Areas not covered here include the Fair Debt Collection Practices Act, which describes steps debt collectors are required to follow when contacting a credit user, the Bankruptcy Act, which sets up steps that are followed when a credit user cannot pay bills, and additional protections for consumers under the laws mentioned in the activities such as the \$50 liability limit on credit card users under the Consumer Credit Protection Act.

If it is not possible to involve the teens in Activity 7, at least share Teen Sheets T-8-7A and B with the group to help them understand laws and terms.

Activity 8. Balloon Credit Glossary

The words or terminology related to credit can be overwhelming to a teen. The following are suggestions for exercises that use terms defined on Teen Sheet T-8-3B, "Credit Glossary." Working through one or more of these exercises will increase the teens' awareness and understanding of credit terminology.

You'll need a large sheet of poster board, 20 to 32 balloons, straight pins, small slips of paper, and copies of the teen sheet "Credit Glossary" for the teens. More than sixty terms are listed in the glossary. Select the ones you feel are most relevant to your teens. Write one term on each slip of paper, push each into a balloon, and blow up the balloons. Using the straight pins, attach the balloons at intervals on the poster board. More or fewer balloons can be used depending on the number of terms you wish to use and how many teens are in the group. There should be at least one balloon for each teen. Assign numbers to each teen and call the numbers, one at a time, at random. When his or her number is called, the teen has to select and burst a balloon and then attempt to define the term on the slip of paper inside. The "Credit Glossary" can be used if the teen is unable to define the term. There should be a discussion about each term; you can ask or answer questions about the term and its application. Try to be supportive and nonjudgmental. This will help the exercise run smoothly and will give the teens the confidence they need to attempt to define the words.

Student VISA Application

STUDENT APPLICANT	NAME (first, middle, last)				SOCIAL SECURITY #	
	COLLEGE ADDRESS			CITY	STATE	ZIP
	BIRTH DATE	LOCAL PHONE () ()	MONTHLY RENT	ANNUAL GROSS SALARY (if any) \$		SOURCE(S) OF SALARY
	CFCU SHARE ACCT. #	CREDIT LIMIT REQUESTED (\$500-1000) \$	ARE YOU A U.S. CITIZEN OR PERMANENT RESIDENT ALIEN? <input type="checkbox"/> YES <input type="checkbox"/> NO			
	INDICATE ADDRESS WHERE CARDS AND STATEMENTS SHOULD BE SENT				<input type="checkbox"/> APPLICANT	<input type="checkbox"/> GUARANTOR

GUARANTOR	NAME (first, middle, last)				SOCIAL SECURITY #	
	ADDRESS			CITY	STATE	ZIP
	HOME PHONE () ()	BUSINESS PHONE () ()	ANNUAL GROSS SALARY \$		CURRENT EMPLOYER	
	LENGTH OF EMPLOYMENT		BIRTH DATE	ARE YOU A U.S. CITIZEN OR PERMANENT RESIDENT ALIEN? <input type="checkbox"/> YES <input type="checkbox"/> NO		
	OTHER INCOME \$	(NOTE: Alimony, child support, or separate maintenance income need not be revealed if you do not choose to have it considered.)				
	RENT <input type="checkbox"/>	MORTGAGE <input type="checkbox"/>	\$ PER MONTH	YEARS AT RESIDENCE	ANY OUTSTANDING JUDGMENTS? FILED FOR BANKRUPTCY? <input type="checkbox"/> YES <input type="checkbox"/> NO	

I (We) agree to notify you in writing immediately if there are any important changes. I (We) also agree to notify you of any change in my (our) name(s), address(es) or employment within a reasonable time thereafter. I (We) also promise that everything I (we) have stated in this application is correct to the best of my (our) knowledge. I (We) authorize CFCU to obtain credit reports in connection with this application for credit and for any update, renewal or extension of the credit received. If I (we) request, the Credit Union will tell me (us) the name and address of any credit bureau from which it received a credit report on me (us). I (We) understand that it is a federal crime to willfully and deliberately provide incomplete or incorrect information on loan applications made to Federal Credit Unions or State Chartered Credit Unions insured by NCUA. I (We) understand that if this application is approved and a CFCU VISA card(s) issued, I (we), the undersigned applicant(s), agree that by signing, using or permitting another to use the VISA card(s), I (we) will be bound by the terms and conditions of the VISA Credit Card Agreement (sent under separate cover). I (We) also understand that CFCU reserves the right to amend these terms and conditions, with the proper notice as required by law, and that my (our) use of the card thereafter will indicate my (our) agreement to the amendments.

X
 Applicant Signature _____ Printed Name _____ Date _____

X
 Guarantor Signature _____ Printed Name _____ Date _____

Balance Computation Method for Purchases	Annual Percentage Rate	Variable Rate Index and Spread	Annualized Membership Fee	Grace Period for Purchases	Transaction Fee	Cash Advance Fee	Late Fee	Over-the-Limit Fee	Minimum Finance Charge
Average Daily Balance (including new purchases)	12.9%	N/A	\$15	25 DAYS	NONE	NONE	\$10	\$10	NONE

Note: Information about VISA Card costs described in this brochure is accurate as of 6/1/97.

For information regarding any changes that may have occurred after this date, call (607)257-8500, or write us at CFCU, 1030 Craft Road, Ithaca, NY 14850-1016.

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Activity 9. Credit Match

Pass out copies of Teen Sheet T-8-9 and give the teens time to complete the word and definition match. When most are done, go through the exercise asking the teens for the definition of each word or phrase. If they have gotten several definitions wrong, remind them that understanding credit takes time. By starting to learn about credit now, they will be preparing for when they start using credit on their own.

Key: 1f, 2k, 3p, 4d, 5j, 6a, 7l, 8n, 9r, 10q, 11o, 12h, 13g, 14e, 15c, 16b, 17m, 18i

Activity 10. Credit Jeopardy

For this game you will need three bells or buzzers and the “Credit Glossary.” The game is played like the television show. One person, either a teen or the leader, reads a definition from the glossary. The first teen or team of teens to ring their bell is called on to give the correct question. Answers must be in the form of a question to be correct, for example: The answer—“The time between when a purchase is made and when the interest is charged.” The question—“What is a grace period?” If the first bell ringer gets the answer wrong, the other two contestants are offered a chance. They must ring their bells and give the correct question, in question form. If no one is able to give the correct question, the answer reader gives it. One point is awarded for each correct answer. The teen or team with the most points wins.

Activity 11. Credit Price Tags

This activity explores credit costs and lenders in the community. Teen Sheet T-8-11A explains factors that influence the cost of credit. An example of a credit price survey is given. Note that the cost of credit to borrow \$500 ranges from \$17.62 to \$88.00 depending on the terms or factors of the credit agreement. Discuss the survey with the teens. Some lenders require or suggest that insurance be purchased along with the cost of credit. This cost is added in when figuring the finance charge. One lender (C) would offer a loan at \$502.65 rather than \$500.00 because of company policy.

Ask the teens the advantages and disadvantages of borrowing from these different credit sources. Refer to Teen Sheet T-8-4A, “Credit Plus and Minus.”

Would it be easier to get credit from some sources? What would affect the ability to get credit?

- a person’s credit history
- how much investigating is done
- insurance might make it easier
- knowing the lending officer might help
- others

Teen Sheet T-8-11B gives a generic list of possible sources of credit. Ask the teens for the company names of some of the credit sources in their community.

A form is provided for reporting the cost of credit after doing a survey. Teens can conduct a credit survey by making one of the following comparisons:

1. Compare the costs of financing the purchase of one particular item—a car, sports equipment, or a home appliance—with various types of credit:
 - installment loan from a finance company
 - bank or credit union loan
 - using a credit card
 - a store installment plan

2. Compare the credit costs and terms of several different charge or credit cards: MasterCard, American Express, a local department store, Sears. To do this you will need to have copies of either the disclosure statements from the credit cards or the application materials.
3. Compare the credit costs and requirements for a money loan (\$1,000) from several sources (pick three):
 - credit union
 - savings or commercial bank
 - savings and loan association
 - finance company
 - check overdraft loan
 - loan (advance) on a bank credit card (MasterCard, Visa). Note that credit card advances usually have a higher interest rate than the charge interest rate. Have the teens read the fine print to make certain they are using the correct rate.

Ask the teens to gather the information either individually or in small groups. Try to cover all three comparisons if possible.

The credit survey can include a field trip on which the group can compare costs. Be sure to maintain good relations with local merchants and financial institutions that extend credit. Call local businesses in advance to let them know that some of your teens will be requesting information. If the teens will be surveying on their own in small groups, be careful not to deluge one business with questions. Plan the survey with the teens so

that several different lenders are contacted and each one only once.

As the teens investigate the different sources of credit in the community, they will find both open- and closed-end credit. Closed-end or installment credit usually involves a written agreement for each credit use or request. A down payment (cash) may be required with the remaining money to be repaid in equal amounts over a period of time.

Open-end credit includes credit cards, department store charge accounts, and check overdraft accounts or "rainy day checking" that allow you to write checks for more than your actual balance with the financial institution. The following three ways of figuring the finance charge on open-end credit accounts would be of interest to older teens who soon will be opening their own accounts. You may wish to make a poster or chart of the example below.

The adjusted balance method adds finance charges after subtracting payments made during the billing period. The previous balance method gives you no credit for your payments made during the billing period. Under the average daily balance method creditors add your balances for each day in the billing period and divide by the number of days in the billing period to figure finance charges on this average. Creditors are required to tell you how they figure finance charges, when finance charges begin on the credit account, and the length of the billing period.

Methods of Figuring Finance Charge

	Adjusted Balance	Previous Balance	Average Daily Balance
Monthly Interest Rate	1.5%	1.5%	1.5%
Previous Balance	\$400	\$400	\$400
Payments	\$300	\$300	\$300 (payment on 15th day)
Interest Charge	\$1.50 (\$100 x 1.5%)	\$6.00 (\$400 x 1.5%)	\$3.75 (average balance of \$250 x 1.5%)

Activity 12. Credit Scramble

To reinforce learning, ask the teens to see how quickly they can unscramble the words to finish the sentences on Teen Sheet T-8-12. Take a few minutes to go over the answers and discuss the points covered.

Key to Credit Scramble: (1) false, (2) look, (3) total, (4) error, (5) right, (6) future, (7) immediate, (8) finance, (9) overspend, (10) worthiness, (11) opening, (12) legal.

Activity 13. Wrap-Up

Hand out Teen Sheet T-8-13 and ask the teens to complete the sentences.

Resources



Curricula

Loan copies of the following curricula may be available from the local Cooperative Extension Offices.

Be Money Wi\$e Training Handbook is 200 pages of educational money management materials and three video programs. It provides everything you need to offer financial educational experiences for teens: how to coordinate a community project, facilitator training, what to say, masters for transparencies and handouts, evaluation forms, and certificates. Order from Department of Design, Merchandising and Consumer Sciences, Colorado State University, Fort Collins, Colorado 80523.

CreditReady? is a consumer education program from American Express Company that presents five essential lessons before starting to use credit. Free curriculum with video may be obtained from Consumer Affairs, American Express Company, 1020 19th Street, NW, Suite 600, Washington, DC 20036

Financial Balance Sheet will help teens work with their parent(s) to calculate their family's net worth; request Cornell Cooperative Extension publication 322TOP-15 from Cornell University Resource Center, 8 Business and Technology Park, Ithaca, New York 14850.

Financial Freeway (1996). Three-part notebook and video targeting teens and young adults buying their first automobile. Includes purchase decision, cost of owning and operating, insurance, and budgeting. Activity sheets and test questions for both in-school and out-of-school use. Available from Cornell University Resource Center, 8 Business and Technology Park, Ithaca, New York 14850.

High School Financial Planning Program (1997). This curriculum is a seven-unit course that teaches students basic financial planning concepts and how these concepts apply to everyday life. It includes a complete instructor's manual, classroom preparation worksheet, teaching outlines, overviews, learning activities, quizzes, and exams. Each student receives a workbook that contains all the materials necessary for the program. Units in the curriculum are "What in the World Is Financial Planning?," "How to Make Your Dreams a Reality," "Your Roadmap to Success," "Don't Get Caught in the Credit Trap," "Is Your Safety Net in Place?," "Time's on Your Side," and "You Are in Control."

The curriculum and all student workbooks are free. For more information contact National Endowment for Financial Education, 4695 South Monaco Street, Denver, Colorado 80237-3403.

Master Your Future (1993). Free 15-minute videotape and 12-page teaching guide that show a group of high school students learning good financial habits through better money management. The video is divided into four segments: budgeting, checking and savings, credit, and credit history. It incorporates the basics of money management and financial responsibility. It is available without charge from MasterCard International, 1401 I Street, NW, Washington D.C. 20005.

You're Accountable (1987). 50-minute videotape, 36-page teaching guide, and instructional materials in both English and

Spanish presents an overview of saving, spending, and borrowing in an economic context. Worksheets for comparing savings and checking accounts, saving for a goal, credit scoring, and more. Available from Cornell University Resource Center, 8 Business and Technology Park, Ithaca, New York 14850.

Background/Education for Leaders, Parents, and Teachers

Kids as Consumers (1996). 23-minute video and print materials provide excellent background for parents, leaders, and teachers about marketplace concepts that youth are learning, the consumer concepts youth need to move into independent living, and how adults might intervene to strengthen consumer skills. Available from Cornell University Resource Center, 8 Business and Technology Park, Ithaca New York, 14850.

Kids, Money and Values (1994). This book by Patricia Schiff Estess and Irving Barocas gives practical advice for parents and other adults who work with youth about helping children and teens learn about many money management topics. Betterway Books, Cincinnati, Ohio.

Kiplinger's Money-Smart Kids (1993). This book by Janet Bodnar provides guidance for parents and other adults who work with youth about helping children and teens learn about money management topics. Kiplinger Books, Washington, D.C.

Organizations

National Endowment for Financial Education
High School Department
4695 South Monaco Street
Denver, Colorado 80237-3403
Phone: 303-220-1200

Jump \$tart Coalition for Personal Financial Literacy
919 Eighteenth Street, N.W., 3rd Floor
Washington, D.C. 20006

Web Sites

Better Business Bureau: <www.bbb.org>
provides consumer protection information.

Consumer World: <www.consumerworld.org>
gives a wide range of consumer information.

Federal Trade Commission: <www.ftc.gov>
provides consumer protection information.

Investing for Kids:
<<http://ananke.advanced.org/3096>>
provides investment information and a stock market game designed by and for kids.

National Center for Financial Education:
<www.ncfe.org>
has resources and information.

Jump\$tart Coalition:
<<http://www.jumpstartcoalition.org>>
links to TNBC Mad Money Room.

Publications to Order

Consumer's Resource Handbook (1997). Single copies free from Handbook, Consumer Information Center, Pueblo, Colorado 81009.

All Credit Cards Are Not the Same (1992). Factors to consider when shopping for a credit card: grace period, fees, and minimum payments. Sliding panel shows the cost of credit when minimum payments are made for varied periods of time at different interest rates. Available from Office of Public Responsibility, American Express Company, World Financial Center, New York, New York 10285-4725.

Videos

The Money Tree (1971) is a 20-minute film dramatizing the failure of a marriage because of financial irresponsibility and materialism. Older teens would relate well to a discussion of how the young couple portrayed have been influenced by money and money values. The film is somewhat dated in appearance, but the message is moving and effective if students can get past the older styles. Available on loan from Cornell University Resource Center, 8 Business and Technology Park, Ithaca, New York 14850.

Why Ads Work: The Power of Self-Deception (23 minutes). "The most important words in advertising are the ones you don't see or hear. *Why Ads Work* proposes that ads rarely lie, they merely allow plenty of room for self-deception. Ads use humor, drama, and entertainment because people being humored and entertained are not critical—they 'suspend their disbelief.' In short, they become the perfect consumer. *Why Ads Work* will help your teens reclaim their critical powers. Think of this video as a retraining of listening and reading skills. The technique is to focus on claims made by ads—the actual selling part that 'claims' some

benefits or value for the product." © 1996, Learning Seed, 330 Telser Road, Lake Zurich, Illinois 60047.

Why You Buy: How Ads Persuade (33 minutes). This video "is designed to increase viewer awareness of persuasion tactics used in advertising. The video explains six tactics: involvement techniques that overcome normal inertia and sales resistance, the appeal to emotional needs, the use of buzz words, the use of association to transfer desirable traits from people and situations to products, the development of market segmentation and product positioning, and the appeal to fear." © 1988, Learning Seed, 330 Telser Rd. Lake Zurich, Illinois 60047.

Buy Me That Too! A Kid's Survival Guide to TV Advertising (30 minutes) helps children weave through the maze of television advertising by showing tricks advertisers use to fool viewers, revealing facts that ads don't provide, and arming children with concrete tips for surviving the TV advertising blitz. The show features children expressing how they feel about commercials. Host Jim Fyfe introduces clips from actual commercials, movies, and video games and gives tips for spotting deceptive ads. The message to children is, What you see may not be what you get. ©1992 Home Box Office, Inc. HBO Project Knowledge, 1100 Avenue of the Americas, New York, New York 10036. This video is most appropriate for a preteen audience.

Magazine

Zillions, consumer magazine for kids from Consumer Reports. Box 54861, Boulder, Colorado 80322-4861. Send school or club orders to Zillions, P.O. Box 729, Vandalia, Ohio 45377. For subscription service use P.O. Box 54861.

Consumer Information

Consumer Information Center, U.S. General
Services, Pueblo, Colorado 81009.
www.pueblo.gsa.gov

Consumer's Resource Handbook. Excellent
resource for every U.S. citizen. Single copies
are available free by writing to Handbook,
U.S. Office of Consumer Affairs, 750 17th
Street N.W., Washington, D.C. 20006-4607.

Federal Trade Commission. Most publications
are available by writing to the FTC: Public
Reference Room 130, Federal Trade Commis-
sion, Washington, D.C. 20580-0001. Many
publications are available at [http: //](http://www.ftc.gov)
www.ftc.gov.

Direct Mail Marketing Association
6 East 43rd Street
New York, NY 10017

Direct Selling Association
1730 M Street, N.W.
Washington, DC 20036

Consumer Advocate
U.S. Postal Service
Washington, DC 20260

Board of Governors
Federal Reserve System
Division of Consumer and Community Affairs
Washington, DC 20551

Evaluation for Leaders

Name _____ Date _____

Title _____

Please answer the following questions.

1. Which unit(s) did you use?

- ☐ Unit 1. Effective Complaints
- ☐ Unit 2. Understanding Advertising
- ☐ Unit 3. Money Sense
- ☐ Unit 4. Shopping at Home
- ☐ Unit 5. Be Aware, Compare, and Buy Wise
- ☐ Unit 6. Stash Cash
- ☐ Unit 7. Check Out Checking Accounts
- ☐ Unit 8. The Credit Is Yours

2. Number of students _____ Their ages _____

3. Overall reaction of students to the activities and content learned.

Unit 1. Effective Complaints

1	2	3	4	5	6	7
Like a lot	Like very much	Like	Neither like nor dislike	Dislike	Dislike a lot	Dislike very much

Unit 2. Understanding Advertising

1	2	3	4	5	6	7
Like a lot	Like very much	Like	Neither like nor dislike	Dislike	Dislike a lot	Dislike very much

Unit 3. Money Sense

1	2	3	4	5	6	7
Like a lot	Like very much	Like	Neither like nor dislike	Dislike	Dislike a lot	Dislike very much

Unit 4. Shopping at Home

1	2	3	4	5	6	7
Like a lot	Like very much	Like	Neither like nor dislike	Dislike	Dislike a lot	Dislike very much

Unit 5. Be Aware, Compare, and Buy Wise

1	2	3	4	5	6	7
Like a lot	Like very much	Like	Neither like nor dislike	Dislike	Dislike a lot	Dislike very much

Unit 6. Stash Cash

1	2	3	4	5	6	7
Like a lot	Like very much	Like	Neither like nor dislike	Dislike	Dislike a lot	Dislike very much

Unit 7. Check Out Checking Accounts

1	2	3	4	5	6	7
Like a lot	Like very much	Like	Neither like nor dislike	Dislike	Dislike a lot	Dislike very much

Unit 8. The Credit Is Yours

1	2	3	4	5	6	7
Like a lot	Like very much	Like	Neither like nor dislike	Dislike	Dislike a lot	Dislike very much

4. Describe changes, if any, you have observed in the students participating in the It All Adds Up program.

5. Using individual student evaluation sheets at the end of each unit, summarize and describe the feedback you received from the students. When appropriate, share direct quotes of participants.

6. Are there areas of weakness in the basic materials? What are they?

7. Are there areas of strength in the basic materials? What are they?

Dear Educator:

Welcome to this 4-H consumer education program for teens! With the help of Cornell Cooperative Extension educators, high school teachers, and focus groups composed of enthusiastic young adults, this series of educational units for thirteen- to nineteen-year-old students has been updated and revised. Classroom educators use the teaching outlines and activity suggestions to enrich courses with live skill development activities in consumerism and money management.

Activities and Evaluation

Each unit consists of a leader's guide and several camera-ready teen sheets. The leader's guide includes an introduction to the unit, a list of expected outcomes or objectives, suggestions for using the material, details on conducting each activity, and recommended supplemental resources to enrich the activities. Each unit ends with an evaluation sheet for teens to assess their learning progress. We strongly recommend that you include this evaluation at the end of each unit.

Principles for Working with Teens

The activities in this resource are designed to support the learning needs and style preferences of young adults. Participants in teen focus groups have told us they prefer to learn from case studies, simulations, life experiences, or situations for which they can work out their own solutions.

Career Exploration Opportunities

The content areas of each unit offer multiple opportunities to introduce career opportunities. Career areas to highlight include advertising, marketing, consumer protection, banking and financial services, consumer law, research, and retail sales.

Additional Skill Development

Activities are planned to expand students' thinking abilities, especially creative thinking, analysis, and synthesis skills. They will have opportunities to practice public speaking, use technology to obtain and communicate information, and work at developing leadership skills.

Local Resources and Field Trips

You are encouraged to tie in local resources and consumer opportunities whenever possible. The leader's guide contains many suggestions. If you plan to send more than one or two young adults out to survey the community, it is a good idea to alert businesses to your plans and gain their cooperation.

Inviting business people to speak to your group or conduct a tour of their operations is another idea. Consumer protection agencies and other public and private agencies are a good resource. For example, consider a city or county consumer affairs office, the county weights and measures department, local Chamber of Commerce, Better Business Bureau, credit bureau, and

local consumer organizations. We have also found that local merchants welcome an opportunity to speak with young consumers. With a little advance planning, field trips to retail stores, financial institutions, radio or TV stations, or consumer help agencies can enhance your group's experiences.

Evaluation for Leaders

An evaluation sheet is enclosed with this letter for your use in communicating the results of your programming, comments, and suggestions. We are interested in receiving your feedback. After using these materials with a youth audience, please take a few minutes to reflect on the experience, answer the questions on the attached sheet, and return the completed evaluation to It All Adds Up, c/o Barbara J. Bristow, 133 MVR Hall, Cornell University, Ithaca, NY 14853.

Thank you, and enjoy using our program!

Sincerely,

A handwritten signature in black ink that reads "Barbara J. Bristow". The signature is written in a cursive, flowing style with a large initial 'B'.

Barbara J. Bristow
Department of Policy Analysis and Management

Evaluation for Leaders

Name _____ Date _____

Title _____

Please answer the following questions.

1. Which unit(s) did you use?

- ☐ Unit 1. Effective Complaints
- ☐ Unit 2. Understanding Advertising
- ☐ Unit 3. Money Sense
- ☐ Unit 4. Shopping at Home
- ☐ Unit 5. Be Aware, Compare, and Buy Wise
- ☐ Unit 6. Stash Cash
- ☐ Unit 7. Check Out Checking Accounts
- ☐ Unit 8. The Credit Is Yours

2. Number of students _____ Their ages _____

3. Overall reaction of students to the activities and content learned.

Unit 1. Effective Complaints

1	2	3	4	5
Like strongly	Like	Neither like nor dislike	Dislike	Dislike strongly

Unit 2. Understanding Advertising

1	2	3	4	5
Like strongly	Like	Neither like nor dislike	Dislike	Dislike strongly

Unit 3. Money Sense

1	2	3	4	5
Like strongly	Like	Neither like nor dislike	Dislike	Dislike strongly

Unit 4. Shopping at Home

1	2	3	4	5
Like strongly	Like	Neither like nor dislike	Dislike	Dislike strongly

Unit 5. Be Aware, Compare, and Buy Wise

1	2	3	4	5
Like strongly	Like	Neither like nor dislike	Dislike	Dislike strongly

Unit 6. Stash Cash

1	2	3	4	5
Like strongly	Like	Neither like nor dislike	Dislike	Dislike strongly

Unit 7. Check Out Checking Accounts

1	2	3	4	5
Like strongly	Like	Neither like nor dislike	Dislike	Dislike strongly

Unit 8. The Credit Is Yours

1	2	3	4	5
Like strongly	Like	Neither like nor dislike	Dislike	Dislike strongly

4. Describe changes, if any, you have observed in the students participating in the It All Adds Up program.

5. Using individual student evaluation sheets at the end of each unit, summarize and describe the feedback you received from the students. When appropriate, share direct quotes of participants.

6. Are there areas of weakness in the basic materials? What are they?

7. Are there areas of strength in the basic materials? What are they?

Opening the Issue

How do you feel about complaining? Read through each situation and place a check somewhere along the line below to show how you reacted.

Situation 1

You are eating dinner in a restaurant and order a baked potato. The waitress brings you french fries instead. You really don't like french fries, but the restaurant is crowded and the waitress is very busy. How do you react?

Embarrassed, eat the french fries.

Irritated, pound on the table and holler.

Situation 2

Your favorite jeans are getting threadbare. The exact same jeans are still available at the store where you bought the first pair. You pick out a pair in your size and try them on quickly for fit. When you put them on at home, someone notices that the seam in the seat is crooked and coming apart. How do you react or think?

Resigned, you were stupid not to notice, it's your own fault.

Angry, you want to call up the store and give them a piece of your mind.

Situation 3

You are walking through a local department store and hear a friend arguing with a salesperson about the shirt he is trying to return because it doesn't fit. You notice that it's the same shirt he wore at the picnic on Saturday when he was playing volleyball and football. What's your reaction?

He's a creep.

He's doing the right thing.

Situation 4

You bring your new CD home and put it on to play. It is so warped that it skips repeatedly. You grab the CD and go back to the store. It's a large discount record store, and the sales clerk who waited on you is not there. You've lost your sales slip and are told that the return policy requires proof of purchase. What do you do?

Scream for the manager.

Give up and walk out feeling cheated.

Is This a Valid Complaint?

When Is a Complaint Valid?

It is valid for a consumer to complain when you have used a product in the way it was meant to be used (for example, you didn't use a sheet as a hammock); you followed the directions for use (for example, you followed the instructions for laundering clothing); you don't violate a retailer's return policy (for example, you don't try to return an item marked "final sale" or a product marked "as is," or if the store has a sign indicating "no refunds" or "no returns"); and you are honest in reporting a complaint.

You can also check out the validity of your complaint with a local consumer protection

agency, a Cooperative Extension office, or a federal or state agency. You will be given a list of consumer help agencies. If you can't figure out who to talk to, ask your Cooperative Extension office for help.

It is good to know about consumer help agencies if you need more assistance in lodging your complaint. You may not get any satisfaction from a retailer or manufacturer, for example, and need to ask the attorney general's office for help. The person you complain to might listen more carefully if you are able to back up your complaint.

Does the Consumer Have a Valid Complaint?

In each case, does the consumer have a valid complaint? If so, where can he or she go for help? For cases in which you think the consumer has a valid complaint, list the place(s) the consumer might go for help if unable to get satisfaction from the seller.

	Yes	No	Maybe	Where to Get Help?
1. A projector was brought home in a sealed box. When the box was opened, there was no control cord.	_____	_____	_____	_____
2. The tread came off a retread tire at 55 miles per hour on the expressway.	_____	_____	_____	_____
3. The new car warranty was for 12,000 miles. After 5,000 miles, the car sways dangerously even at low speeds.	_____	_____	_____	_____
4. The advertisement said, "Now at \$20," but the store said the sign should have read \$30.	_____	_____	_____	_____

	Yes	No	Maybe	Where to Get Help?
5. A bottle of medicine bought at a drugstore has a strange smell, and the tablets are crumbled and discolored.	_____	_____	_____	_____
6. A company advertised, "Make money at home addressing envelopes. Send \$10 for information." A consumer sent \$10, has received nothing, and cannot get a reply to several letters to the company.	_____	_____	_____	_____
7. A TV ad said that a product would cure colds. After taking the product for two weeks, you still have a cold.	_____	_____	_____	_____
8. A new cosmetic you used caused a terrible rash.	_____	_____	_____	_____
9. A store had a sign, "All sales final." Clothing bought at that sale is so poorly constructed that most of a seam ripped out the first time the garment was worn.	_____	_____	_____	_____
10. Jennifer bought the game Monopoly from a major toy store chain. When she arrived home and opened the box, two pieces were missing.	_____	_____	_____	_____
11. A store advertised a one-week sale on a popular new video game. Steve arrived at the store on the first day of the sale and was told that they were sold out.	_____	_____	_____	_____
12. Brittany's father signed her up for six months of lessons at a karate school. After the first two months, she decided she didn't like it. The school refused to give her father his money back.	_____	_____	_____	_____

Teen Consumer Help Directory

The following is a selected list of agencies and groups to contact for assistance with consumer problems or complaints. For a specific company, call 800-555-1212, which will connect you to the national 800 number information service. Just state the company name, and you will be given a toll-free number if one is available.

Better Business Bureau (BBB)

The BBB provides a variety of consumer services, including educational materials; answers to consumers' questions; information about specific companies, particularly whether there are unanswered or unsettled complaints or other marketplace problems; help in resolving buyers' and sellers' complaints against a company, including mediation and arbitration services; and information on charities and other organizations that are seeking public donations.

On-line: <http://www.bbb.org/bbb/>

State Offices

346 Delaware Avenue
Buffalo, NY 14202-1899
900-225-5222 (24 hours at \$.95/minute)

266 Main Street
Farmingdale, NY 11735
900-225-5222 (24 hours at \$.95/minute)

257 Park Avenue, South
New York, NY 10010-7384
900-225-5222 (24 hours at \$.95/minute)

30 Glenn Street
White Plains, NY 10603-3213
900-225-5222 (24 hours at \$.95/minute)

Government Consumer Protection Offices

Government consumer protection offices provide consumers with important services such as complaint mediation, investigation, prosecution of consumer law offenders, licensing and regulation of a variety of professionals, promotion of consumer protection regulation, dispersion of educational materials, and advocacy in the consumer's interest.

State Offices

Assistant Attorney General
Bureau of Consumer Fraud and Protection
Office of Attorney General
State Capitol
Albany, NY 12224
518-474-5481
800-788-9898 (TDD)

Deputy Executive Director
New York State Consumer Protection Board
99 Washington Avenue
Albany, NY 12210-2891
518-474-8583; 518-474-2474

Assistant Attorney General
Bureau of Consumer Frauds and Protection
Office of Attorney General
State Capitol
Albany, NY 12224
518-474-5481

Assistant Attorney General in Charge
Bureau of Consumer Frauds and Protection
Office of Attorney General
120 Broadway
New York, NY 10271
212-416-8345

Federal Information Center

Check the government section of your phone book for regional offices that may be more familiar with local businesses and local ordinances governing your complaints. The Federal Information Center (800-688-9889) can tell you what office to contact for help with problems if you are not sure. Many other local consumer help lines and numbers for specific government departments can be found in the "government" section of your local phone book.

Call the National Consumer Helpline if you need information you cannot find from other sources (800-664-4435).

To get off direct mailing lists:

Mail Preference Service
P.O. Box 9008
Farmingdale, NY 11735-9008
212 768-7277, ext. 300

Source: *Consumer's Resource Handbook* (Washington, D.C.: United States Office of Consumer Affairs, 1977).

Complaining the Right Way

When you have a valid complaint, you need to bring it to the attention of the right person. It is also important to have your complaint well organized.

First Step: Go Back to the Seller

1. Collect sales receipts (including date of purchase), instruction booklets, warranties, repair receipts, canceled checks, and promotional materials.
2. Return to the place you purchased the item and ask to see the manager or someone in the Consumer Affairs (or Customer Relations) Department.
3. Suggest a solution to the problem. Be sensible in your request. Don't make unreasonable demands. You might expect the store to do one of the following:
 - exchange it
 - repair it
 - refund your money (cash or credit)

Guidelines to remember:

- Have all the needed information.
- Be organized.
- State your problem clearly.
- Be firm but reasonable.

What if: You didn't buy it locally? You can't make the complaint in person? The local store won't respond?

Second Step: Write a Letter

1. Include in the letter
 - your name, address, and phone number.
 - the date and place of purchase.
 - an explanation of the problem—in what way the product or service is defective.
 - a description of the service or product—give the brand name, model number, size, color, and any other information that will help identify the product.
 - steps you have already taken to solve the problem.
 - suggested solution to the problem.
 - copy of sales receipt, labels, warranties, previous letters, and any other documentation (keep the originals in your files).
2. Do not include in the letter
 - your original sales receipt, labels, warranties, and correspondence.

An Example of a Well-Written Consumer Complaint Letter

Rebecca Mead
417 Maple Lane
Ithaca, NY 14850

November 17, 1997

Ms. Nancy Kendall, President
Kendall Crafts Company
14 Highway 12
Rochester, NY 14927

Dear Ms. Kendall,

I have a complaint about a stained-glass craft kit that your company made.

On November 2, 1997, I bought Kendall Kit No. 471 from Kate's Kraft Shoppe in Chester, N.Y. The price was \$49.29. When I got the kit home and took out the materials, I found that several of the glass pieces were broken. Also, the glass colors that were listed on the box were not the same as the colors in the kit.

I spoke with the owner of Kate's Kraft Shoppe, and she told me that she sold the kit to me exactly as she received it from you. She would not exchange the kit or refund my \$49.29.

I would like you to contact me to arrange a kit exchange or a refund. Enclosed you will find a copy of my sales receipt and a copy of the instruction sheet for Kit No. 471.

Sincerely,

Rebecca Mead

A copy of this letter was sent to the New York State Consumer Protection Board,
99 Washington Ave., Albany, NY 12210.

An Example of a Poorly Written Consumer Complaint Letter

September 15, 1996

Ms. Alice Jackson
Customer Relations Director
ABC Camera Company
123 Photo Lane
Rochester, NY 12345

Dear Ms. Jackson:

The camera that I bought in one of your branch stores on August 25, 1996, doesn't work properly. I would like to exchange it for another one. The branch manager said I had to write to you because, after seven days, exchanges were only made through the main office.

Thank you in advance for any help that you can give me regarding this matter.

Sincerely,

Tracy Blaine

Problem Situations

Your small group will choose one of the following problem situations. As a group, come up with a complaint letter to present to the larger group.

Problem Situation 1

You sent for the CD "The Top 40" that was advertised on TV. Upon opening the package, you discovered that it was in three pieces.

Write a letter explaining the situation and ask for a replacement disk.

The Top 40
Box 962
Lyon, NY 20631

Problem Situation 2

You purchased a shirt at Maines Brothers' Department Store. After you washed it once (following the directions on the care label), it fell apart. The store would not exchange it or give you a refund because it was on sale at the time of your purchase.

Write a letter to the shirt manufacturer asking for a refund or replacement.

Mr. John Monroe, President
Kay's Manufacturer
311 Hill Avenue
Colby, KS 26457

Problem Situation 3

The brakes failed on your ten-speed bike, and you took it to Al's Bike Shop for repairs. After bringing it home, you discovered that it was still not working properly. You received no satisfaction from the repairman, who is one of the three employees hired by Mr. Barns.

Write a letter to the store owner asking for assistance.

Mr. Alan Barns
Al's Bike Shop
21 Genesee Street
Harpersville, NY 95616

Problem Situation 4

The local Red and White grocery store always seems to be out of the advertised specials. You think that receiving a rain check for the items is not enough. Write a letter to headquarters about your observations and saying that you think the specials should be available at the store.

Mr. Mark Reynolds
Consumer Services Division
Red and White, Inc.
201 West State Street
Jacksonville, MD 30512

Wrap-Up

Finish the following statements. Be as clear as you can. We would like to know what you think.

1. The most important thing I learned about consumer complaints is

2. When I had a complaint before, I used to

3. When I have a legitimate consumer complaint now I will

4. I wish we had learned

Ten Magic Methods of Advertising

Word Magic

The name of a product is very important. Why Huggies instead of Human Waste Absorbies? Why Aqua Fresh instead of Plaque and Tarter Removal Paste? Words are also used to make the products advertised seem more exciting—Bounty is the “Quicker Picker Upper”—and the competition seem old and dull: why use “old-fashioned cleansing powders”?

Transfer

Transfer is when we move the feelings associated with certain images onto the product being advertised. Beer commercials are notorious for showing young, athletically fit people having a great time at the beach, skiing, and doing other activities. The viewer is supposed to associate feelings of being at the beach (or the excitement and fun or the attractive, athletically fit people) with the product being advertised.

Testimonial

A testimonial is when a famous person says that he or she uses a certain product. People who respect that person may be more inclined to think favorably about the product being advertised.

Plain Folks

Many advertisers say that their products are the choice of ordinary people. Think of the ads for Chevy trucks (“Like a Rock”) which show everyday, working Americans using and enjoying the product.

Snob Appeal

This is the opposite of the “Plain Folks” approach. It makes the viewer feel as though only the elite, smartest, most attractive people are able to use certain products. Luxury cars are notorious for this approach.

Bandwagon

To “jump on the bandwagon” means to do what everyone else is doing. This type of ad tries to convince the consumer that everyone is using the product, seeing the movie, reading the book, or whatever. This approach is most often used to sell new products or improvements on old ones.

Direct Order

In this approach, advertisers simply tell the consumer to buy the product. “Get yours now!” Some people have to be told what to do.

Humor

Everyone likes to laugh. If you enjoy a commercial's humor, you may be more likely to remember the product and have nice feelings associated with it.

Appeal to Emotions

Many of the above methods fall into this category. The idea is to make the consumer feel that he or she will be loved, accepted, happier, and more successful when using the product advertised.

Facts and Figures

Advertisers often apply the scientific approach to enhance the image of the product. Experiments, studies, surveys, and other data that make the product appear to be valid, backed by research, and trustworthy are used in ads to make consumers believe they are buying the product for rational reasons.

TEEN SHEET T-2-1B

Select a product or item to advertise. Using the descriptions of the ten advertising appeals on Teen Sheet T-2-1A, choose four different appeals and draw ideas of how to advertise the product using a different appeal in each of the four boxes below.

Product name _____

<div></div> <div>Appeal _____</div>	<div></div> <div>Appeal _____</div>
<div></div> <div>Appeal _____</div>	<div></div> <div>Appeal _____</div>

Headlines

Headlines are one of the most important parts of an advertisement. Their intent is “to stop people in their tracks.” Some people never read past the headline, so it must be persuasive enough to sell the product or encourage people to read further. What makes headlines “reach out and touch someone”? Catchy wording is one key. But there is much else to know about how headlines are written and what qualities they must possess.

Most effective headlines have some or all of the following qualities:

- They convey an idea or intrigue people.
- They speak to one person at a time; even if 20 million people see a headline, each person must feel singled out.
- They use words with an “announcement” quality, such as a free offer, a price, or information about value.
- They start to tell a story.

The language you use in headlines is important.

- Use active verbs: “Do it now.” “Pay attention.” “Make a difference.” Short sentences encourage people to act.
- Be careful with adjectives. They can cause writing to sound exaggerated—“a spectacular, fantastic, unbelievable offer!” Too many adjectives make people suspicious.
- Don’t forget adverbs. “It’s absolutely guaranteed.” Adverbs add punch to ads.

- Don’t be too clever. Jokes, puns, and rhymes are fine. Just don’t use them all the time. People may remember the cleverness but forget the product.
- Make every sentence lead into the next. When ad copy flows, readers can be carried easily to the last word and a purchase.
- Tie everything to your main idea and headline. People are too busy to pay attention to ads that wander.

Good ad writers know that certain words have been proven very effective in ads. Here are a few:

free	results	new
proven	value	easy
you	healthy	win
save	sale	save
announcing	money	guaranteed

There are also words that ad writers avoid using because they turn people away:

buy	hard	fail
death	bad	obligation
loss	worry	deal
wrong	sell	difficult

Source: “Writing and Curriculum Innovations Group,” February 1997, pp. 4–7.

How Much Power Do You Have?

Whether you realize it or not, you have personal power to influence advertising. What you watch, what you wear, and what you think are all a part of the information advertisers use to plan a message that will convince you to buy their products. Your generation views things differently than the last did and the next will, so people in the advertising business are constantly conducting market research and changing their messages to keep up with your interests and preferences.

Take the following quiz to test your advertising knowledge and then discuss the results. Evaluate how much power you have and how you can directly affect the world of advertising, especially in a positive way. Discuss ways that you can use this power to change things that are important to you.

1. How big is teens' (12–19 years old) annual spending power in the United States (their own money and the amount parents allow them to spend)?
 - a. \$930 million
 - b. \$54 billion
 - c. \$93 billion
 - d. \$122 billion
2. On average, how much money does a teenage male spend per week (his own money and money given to him by his parents)?
 - a. \$100
 - b. \$54

c. \$72

d. \$82

3. Match the percentages with the sources to indicate what percentage of teens' income comes from the following sources:

1. 48%

a. occasional jobs

2. 31%

b. regular allowance

3. 52%

c. full-time jobs

4. 10%

d. part-time jobs

5. 30%

e. parents on an as-needed basis

6. 39%

f. gifts

4. How many teens have their own checking accounts or own stocks and bonds?

a. 50%

b. 22%

c. 17%

d. 20%

e. 25%

5. Teens (ages 12–19) compose approximately _____% of the total U.S. population.

a. 3%

b. 5%

c. 11%

d. 19%

e. 24%

6. What percentage of teens in families in which both parents work (or in single-parent homes) do most of the grocery shopping?
 - a. 45%
 - b. 55%
 - c. 70%
 - d. 90%
7. At what times do teens watch TV in substantial enough numbers to merit advertisers' attention?
 - a. Saturday morning
 - b. weekdays after school
 - c. prime time
 - d. any of the above
8. What percent of family spending do children influence?
 - a. 2%
 - b. 5%
 - c. 10%
 - d. 17%
9. Which statement is true?
 - a. Children influence at least \$100 billion in household purchases annually.
 - b. At least 90% of teens prefer name-brand shoes and jeans.
 - c. Teen buying power has resulted in a significant increase in advertising in teen magazines.
 - d. All of the above.

Data on teen spending are from "Teenage Marketing Lifestyle Study, Wave 30, Fall 1997," by Michael Wood, Teenage Research Unlimited, 707 Skokie Blvd., Northbrook, Illinois 60062; and Selina S. Guber and Jon Berry, *Marketing to and through Kids* (New York: McGraw-Hill, 1993).

TEEN SHEET T-2-4A

TV Ad Sample

Watch television for one hour. Count the number of advertisements shown and the amount of time each ad lasted.

[illegible]

Total ad time _____

Things to Think About

1. Did any of the ads imply that the product will make you happier or have more friends?

If yes, give an example.

2. Did you think any of the advertisements were deceptive? _____

Give an example.

3. Were any advertisements useful to consumers? _____

If yes, what made them useful?

4. Are you tempted to buy any of the products as a result of the advertisement? _____

If yes, why?

5. Were the ads during this hour generally aimed at a particular group of people? _____

Who?

6. Were there any ads that you could not classify according to the type of appeal? _____

What were they promoting?

How did the ad promote the product?

Make Your Own Ad

Persuasion is an extremely important communication skill that contributes in many ways to personal success in life. You will be more likely to get what you want if you can persuade others to agree with your point of view. You also need to discern when and for what reasons others are trying to persuade you to agree with them. One of the most prevalent and obvious forms of persuasion is seen daily and in profusion—the television commercial.

Creating a TV Commercial

Make your own commercial, keeping in mind the “things to think about” on Teen Sheet T-2-4B. Your commercial can advertise an existing product or you can make up your own. Make sure to complete all the following steps when making your commercial.

- Have a written script. It is important to plan out your commercial carefully so that it is as effective as possible. Make sure you involve the entire group in the writing process. Your script should include all the action and dialogue for your commercial. Any action that needs to be described in the script should be put in parentheses. All dialogue should be preceded by the name of the speaker or the character’s name followed by a colon.
- Clearly use at least one of the ten methods of advertising.
- Demonstrate your knowledge and ability to use proper speaking techniques unless there is a specific reason (for example, for humorous effect) not to use them.
- Give each member of the group equal air time during the commercial. Everyone must have the opportunity for a meaningful role in the process.

- Your commercial should range from 30 seconds to 1.5 minutes. Make sure you time it precisely. TV commercials are purchased in numbers of seconds. Most commercials are 30 or 60 seconds long (i.e., not 38 or 46 seconds.) Rehearse your commercial and use a clock or stopwatch to time it exactly.
- Have fun!

Video Tips

Sound is extremely important in the final quality of your video. Make absolutely sure everyone and everything in your video can be heard clearly at a normal level on television. Test the speaking level volumes before you make the final commercial to assure that everything can be heard. Be sure to test the space between the cast and the camera, and if the actors are roaming, be sure that the camera can pick up the sound.

Along with the volume, speaking clearly is an absolute must. You don’t want anyone to miss the important advertising message because the actors are mumbling.

Lighting is also important. Make sure when filming indoors that the light is bright enough.

Rehearse, rehearse, rehearse! Practice will give the actors poise, confidence, and polish! Nothing ruins a potentially funny or charming video more than a pair of actors standing motionless and looking at each other waiting for the other one to figure out what to do or say next. This is why the script is important.

Do as many retakes as necessary to create the smooth, high-quality finished product that you will be proud to show your friends and family.

Wrap Up Your Understanding of Advertising

Complete the following statements:

1. The most important thing I learned about advertisements was
2. Misconceptions I had about advertising before this unit were
3. I had never thought about
4. I wish we had spent more time doing
5. Now that have I learned more about advertisements I plan to

Ten Things I Love to Do

As quickly as you can, list ten things you really love to do. They can be as small as going to the movies or as big as going on a trip. There are no right or wrong answers.

	\$	P	A	F	M	*	D
1.							
2.							
3.							
4.							
5.							
6.							
7.							
8.							
9.							
10.							

Now place a check next to each activity in the appropriate column, using these symbols:

\$ = activity costs \$5 or more each time you do it

P = activity that is more fun for you to do with people

A = activity that is more enjoyable for you to do alone

F = activities that your father might have had on his list if he had been asked to make one at your age

M = activities that your mother might have had on her list if she had been asked to make one at your age

* = your five favorite activities

D = note as close as possible the last time you did each activity

Count the checks in each column. Total the number at the bottom. You may have more than one check for each activity.

Does It Stack Up?

Cut into strips to hand out to the teens.

Sports	costs of equipment, rental fees, use of facilities (ski lift or roller blading)
Education	cost of supplies, loans for college, summer school
Cars	cost of purchase and upkeep, insurance
Food	cost of food at home and away from home
Clothes	cost of purchase and upkeep
Travel	cost of transportation and living away from home
Home	cost (rent, mortgage) and upkeep of place to live
Friends	cost of gifts and services for friends
Personal Appearance	cost of all nonclothing personal care goods
Family	cost of gifts and services to family members
Savings	money not spent but put away for future use
Entertainment	cost of all recreational goods (stereo) and services other than a sport

Reaction Story 1

Joe and Cindy are high school seniors. They have been going together for about two years and talk about getting married someday. One Sunday they decide to drive to the country to visit Cindy's older sister who is married and living on a small rented farm. Carol and her husband, John, are trying to live off the land as much as possible. Carol has a part-time job in a local library, which provides enough income to pay the rent, utilities, insurance, and grocery bills for items they can't produce. They rarely buy clothes. Carol sews well so she can make most of what they need. Usually Carol and John are working on their farm and wear work clothes. They raise almost all of their own food—from honey to chicken. Heating bills are greatly reduced by their wood-burning stove, supplied with wood from their woodlot.

Carol and John rarely go out or travel much. They seem to have a good life together, though, and spend most of their free time cooking and baking, reading, or talking with each other. On their way home, Joe and Cindy talked about Carol and John and about what they want for themselves.

1. If you were Cindy or Joe, how would you react to Carol and John's lifestyle?
2. Tell your partners in a few words what you expect your lifestyle to be like five years from now. Where will you live? With whom?
3. What part will finances play in determining your lifestyle? What part do they play now? How will you earn a living and how much will you work?

Reaction Story 2

Susan is excited, as she drives toward the city, by the thought of seeing Tom and Cheryl again. They graduated together from high school almost two years ago. Tom and Cheryl were married shortly after graduation, and Susan hasn't seen them since their wedding.

It's Friday evening and Susan thinks that Tom and Cheryl will probably be home although she's about half an hour early. Nobody answers the door so Susan goes out and buys a magazine, returning to sit and read in the hall of the apartment building. Cheryl and Tom arrive much later, breathless, carrying grocery bags and explaining that it was a hard week, it took them a long time to get the shopping done, the bus was late, and so on.

Inside the apartment Susan is surprised by all the new furniture Tom and Cheryl have bought. The apartment is in a new building and looks expensive. As the evening goes on, Susan notices all the stuff that her friends have bought since they got married. She also notices how tired they seem. Tom goes to bed after dinner and Cheryl stays up to talk. Cheryl's not very happy. She and Tom don't have time to do things together as they used to. It seems that they're always working so they can pay their bills on time. And they haven't been able to save anything in two years. Both of them work overtime whenever they can. Being married isn't as much fun as Cheryl thought it would be.

1. If you were Susan, how would you react to Cheryl and Tom's lifestyle?
2. In what ways would you want your lifestyle to be like Cheryl and Tom's? In what ways would you want it to be different?
3. When people get divorced, they often say that money caused most of their problems. Do you think that money is a big problem for Tom and Cheryl?

Reaction Story 3

Joyce always wanted to be a dancer. Now she is twenty-one and living by herself in a little apartment in the city. She works mornings in a bakery and spends her afternoons and evenings taking classes, working out, and performing whenever she can. Dancing makes her happier than anything else in the world, but she sometimes feels very down and lonely when she can't find dance jobs or she injures herself. It's often hard to be alone when you're hurt or sick and have trouble getting around. Joyce's family lives in a different town, and most of her friends also have crazy schedules. She does manage to meet a few friends for lunch or dinner a couple of times a week. They usually eat in inexpensive Chinese or Greek restaurants. Joyce realizes that she could make a lot more money if she worked full-time at a regular job, but then she'd have to give up her classes and workouts. She firmly believes that you have to do what makes you happy even if it means being relatively poor.

1. Can you imagine yourself living like Joyce? Why or why not?
2. Is there anything that Joyce might do to make her life more comfortable? How do you feel about living alone?
3. Is there anything you like to do so much that you'd be willing to be relatively poor so as to be able to develop your talent? What do you think about Joyce's belief that you have to do what makes you happy?

Reaction Story 4

Friday afternoon doesn't feel the same to Clark as it does to most of the kids leaving Northside High. He wishes he could let loose and make plans for a night out with friends. But he heads for the restaurant where he will get his usual weekend exercise. Clark is amazed by the arm muscles he's developed lifting tubs full of dirty dishes—being a busboy in a famous, busy restaurant is tough work. But it pays well, better than other jobs that high school kids can get. The restaurant is expensive, and most people tip well. Johnny, the headwaiter, makes sure that the busboys get their fair share of tips.

Clark has been helping support his mother and younger sister for a year and a half. Since his mother got a raise last summer, it really hasn't been necessary, but Clark wants to be able to help fix up the apartment and save some for school. He plans to attend the city college when he graduates, and though he will live at home so he will not have extra costs for room and board, he will need to cover tuition. Also, he'll need to buy books and supplies and pay fees. Clark misses playing on the basketball team and spending time with his girl friend, but he feels that it is time to grow up and be responsible. Being responsible means, to Clark, taking care of his family and his future needs. After all, Clark says, "Nobody else is about to."

1. If you were one of Clark's friends, how would you react to his lifestyle?
2. How financially responsible are you? Would you be willing to give up a lot of extracurricular activities to earn money? Does Clark have a choice?

How Do You Rate?

Check the answer that applies to you.

- | | | |
|--|-------|------|
| 1. Do you spend for things that are important to you? | Yes — | No — |
| 2. Do you buy useful things? | Yes — | No — |
| 3. Do you save your money to buy something special? | Yes — | No — |
| 4. Do you buy because you need the item?
(This means need, not want.) | Yes — | No — |
| 5. Do you make sure you can afford the items before you buy? | Yes — | No — |
| 6. Do you ever have any money left over at the end of the week? | Yes — | No — |
| 7. Do you save the money you have left instead of spending it? | Yes — | No — |

Your Rating

Number
marked Yes _____

- 6-7 = you are a money management ace
Michelle/Mark Money Manager
- 4-5 = you do a pretty good job of managing money
Ted/Terri Thoughtful Spender
- 2-3 = you need more control over your finances
Bob/Barbara Buy a Lot
- 0-1 = money is managing you—watch out!
Susan/Sean Spendeasy

24-Hour Dollar Recall

This activity requires a good memory and a friend. If you have both, you're well on your way.

Sit down with a friend and list the money you spent yesterday (or if yesterday was not a typical day, pick another day).

<u><i>Yours</i></u>		<u><i>Friend</i></u>	
Item	Amount	Item	Amount
(Example: ice-cream cone)	\$1.50	(Example: magazine)	\$3.50

Things to Talk About

1. Discuss the items on your list. Do you both have some of the same things or do you spend money very differently?
2. We all have wants and needs. A want is something you wish for very much and can live without. A need is something you have to have to live your daily life. Can you tell the difference between what items are wants and needs?
3. If you had the same amount of money again, would you spend it the same way?
4. Could you have purchased the same item for less at a different store?
5. Is there a reasonable substitute product that is available for a lower price?

Money's Comings and Goings

Step 1. If you are going to use your money wisely, you have to know how much you have to work with and where it comes from. You also need to find out where it goes. On the back of this page, keep track of your money's comings and goings for one week.

Step 2. When you have kept track of your money for one week, look over what you've done. Add up your income and expenditures. Do they match? Are you saving some income? Is more money going out than coming in?

Go back over your list of expenses and circle all the things you spent money for that were needed—necessary expenses. Are all the rest of the items wants—unnecessary but desired expenditures? Do you have difficulty separating needs from wants? Why or why not?

Step 3. What changes, if any, do you want to make in your money management? Write a few sentences describing what you want to do and how you might plan to improve your money management.

For one week write down the money you receive (income) and the money you spend (expenses). Start any day of the week and continue for seven days to get an idea of how you use money.

The Bean Game

Housing

- A. Live with relatives or in public housing.
- B. Share apartment or house with others. ☐ ☐
- C. Rent a place of your own. ☐ ☐ ☐
- D. Buy a home. ☐ ☐ ☐ ☐

Clothing

- A. Wear present wardrobe.
- B. Use your sewing skills. ☐
- C. Buy at discount store, thrift shop, or used clothing store. ☐
- D. Buy at a department store. ☐ ☐
- E. Shop for designer clothes. ☐ ☐ ☐

Insurance (auto)

- A. Covered on owner's policy ☐
- B. Pay for liability coverage only. ☐
- C. Pay for complete coverage. ☐ ☐

Insurance (home or apartment)

- A. No coverage.
- B. Covered under family or roommate's policy. ☐
- C. Pay for property and liability coverage. ☐ ☐

Insurance (health and disability)

- A. No coverage.
- B. Access to free public health care.
- C. Fringe benefits of job. ☐
- D. Group coverage (school or job). ☐ ☐
- E. Individual health and disability coverage. ☐ ☐ ☐

Food

- A. Included in housing costs (room and board).
- B. Cook at home; dinner out once a week. ☐ ☐
- C. Purchase frequent fast-food lunches and weekly dinner out, cook other meals. ☐ ☐ ☐
- D. Purchase all meals away from home. ☐ ☐ ☐ ☐

Utilities (heat and light)

- A. Included in rent.
- B. Cost shared by roommates. ☐
- C. You pay total cost. ☐ ☐

Utilities (phone)

- A. No phone.
- B. Phone with limited long distance calls. ☐
- C. Phone with many long distance calls and add-on features such as caller ID and call waiting. ☐ ☐

TEEN SHEET T-3-8

Transportation

- A. Walk or bike.
- B. Ride the bus or join a carpool. ☐
- C. Buy fuel for family or own vehicle. ☐ ☐
- D. Buy used vehicle. ☐ ☐ ☐
- E. Buy new vehicle. ☐ ☐ ☐ ☐

Laundry

- A. Do laundry at home of friend or relative.
- B. Use facilities in apartment or public housing. ☐
- C. Use laundromat; some dry cleaning. ☐
- D. Rent or purchase washer and dryer. ☐ ☐

Furnishings

- A. Borrow from relatives or friends.
- B. Rent furniture or live in furnished apartment. ☐
- C. Buy at garage sale or thrift shop. ☐
- D. Buy new furniture. ☐ ☐

Child Care

- A. Provided by family member or friend.
- B. Hire sitter on limited basis. ☐
- C. Pay for full-time care. ☐ ☐

Recreation

- A. Television, visits with friends, and picnics. ☐ ☐
- B. Cable television, sports, and movies. ☐ ☐
- C. Concerts, vacations, and spectator sports. ☐ ☐ ☐

Grooming

- A. Generic grooming products. ☐
- B. Haircuts, selected grooming products. ☐ ☐
- C. Hair styled and permed, name brand grooming products. ☐ ☐ ☐

Gifts

- A. Make your own.
- B. Purchase cards and small gifts on special occasions. ☐
- C. Purchase frequent gifts for everybody. ☐ ☐

More Choices

- A. Records, tapes or CDs. ☐
- B. Books, china, pans, or other items purchased on installment plans. ☐
- C. Weekly giving to charity or religious groups. ☐
- D. Newspaper and magazine subscriptions. ☐
- E. Favorite hobby (such as photography or computer games). ☐
- F. Color television, VCR, or stereo. ☐ ☐
- G. Cigarettes, alcoholic beverages. ☐
- H. Other: ☐
- ☐ ☐

Savings

- A. Change in piggy bank.
- B. 5 percent of income. ☐
- C. 10 percent of income. ☐ ☐
- D. Other ☐ ☐

Wrap-Up

Complete the following statements:

1. The best part of this unit was
2. The worst part of this unit was
3. I had never thought about
4. I wish we had spent more time doing
5. Now that I have learned more about my “money sense” I plan to

Red Flags of Fraud

It is always important when making a purchase to make sure that you are getting the good or service that you are paying for. This is often more difficult when shopping at home because you do not have direct contact with the business you're purchasing from and don't get to inspect your purchase before buying. The list of Red Flags of Fraud is from the United States Office of Consumer Affairs. They alert you to clues to watch for while shopping at home to avoid being disappointed with your purchases.

- "Sign now or the price will increase."
- "You have been specially selected."
- "You have won."
- "All we need is your credit card (or bank account) number—for identification only."
- "All you pay for is postage, handling, and taxes."
- "Make money in your spare time—guaranteed income."
- "We really need you to buy magazines (a water purifier, a vacation package, office products) from us because we can earn fifteen extra credits."
- "I just happen to have some leftover paving material from a job down the street."
- "Be your own boss! Never work for anyone else again. Just send in \$50 for your supplies."
- "A new car! A trip to Hawaii! \$2,500 in cash! Yours, absolutely free! Take a look at our. . . ."

- "Your special claim number entitles you to join our sweepstakes."
- "We just happen to be in your area and have toner for your copy machine at a reduced price."

Remember, the smart consumer always looks at the total price before deciding and checks out the company and product before buying.

Stay away from telemarketers who want to

- send a courier service for your money.
- have you send money by wire.
- automatically withdraw money from your checking account.
- offer you a free prize but charge handling and shipping fees.
- ask for your credit card number, checking or savings account number, Social Security number, or other personal information.
- request payment in advance, especially for employment referrals, credit repair, or providing a loan or credit card.

Stay away from lotteries, pyramid schemes, and multilevel sales schemes. They're all good ways to separate you from your money.

Pluses and Minuses of Shopping at Home

Before participating in this unit's activities, please take a few minutes to list the advantages and disadvantages of buying through mail order, party plans, door-to-door, television, and Internet.

	<i>Pluses +</i>	<i>Minuses -</i>
Mail order		
Party plan		
Door-to-door		
Television		
Internet		

Mail Order Markets

Consumer Responsibilities

Read all ads carefully. Find out if items can be exchanged or returned. Compare the item and its costs with what is available locally. Understand credit charges and payment plans. Check on the reputation of the company.

If ordering by mail, complete all blanks on the order form. Print clearly or type. Use a preprinted customer label if provided.

Pay by check, money order, or charge account. Never pay cash.

Keep a copy of your order, the ad or catalog, any letters you send, and a record of the company's name and address and mailing costs.

If ordering by phone and paying by credit card, make sure that you have the sales representative repeat back to you all important information. Make a note of your total—goods, tax, and shipping and handling—so you can make sure that you are billed for the correct amount.

If you receive something and are not satisfied or decide to return it, follow the company's policy on replacement, repair, and returns. If you don't know what to do, contact the company first and ask. Don't return the item without making contact with the company.

Consumer Rights

According to the Federal Trade Commission's Mail Order Rule, mail order companies must ship your order within the time promised or within thirty days of receipt of your order and payment.

If the company has to delay sending your order, the seller must notify you when your order will be shipped. If the new delivery date is more than thirty days in the future, you can either accept the new date or cancel the order. The seller must provide you an easy, no-cost way for canceling.

If you receive a product in the mail that you did not order, consider it a gift. (Make sure someone else in your family did not order it or you forgot that you ordered it.)

When you use your credit card for mail order purchases and you don't receive the goods or services or they were defective or misrepresented, additional credit card protection rights can assist in obtaining refunds or replacements. If necessary, contact your credit card company or your state and local consumer protection offices to discuss your credit card protection rights.

If you received damaged merchandise, you can send it back without opening the package. Write "Refused" on the package. No new postage is needed if you have not opened the package unless it came by insured, registered, certified, or COD mail and you signed for it.

If you opened the package and found the merchandise was damaged and you want to return it, enclose a note stating the problem, repackage it, add new postage, and mail back by certified or registered mail.

Evaluating Mail Order Ads

Use this form to judge the usefulness of mail order information or a mail order catalog. Pick a product you might buy and provide the information asked for below.

- Name and address of company
- Product
- Describe any illustrations or pictures provided.
- Do the pictures or illustrations leave anything to the imagination or could they possibly mislead? How?
- List the facts you learned from reading the ad for the product.
- What questions do you have about the product that are not answered in the ad?
- List any guarantees, warranties, or return policies mentioned.
- List all charges required for ordering—price, handling and shipping, shopping, credit.
- What is your overall evaluation of this mail order opportunity?

For further information see the current issue of the *Consumer's Resource Handbook*, available from Handbook, U.S. Office of Consumer Affairs, 750 17th Street N.W., Washington, D.C. 20006-4607.

Direct Sales Savvy

Direct selling is a form of retailing. Its main feature is that goods are sold outside a shop or store. Major products sold by this method are cosmetics, vacuum cleaners, reference books, clothing, houseware items such as plasticware and cookware, household cleaning supplies, craft supplies, jewelry, toys, and food supplements. Consumers make purchases by placing orders with a salesperson who has visited them at home or by purchasing items demonstrated at a group sales party in a friend's home. Consider the following questions:

- 1. Is the salesperson what he or she claims to be?** Honest salespeople will tell you their name, the company they represent, and the products or services that they are offering. Ask for identification. Honest salespeople won't say they're taking a survey or a census or make other false, confusing, or misleading statements about their intentions.
- 2. How can I reach the salesperson and the company?** Ask the salesperson for names and phone numbers: where he or she is located and how the salesperson and the company can be reached if you need assistance concerning the product you have purchased.
- 3. Does the salesperson present the product fairly?** It's quite easy to spot those few salespeople who don't present their products in a straightforward way. They often have a memorized sales pitch and will attempt to manipulate your decision-making process by asking you to agree with "mini-decision" questions as the presentation progresses, leading you firmly toward the salesperson's objective

of a yes answer to the final question, "Will you buy?" Are product claims realistic or are they overly exaggerated? Don't be afraid to ask questions!

- 4. Does the salesperson make all price and credit information understandable?** Do you understand the price of the product? Does the company explain its credit terms clearly? Is there a phone number you can call for assistance with payment errors or problems? Many direct selling companies have a toll-free courtesy phone service or an action-line phone to the billing department.
- 5. If there is a sales contract, do you understand it?** Government regulations require that contracts spell out the terms of the sale to protect you—the buyer. The Federal Truth in Lending Act requires that the finance charge on a credit purchase be disclosed and the annual percentage rate be clearly stated. Make sure that all blank spaces are filled in before you sign. Get a copy of any contract you sign. Make sure the terms of the contract are the same as those the salesperson told you in the presentation.
- 6. Does the company subscribe to a strong code of ethics?** Most major direct selling companies are members of the Direct Selling Association and subscribe to a strict code of conduct. Ask the salesperson if the company belongs to the association and ask for proof. You can write to the association at Direct Selling Association, 1730 M Street, N.W., Washington, D.C. 20036 for a list of members in good standing.

Staging a Selling Situation

Pick one of the following situations and make up a three- to five-minute skit with two plots. Dramatize a poor or negative direct selling situation and change the situation to make it positive, one in which the consumer is satisfied. The consumer may or may not decide to buy.

1. Mr. and Mrs. Lornow have two elementary school-aged children. A reference book salesperson is visiting their home to sell the product.
2. Mrs. Olgando lives alone and needs a new vacuum cleaner. She is visited by a vacuum cleaner salesperson.
3. Marian Cumming is having a toy party at her house for a group of friends from the neighborhood and the office. Dramatize the situations of at least two of her friends attending. One could be a grandmother of four, another a single parent.
4. Robert Jordan lives alone and is visited by a salesperson for a cleaning products company.

The effective consumer in direct selling situations

- makes sure the salesperson and company are reputable.
- does not buy anything without thinking it over even if it takes several days. It is not wise to deal with a salesperson who says that the deal is available "today only."
- does some comparison shopping at neighborhood stores to become familiar with prices and product qualities.
- decides if she or he really wants or needs what is being sold. Can the money be used for something else that is needed more?
- knows the details of any contracts. The federal and state governments require that a seller give you a cancellation or "cooling-off" period of three days for any purchase more than \$25.

Internet Shopping

Internet shopping is by far the fastest growing segment of sales today. You can find almost anything you would like to purchase just by entering that good or service into your Web browser and pressing "search." But because of its rapid expansion, the Internet has proven difficult to regulate, and scams and frauds abound. It is extremely important to be aware of what Internet businesses are all right to deal with and which to avoid before sending off your credit card number to an unknown fate.

B@sics of Shopping the Internet

Certainly on-line shopping is convenient, and a world of choices are available with the click of a few keys. Use the following information to be sure that your visits to the Cyberspace Shopping Center are safe and satisfying.

1. Security is your first priority. Unsecured information that is sent out over the Internet can be intercepted. Choose a secure browser that will encrypt or scramble purchase information. Examples of browsers that comply with industry standards are Secure Sockets Layer (SSL) or Secure Hypertext Transfer Protocol (SHTTP). Your Internet connection service usually includes these browsers. This is a new and emerging technology so advancements and improvements are continually being made. If you do not have a secure encryption software package, consider ordering desired merchandise by calling the company's 800 number, faxing, and paying by check or money order.
2. Shop with companies you know. When you find advertisements that are interesting,

first ask for a paper catalog or brochure to get a more complete idea of the merchandise and services offered, return and refund policies, and a verifiable mailing address before you place your order.

3. Never, never, never give out your Internet password. Do not use easily discovered numbers such as your birthday or Social Security number. American Express even recommends using different passwords for different areas of the Internet.
4. Be very cautious about giving out personal information to vendors or others on the Internet. Information on the Internet is of great use to consumers, but there are some con artists who have used telemarketing, infomercials, newspapers, magazines, and the like to attract consumers to their scams and have turned to the Internet for yet another way to set up the unwary for fraudulent deals. Remember what you learned in Activity 1, "Red Flags of Fraud."
5. Be very careful when keying in the ordering information. An extra 0 on the end of your quantity ordered could give you quite a surprise if ten guitar amp cords arrive at your doorstep when you thought you had ordered one.
6. Your purchase transaction is protected by the Fair Credit Billing Act. (More information on credit protection may be found in Unit 8, "The Credit Is Yours.")
7. Always print out a copy of your order and confirmation number for your records.

The Internet is regulated by the Federal Trade Commission (FTC). You can access the FTC Consumer Line at <http://www.ftc.gov> on the World Wide Web.

Source: Cyber/shopping, © 1996, American Express.

Pluses and Minuses of Shopping at Home

Now that you have learned more about shopping at home, please list advantages and disadvantages of buying through mail order, door-to-door, party plans, and television direct response sales.

	<i>Pluses +</i>	<i>Minuses -</i>
Mail order		
Party plan		
Door-to-door		
Television		
Internet		

The most important thing I discovered about shopping at home is

If a friend asked for three pieces of advice on mail order shopping, I'd say

Wrap-Up

Complete the following statements:

The best part of this unit was

The worst part of this unit was

I have never thought about

I wish we had spent more time doing

Now that I learned more about shopping at home I plan to

My Consumer Behavior

Before participating in the activities in this unit, take a few minutes to think about and describe yourself as a consumer. Put an X on the line at the place that best describes your consumer habits.

For the products I use or buy regularly I usually

Stick with one brand that
I know is best.

Am always trying different
brands in hopes of finding
a better product.

Why?

List some ways you can get information about a product or service before you buy.

Opening the Issue

Read through each situation and check somewhere along the line below to show how you might react.

Situation 1

It's your birthday and your parents decide to let you pick out your own birthday present. You have \$200 to spend and decide that a pair of roller blades is just what you need. What do you do?

Buy the first one you found for less than \$200.

Conduct a careful search at several stores for the best buy.

Situation 2

You have your first part-time job and will be getting weekly paychecks. You would like to deposit half of each check to save for some future need. What do you do?

Open a savings account where your friend opened one last week.

Call around to find out about different savings plans.

Situation 3

You had an unusually bad day and wander down the street window shopping on the way home. A yellow shirt in one window catches your eye and looks like just what you "need" even though you really can't afford it. What do you do?

Wait and see if it still looks good tomorrow.

Buy it immediately.

Situation 4

You heard someone on the radio giving advice on consumer problems. This person said that you should always plan your purchases before you go shopping. You should specify exactly what you want in a product and then shop around until you find the least expensive item that meets your criteria. What do you think?

It's a good idea. I should always try to do that.

It's not a good idea. I would waste a lot of time doing that.

Write down characteristics of a product or service you want to think about buying. Share your thoughts with others.

Name of product or service: _____

Answers for Purchase Particulars

After talking about purchase particulars, please answer the following questions:

1. For what purchases would this activity be a good idea?
2. What purchases are made more by habit than after consciously making comparisons?
3. When might you do a little more comparing for products you regularly buy?
4. When might you do less comparing?
5. No one product has all the characteristics you want. What can you do?
6. Before you buy a service, how can you find out about some of its particulars and characteristics?

This activity is adapted from J.C. Penney Company, Inc., J.C. Penney Consumer Education Services, "Product Particulars," Consumer Information, Module 4, 1977.

Exploring Consumer Products

The Claims and the Facts: Shampoos

Most shampoos are mainly made up of detergent and water. Detergent disperses oil and dirt and allows it to mix with water and rinse out, but it doesn't leave a film as soap can.

In studies by the Consumers Union, a shampoo's detergency didn't make any difference in which brand testers preferred, nor did pH or protein. Use testing will be a much better guide than ad claims.

Think about the following statement: "Shampoo ads sell dreams of an image, but all you can buy is a shampoo."

What Is Your Shampoo Use Profile?

- How frequently do you shampoo?
- What shampoo(s) do others in your family use?
- Do you look for any special type of shampoo? If so, what?
- What shampoo are you using now?
- How long have you been using this shampoo?
- What other shampoos have you used in the past six months?
- Who buys the shampoo you use?
- If you buy it, do you compare prices?
- Have you used a store-brand shampoo in the past six months?
- Why did you choose the shampoo you are now using?

Saving Money on Shampoos

Here are some ways to save money on shampoos. Rank them in order of their appeal to you. Make the one you'd be willing to try first Number 1. If there is one you would not be willing to try, place an X on the line instead of a number.

- A. ____ Switch to a store-brand shampoo.
- B. ____ Lather only once per shampoo instead of twice.
- C. ____ Save shampoo by measuring it when using it.
- D. ____ Stretch shampoo by diluting it with water right before shampooing.
- E. ____ Use a bar of soap.
- F. ____ Make homemade shampoo.
- G. ____ Shampoo less frequently.

Try a Money-Saving Option

Select one of the ways of saving money when buying shampoo from the list on Teen Sheet T-5-6A. Then follow these steps to learn how much money you could save.

Step 1: Compute the price per ounce for the shampoo(s) you will use in this experiment.

Brand	Price	÷	Ounces	=	Price per ounce
A _____	_____	÷	_____	=	_____
B _____	_____	÷	_____	=	_____

Step 2: Figure out the cost per shampoo of your current shampoo. Pour out into your hand the amount of shampoo you would use to wash your hair. Measure it in ounces. Do the same thing again three more times. Calculate the average amount of shampoo you would use each time you wash your hair. (Add all four measurements together and divide by 4.)

Ounces used for one shampoo _____

(If you usually lather twice, be sure to include both measurements so as to get the accurate number of total ounces used per shampoo.)

Price per ounce of your shampoo _____

Total cost per shampoo _____

Step 3: Determine the cost per shampoo with cost-saving option.

Ounces used for one shampoo _____ (same as first calculation)

Price per ounce of alternate product _____

Total cost per shampoo _____

Step 4: Compare costs of both ways of shampooing over one year.

	Cost per shampoo		Number of shampoos per year	=	Cost per year
A (current shampoo)	\$ _____	×	_____	=	_____
B (Cost-saving option)	\$ _____	×	_____	=	_____
Total savings per year (subtract line B from line A)				=	_____

Evaluate: Is it worth the difference in price to make a change in the brand of shampoo you use?

Product Substitution Exercise

Step 1: Compute the price per ounce for the orange juices you will use in this experiment. Use fresh squeezed, national brand frozen, and generic frozen orange juice.

<i>Brand</i>	<i>Price</i>	\div	<i>Ounces</i> <i>(prepared)</i>	$=$	<i>Price per</i> <i>ounce</i>
Example: Florida Pure OJ	\$1.89		48 oz.		\$.04
A					
B					
C					

Step 2: Figure out the cost per serving of each juice in the experiment. Pour out and measure the number of ounces you normally drink as a serving: _____ ounces

<i>Brand</i>	<i>Price</i> <i>per ounce</i>	\times	<i>Number of ounces</i> <i>in my serving</i>	$=$	<i>Cost per</i> <i>serving</i>
Example: Florida Pure OJ	.04		7 oz.		\$.28
A					
B					
C					

Step 3: Compare costs of all three products over one year.

<i>Brand</i>	<i>Cost per</i> <i>serving</i>	\times	<i>Servings</i> <i>per week</i>	$\times 52$	$=$	<i>Cost per</i> <i>year</i>
Example: Florida Pure OJ	\$.28		14			\$203.84
A						
B						
C						

TEEN SHEET T-5-6B

Trade-Offs

The Opportunity Cost

The sad fact of being a consumer is that money doesn't grow on trees! Have you ever heard that before? When you choose to spend money on one item, it is no longer available to spend on other items. That is what we call opportunity cost.

If you spend \$150 on a new winter coat or a prom dress, you could have bought lots of other things with that money but you didn't.

That \$150 might have bought

1 portable disk player, or
 10 CDs, or
 3 or 4 pairs of jeans, or
 30 lunches at a fast-food restaurant, or
 20 tickets to a feature film, or
 4 or 5 tickets for a band concert.

Before making a purchase, ask yourself, "What am I giving up in the future so I can make this purchase now?"

Calculate a cost per use for the products listed below. Add a few examples of your own.

<i>Product</i>	<i>Cost</i>	<i>Probable number of uses</i>	<i>Cost per use (cost divided by number of uses)</i>
Winter coat	\$150	Every day for 3 months per year for 3 years = 270 wearings	\$.55 per use
Jeans			
CD			
Lunch			

Food Choices: You Be the Judge

Brands and Names

Taste, nutrition, economy, use, and convenience are some of the reasons why people select the foods they do. You've heard it said often and it applies to food too—there's no one "best buy." Consider your needs, finances, time, and what's available, then you can find your "best buy."

Fill in the chart below for the foods you are judging.

	Price/container	Price/net ounces	Label ingredient and nutrition information	How would you use this product?
Store Brand				
Name/ National Brand				
Generic Brand				

1. Why does the price per container for the same type of food differ?
2. What does the label tell you about differences among the foods? The ingredient listed first is the one the product contains in greatest quantity by weight, the second ingredient listed is the next by weight, and so on.
3. How do the package's appearance and design influence you?
4. Which product is your best buy?

TEEN SHEET T-5-6D

Blind Taste Test

Name of product _____

Answer before sampling products.

• How should this product look, smell, and taste? _____

• Do you have a favorite brand? Yes No

If so, which one? _____

	<i>Product Code</i>	<i>Product Code</i>	<i>Product Code</i>
Describe texture			
Describe appearance			
Describe aroma			
Describe taste			
Rank order preference			
Comments			

TEEN SHEET T-5-7

Price Check

Do you think some stores sell for a cheaper price than other stores? The best way to answer this question is to investigate and to compare prices at different stores in your community. The comparison is valid only when you use identical products or those of the same quality.

Let's compare identical products. Choose four or more products to check for price differences among stores. Be sure to compare the same make or brand and quality or model. Check prices in at least three different stores. Try to visit at least two different types of stores—department, variety, specialty, discount, convenience, outlet.

Product				
Brand				
Model/size/				
Title/size/				
Style				

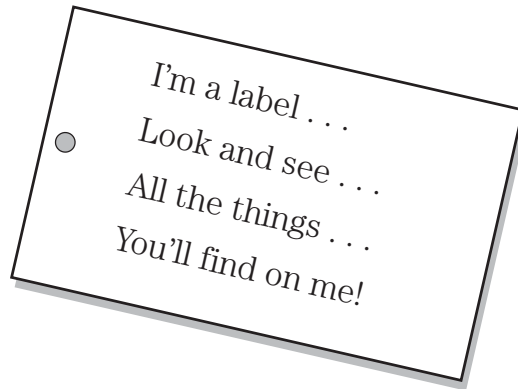
Record price of each product in each store.

Product				
Store 1				
Store 2				
Store 3				

Questions to Think About

- Did you find price variations? What product had the greatest price variation? What product had the least?
- Did one store tend to have lower prices? Which store or stores had the lowest prices for each product?
- Did the stores differ in appearance and service to the customer? If so, what were the differences?
- What was the return policy at each store? Did some stores have stricter conditions or a “no return” policy?
- Give some reasons why consumers find different prices for the same product in a community.

I'm a Label

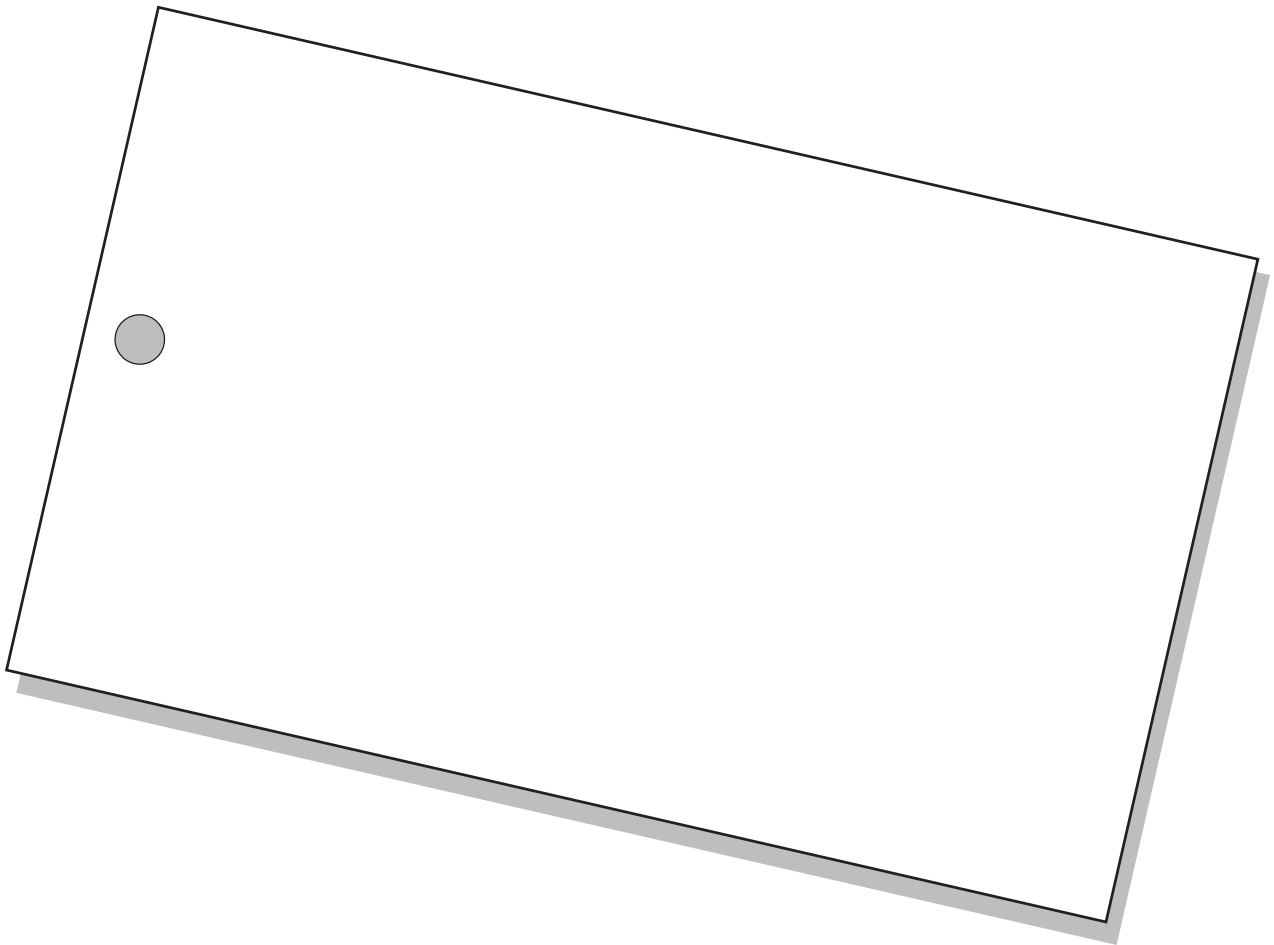


- | | |
|--|---|
| <input type="checkbox"/> Price | <input type="checkbox"/> Guarantees |
| <input type="checkbox"/> UPC code | <input type="checkbox"/> Construction or design features |
| <input type="checkbox"/> Brand name | <input type="checkbox"/> Address of company |
| <input type="checkbox"/> Type of product | <input type="checkbox"/> Weight of box |
| <input type="checkbox"/> What the product is made of
(fiber content, ingredients) | <input type="checkbox"/> Proof-of-purchase seal |
| <input type="checkbox"/> Special claims | <input type="checkbox"/> How the product will function |
| <input type="checkbox"/> Directions to open and seal the box | <input type="checkbox"/> Coupons |
| <input type="checkbox"/> Recipe information | <input type="checkbox"/> Free offers |
| <input type="checkbox"/> Picture of product | <input type="checkbox"/> Packing information |
| <input type="checkbox"/> Dating (pull date/use by date) | <input type="checkbox"/> Coding |
| <input type="checkbox"/> Company trademark | <input type="checkbox"/> Seals of approval (e.g., Underwriters
Laboratory) |
| <input type="checkbox"/> Nutritional labeling | <input type="checkbox"/> Directions for use |
| <input type="checkbox"/> Directions for care | <input type="checkbox"/> Other |

Label Language

Design a label for the product you have chosen. Include the information you believe necessary, giving emphasis where you feel it is needed. Information that could be included: directions for use or care, ingredients or composition, seal of quality, name and address of manufacturer, warranties, brand or model, performance, how the product is expected to work.

Product _____



My Buy-Wise Plan

Name of product I want to buy: _____

Buy-wise decision making is a plan—a way of thinking about making purchases. It is a strategy to overcome impulse-spending urges. You can think of it as a series of questions. If you ask them, you might find that they help you make consumer decisions that you feel good about. You can often avoid buying items that you don't really need and feel guilty for having purchased. You will also gain satisfaction from knowing that you tried to find the best possible product at the best possible price.

Questions to Think About

1. Do you really need this item? Why? What satisfaction will it bring you? Is there something else you will need more in the future?
2. Do you have sufficient resources? Can you afford the item without having to sacrifice something else? Which is more important? Is there a way to accomplish the same objective without spending money?
3. What do you want the product to do? What are your expectations? What criteria should the product meet?
4. What do you need to know before you buy the item? Where can you find the information?
5. How much time and effort are you willing to use to get the information? Is your need for information great enough and the cost of the product high enough to justify a search for information?
6. Have you answered the first five questions? Are you sure of your needs, resources, and criteria? Do you know what information you need? Did you find a product that meets your needs, resources, and criteria? Is it the best choice you can make? If not, perhaps you need to begin asking questions again.

Comparing Products

Features I value:

(List things such as size, design, composition, construction, price range, product care, warranty coverage)

Other things I value:

(List store services, policies that back the product—credit, return policy, free alterations or installation, technical support)

Information I will get before I buy:

(Product testing reports, whether people who already own it like it)

Where I plan to shop

(Stores that might carry the product)

Check It Out

Use the chart below to record what you learned in shopping for your product. Try to find products that are very similar in two or three stores.

Name/Brand	Price	Store name	I like this	I don't like this	Other things to remember
1.					
2.					
3.					
4.					
5.					

Questions to Discuss

- Which product will or would you choose?
- What advice would you give a friend who wants to purchase the same thing?
- What did you learn by shopping for this product that you will use when shopping for other things?

My Consumer Behavior

Now that you have compared products and product information in this unit, please answer the following questions. Put an X on the line at the place that best describes your consumer habits. For the products I use or buy regularly I plan to

Stick with one brand that
I know is best.

Am always trying different
brands in hopes of finding
a better product.

Why?

List some ways you can get information about a product or service before you buy

Because of some things I learned in this unit, when I choose a product
or service in the future I will

Wrap-Up

Complete the following statements:

1. The best part of this unit was
2. The worst part of this unit was
3. I had never thought about
4. I wish we had spent more time doing
5. Now that I have learned more about consumer awareness, comparison shopping and buy-wise decision making, I plan to

To Save or Not to Save

What spot on the line best describes your use of money?

When I get money from a job or as a gift,

I immediately put it in a safe place
and save it as long as possible.

I have it spent almost before the
money touches my hand.

When teens get money, either by earning it or from a gift or allowance, deciding to save it or spend it is a hard choice. How do you decide?

Immediate Gratification or Deferred Consumption?

These words simply mean, Do you spend your money on things or services that you use (consume) now, or do you set your money aside (defer) for things or services you will need in the future? Usually people need to divide up their money for both uses.

Suppose you have some money and you decide to buy a bicycle. The bicycle will give you years of use. It may even help you save money by giving you time and providing transportation to classes or a job. It can be an investment in your health if you bicycle for exercise. It can provide you with hours of pleasure if you bicycle for fun.

When you sell the bicycle, however, you will rarely get as much as you paid for it because it will depreciate in value. The longer you keep the bicycle and the less you maintain it in good working order, the more it depreciates. By the time you finish with it, the bicycle will be worth a fraction of its original

value. A bicycle gives lots of service for your money, but buying a bicycle does not make your money grow.

Saving the money will not give you an immediate benefit, but if the money is well invested, it should appreciate (increase in value) over time. By saving or investing your funds, you allow the money to work for you.

A savings account appreciates because the savings institution (bank, credit union, or investment firm) pays you interest for the privilege of using your money to make loans to other customers who borrow for their immediate spending needs. Individuals borrowing money for home mortgages or to establish a business or remodel a home pay the financial institution a rate of interest, and the financial institution pays part of that amount back to you as interest on your investment. If you leave the interest in your account, that money too can be loaned to others who pay interest on your interest. That is called compounding, and it is a powerful way to increase your wealth.

To Buy Now or Later

When you get money, you have to make a decision. Should you save it and make money on it, or should you spend it and get the benefit of immediate use of the service or item you buy?

If you had money in hand, which of the following items would you buy? For the goods, think of the pleasure or use you would receive from them now. For the savings, think of having more money in the future than you do now. You have to decide how important the good you would buy is compared with the value of the purpose for which you will use the money in the future.

Goods

CD player

Bicycle

Clothes for school

Clothes for wardrobe

\$2 per day for after-school snacks

Movie tickets for Saturday night

New athletic shoes

Save for a car

Save for college

Savings

Save for a car stereo

Save for a car

Save for clothes for a professional wardrobe

Save for a trip

Save for a security deposit on your first apartment

Save to see a Broadway play or concert this summer

Save for a suit or dress for the prom

Save for a down payment on a house

Save for a surprise gift for Mom's birthday

Discussion Questions

1. Did all members of your group pick the same items each time?
2. Why did you pick the items you did? Did dollar amounts required for each item make a difference to you? Did how long you have to save for the items affect your choice?
3. What do your choices tell you about yourself? Do you enjoy spending on some items, for example sporting goods, but not on other items?
4. Tally your answers. Are you more of a spender or a saver, at least for the items listed?

How Savings Can Work for You

Even if you see yourself as a spender rather than a saver, you probably have some need to save. You might want to further your education, buy a car, save for a deposit on your first apartment, or take a trip. You may rightly think that having some savings will help you in case of unexpected events that require emergency funds.

The first question to decide about savings is, "How much should I save?" Obviously, the answer to that question is personal and unique to you and your circumstances. In the space below write down some of the items for which you want to save money, when you want to purchase each item, and how much you think it will cost. Remember that inflation will raise the prices of most items by about 3 percent per year.

I want to save for

Amount needed

When

Look at your list and decide which item you want most. Circle it. We will use it later for an example.

The next question is, "How much must I save to have the amount needed when I want to purchase the item?" We will answer the question of how much to save in two ways. (1) How much would you have to save in one big sum right now to have enough in the future? (2) How much would you have to save each week or month to have enough to reach your goal in the future? There are two important financial concepts to understand relative to savings: inflation and interest.

The Inflation Factor

Over a period of years, prices of most goods and services tend to rise about 3 percent per year. Some years prices rise more than 3 percent, some years less, but on average most financial experts recommend using 3 percent as a good estimate. This means that if an item costs \$10.00 today, next year it is likely to cost \$10.30, the following year \$10.62, the year after \$10.94, and so on. This price rise is called inflation because it inflates or makes prices increase. The cost of some items has gone up more than 3 percent (college education) and some have gone up less than that (housing). Some items have actually gone down in price (computers, calculators). The item you are saving for may go down in price, but most likely it will go up.

The Interesting Thing about Interest

Most people know that earned interest is the amount of payment you receive for allowing a financial institution or company to use your money. What many people don't realize, however, is how important a part interest can play in helping you achieve your financial goals. Study the following charts carefully to understand the power of compounding. Compound interest is the term used for interest you earn on previously earned interest.

Example: If you save \$10.00 per month at 5 percent interest, which is compounded quarterly, you will have this much at the end of

1 year	2 years	3 years	4 years	5 years	10 years	15 years	20 years
\$123.29	\$252.86	\$382.03	\$532.13	\$682.53	\$1,557.56	\$2,679.38	\$4,117.59

There are two opposing forces working on your money. Inflation reduces its value, and interest increases its value. Clearly, it will be important to invest your money in a place where it will increase more than decrease. You will want to look for a savings option that gives you more than the inflation rate in interest. Your real interest rate, then, will be the difference between the interest rate you are paid and the inflation rate. At this writing, most small savers can figure that an average savings account will give them about 2.5 to 3 percent in interest. If inflation were running at 3 percent, the saver would actually lose buying power or at best get no real return on his or her money held in a regular passbook savings account.

Source: <http://hammock.ifas.ufl.edu/tst/fairs/50110>.

The Impact of Time Value of Money at 9 Percent Interest

Total of \$18,000 invested

<i>Age</i>	<i>Contributions Made Early</i>
22	2,000
23	2,000
24	2,000
25	2,000
26	2,000
27	2,000
28	2,000
29	2,000
30	2,000
31	0
32	0
33	0
34	0
35	0
36	0
37	0
38	0
39	0
40	0
41	0
42	0
43	0
44	0
45	0
46	0
47	0
48	0
49	0
50	0
51	0
52	0
53	0
54	0
55	0
56	0
57	0
58	0
59	0
60	0
61	0
62	0
63	0
64	0
65	0

Amount Available at age 65 **\$579,471**

Total of \$70,000 invested

<i>Age</i>	<i>Contributions Made Later</i>
22	0
23	0
24	0
25	0
26	0
27	0
28	0
29	0
30	0
31	2,000
32	2,000
33	2,000
34	2,000
35	2,000
36	2,000
37	2,000
38	2,000
39	2,000
40	2,000
41	2,000
42	2,000
43	2,000
44	2,000
45	2,000
46	2,000
47	2,000
48	2,000
49	2,000
50	2,000
51	2,000
52	2,000
53	2,000
54	2,000
55	2,000
56	2,000
57	2,000
58	2,000
59	2,000
60	2,000
61	2,000
62	2,000
63	2,000
64	2,000
65	2,000

Amount Available at age 65 **\$470,249**

Source: High School Financial Planning, 1997, National Endowment for Financial Education, Denver, Colorado 80237-3403.

Saving for Future Goals

Investing a Large Sum

One way to save for the future is to deposit a large sum today and allow it to stay in the account, earning the highest interest possible until you need the money. If the interest rate you are paid is high and the time before you need the funds is long, you will not need as large an initial deposit.

Let's use an example to show how this is calculated:

Brian wants to buy a good used car in three years, when he goes away to college. The average price for a good car today is \$3,000. Because of inflation at 3 percent per year, he can expect to pay almost \$3,300 when he buys the car three years from now. How much will he have to invest now at 5 percent interest to have \$3,300 in three years?

Use the table on the back of this page. Select the Interest Compounding Factor column labeled 5%. Go down the table until you get to the row marked 3 years. This number is the compounding factor. Divide this number into the total goal to arrive at the dollar amount needed to deposit today, at that interest rate, for the investment to grow to the goal amount by the deadline.

For our example:

Goal	÷	Compounding factor (5% by 3 years)	=	Amount needed to invest today
------	---	---------------------------------------	---	-------------------------------

3,300	÷	1.158	=	\$2,849.74
-------	---	-------	---	------------

If Brian invests \$2,849.74 today and it earns 5 percent interest for three years, it will be worth \$3,300 at the end of that time.

Now try this formula with your own personal goal.

Lump sum I need now to achieve my future goal _____

Goal compounding factor = _____

Use the remaining space to do the same calculation for your other goals. Try experimenting to see how much difference a 1 or 2 percent difference in interest rates can make in your earnings.

Future Value of a Lump Sum after a Given Number of Time Periods

<i>Period</i>	<i>Interest Compounding Factor</i>										
	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%	11%
1	1.010	1.020	1.030	1.040	1.050	1.060	1.070	1.080	1.090	1.100	1.110
2	1.020	1.040	1.061	1.082	1.103	1.124	1.145	1.166	1.188	1.210	1.232
3	1.030	1.061	1.093	1.125	1.158	1.191	1.225	1.260	1.295	1.331	1.368
4	1.041	1.082	1.126	1.170	1.216	1.262	1.311	1.360	1.412	1.464	1.518
5	1.051	1.104	1.159	1.217	1.276	1.338	1.403	1.469	1.539	1.611	1.685
6	1.062	1.126	1.194	1.265	1.340	1.419	1.501	1.587	1.677	1.772	1.870
7	1.072	1.149	1.230	1.316	1.407	1.504	1.606	1.714	1.828	1.949	2.076
8	1.083	1.172	1.267	1.369	1.477	1.594	1.718	1.851	1.993	2.144	2.305
9	1.094	1.195	1.305	1.423	1.551	1.689	1.838	1.999	2.172	2.358	2.558
10	1.105	1.219	1.344	1.480	1.629	1.791	1.967	2.159	2.367	2.594	2.839
11	1.116	1.243	1.384	1.539	1.710	1.898	2.105	2.332	2.580	2.853	3.152
12	1.127	1.268	1.426	1.601	1.796	2.012	2.252	2.518	2.813	3.138	3.498
13	1.138	1.294	1.469	1.665	1.886	2.133	2.410	2.720	3.066	3.452	3.883
14	1.149	1.319	1.513	1.732	1.980	2.261	2.579	2.937	3.342	3.797	4.310
15	1.161	1.346	1.558	1.801	2.079	2.397	2.759	3.172	3.642	4.177	4.785
16	1.173	1.373	1.605	1.873	2.183	2.540	2.952	3.426	3.970	4.595	5.311
17	1.184	1.400	1.653	1.948	2.292	2.693	3.159	3.700	4.328	5.054	5.895
18	1.196	1.428	1.702	2.026	2.407	2.854	3.380	3.996	4.717	5.560	6.544
19	1.208	1.457	1.754	2.107	2.527	3.026	3.617	4.316	5.142	6.116	7.263
20	1.220	1.486	1.806	2.191	2.653	3.207	3.870	4.661	5.604	6.727	8.062
25	1.282	1.641	2.094	2.666	3.386	4.292	5.427	6.848	8.623	10.835	13.585
30	1.348	1.811	2.427	3.243	4.322	5.743	7.612	10.063	13.268	17.449	22.892
40	1.489	2.208	3.262	4.801	7.040	10.286	14.974	21.725	31.409	45.259	65.001
50	1.645	2.692	4.384	7.107	11.467	18.420	29.457	46.902	74.358	117.390	184.570

Source: Jack Kapoor, Les R. Dlabay, and Robert J. Hughes, *Personal Finance* (Homewood, Ill.: Irwin, 1996).

Investing with Regular Deposits

Although you may win a lottery or sweepstakes or receive an inheritance, which would give you a large sum to invest, most people have to save up a little at a time. Let's ask, "How much would I have to put aside each week or month to have enough to buy what I want?"

Let's use the example of saving \$5,000 for college in four years. To find out how much you need to save each week to reach this goal, simply divide the total amount of money needed by the number of weeks until you need the money. In this case, assume there are four full years until the deadline, or 208 weeks. Dividing \$5,000 by 208 gives the amount (\$24) needed each week to save a total of \$5,000. Now is the time to look again at the savings goal you set earlier. Transfer your goal to the line below.

My Financial Goal:

\$ _____ ÷ _____ = _____

Goal \$ _____ divided by number of weeks = weekly savings

Weekly savings times 4 = monthly savings—the amount I need to save each month to achieve my future goal

Calculate the total number of weeks between today's date and the date of your financial goal deadline and divide the total goal by the number of weeks for a weekly savings amount.

Example:

Goal = \$2,000 for a senior class trip in two years. There are 104 weeks until my deadline.
\$2,000 divided by 104 weeks = \$19.23 needed to save each week.

If these funds are invested in an account that earns more than the rate of inflation, you will have earned interest during the two years so will actually have more than the \$2,000 goal. The interest rate and frequency of compounding and crediting interest to the account will determine how much more than the \$5,000 or the \$2,000 goal will be earned.

Example:

\$5,000 goal

\$24 per week would equal \$96 invested per month. At 6 percent interest, this savings plan would result in total savings at the end of four years of \$5,193.39.

\$2,000 goal

\$20 per week would equal \$80 invested per month. At 6 percent interest, this savings plan would result in total savings at the end of two years of \$2,034.56.

Investing Your Nest Egg

Which one of the following savings options would you choose'?

1. Leave savings in piggy bank at no interest
2. Passbook savings at 3.5 percent
3. Certificate of deposit (CD) at 5 percent
4. Stock at 15 percent return on your money

Be SLY about Investing Your Nest Egg

With no more information than that given, you probably picked the last choice—investing in a stock. The return is much greater than for other options. But you have to be SLY about investing—know how to evaluate various savings choices. SLY means *Safety*, *Liquidity*, and *Yield*.

Safety

Safety means “Can I get all my money back?” Absolutely safe investments are those with federal or state insurance. Even if the bank or savings and loan or credit union goes bankrupt, the government would pay you the amount of your account up to \$100,000. Investing in the stock market is less safe. If the price of the stock you purchased fell, you would lose all or part of your original investment.

Liquidity

Liquidity means “How easily can I get my money out of the investment?” The most liquid type of account is a passbook savings account because you can usually get cash when you want it from your savings account even if the bank is not open, since most

banks now offer automated teller machines (ATMs) in many convenient locations. A certificate of deposit (CD) is an example of a less liquid investment because you must leave the money in the account for a predetermined period of time (for example, six months, one year, two years). If you withdraw the money early, you will pay a penalty—that is, you will forfeit some of the interest you would otherwise have earned.

Yield

Yield means “How much interest or return will I make on my money?” The higher the yield, the more money you have when you take your investment out. One of the sad rules of investments is that the safer and more liquid the investment, generally the lower the yield. If you picked investing in a stock as your first choice, it was probably because the yield of 15 percent was much greater than for the other options. Although your money has the potential to grow much faster, it is also less safe.

There are numerous ways for financial institutions to calculate interest, and the differences make a clear comparison of one savings option to another very difficult for the nonmathematician. In 1993, the Truth in Savings Law eliminated the confusion caused

by numerous calculations of interest by defining the annual percentage yield. This is a uniform description of the total amount of interest that would be received on a \$100 deposit based on the annual rate and frequency of compounding for a 365-day period.

Will I Be Safe but Sorry?

Most investment advisers suggest that if you are just starting your savings program, you should stick to safe, liquid investments, even though you sacrifice yield. When you have a substantial nest egg, you can invest additional dollars in options that are less safe or liquid but provide a higher yield. It is a good idea to have enough money to pay basic living expenses for three to six months available in reasonably liquid investments to be used for financial emergencies or unexpected opportunities. When some of these funds are used, they should be quickly replaced. Beyond the provision of an adequate emergency fund, additional investments can offer the opportunity for greater gains, but they also have the potential for possible losses. You need to know how much risk you are willing to take before venturing into the investment market.

What to Ask about a Savings Account

1. What is the interest rate?

Interest rates vary from month to month. It's worth shopping around to find the best deal.

2. How is interest calculated?

Find out how the institution calculates the balance on your account. Some firms take your lowest balance for the period, such as per month or 30 days, and give interest on that. So if you had \$50 in your account and you deposited \$1,000 during the period on which interest was figured, you would earn interest only on the \$50. Other ways of figuring interest might be on the highest balance, the daily balance, or the average balance.

3. How is interest compounded?

The more often interest is compounded, the more you will make on the account. Some accounts are compounded daily, which means the interest is added on each day. Other accounts are compounded monthly, quarterly, or yearly.

4. What is the minimum deposit?

Some accounts require a beginning minimum deposit of \$100 or more. Others may require as little as \$25.

5. Are other fees charged?

Fees may be charged if your account goes below a certain minimum amount. You may be charged for withdrawals or other transactions over a certain number per period.

6. How easy is it to get the money out of the account?

Some accounts may provide quick access to the money; others may substantially reduce the interest earned on the amount withdrawn or on the whole account.

In 1993, the Truth in Savings Law became effective, requiring financial institutions to disclose specific information about savings plans.

What other questions do you want to ask when evaluating your savings options?

- Fees on deposit accounts
- The interest rate
- The annual percentage yield
- Other terms and conditions of the savings plan

This information should be available in printed form for all savings accounts.

Which Would You Choose?

Test your knowledge and skills! Which of the following accounts would you choose?

- A. Jill asks about interest rates in two banks. The Sharp Bank says it offers a statement savings account with interest compounded daily. The Snow Bank says it offers a passbook savings account with interest compounded monthly. Which bank should Jill choose and why?
- B. Jennifer shops for a savings account at a savings and loan and at a bank. The Silver Savings and Loan Company figures interest on a daily balance in the account. The Left Bank figures interest at the end of each month on the amount that was in the account at the beginning of the month. Which account should Jennifer choose and why?
- C. Josh has \$50 and wants to open an account. He asks about minimum deposits at two banks. The State Street Bank requires a \$10 minimum deposit and charges a fee of \$.75 per month until the account reaches \$100. The Second Bank requires a \$50 minimum deposit and charges a \$.75 per month fee if the balance ever falls below \$50. Which bank should Josh choose and why?

Selecting a Savings Institution

What type of account is best? The answer to this question will depend on you.

How often will you take money out of your account? Are you more interested in a high yield and increasing your savings or is this just a safe “holding tank” for funds that will be used in less than a year?

Accounts for less than one year savings

Passbook account
Share account
Statement savings
Money market deposit account

Accounts for one year or longer savings

Passbook account
Share account (credit union savings)
Holiday account
Certificate of deposit

Now you know the questions to ask. The next step is to ask your questions of the various institutions offering savings accounts in your community. Investigate at least three different financial institutions—commercial banks, savings and loans, and credit unions. To make the comparison easy, create a chart listing the questions you need to ask down the left side of the page and the names of the financial institutions you query across the top.

State Street
Bank

North Bank
Trust

Teachers
Credit Union

Town Savings
& Loan

What types
of savings
accounts do
you have?

What are the
interest rates?

What's the APY?

What are the
monthly fees
to maintain
the account?

Other
questions

Most of this information can be obtained by phone or by visiting the lobby of the financial institution and reading posted signs or picking up printed brochures and other literature about the types of accounts that are offered.

Wrap-Up

1. The best part of this unit was

3. I had never thought about

5. Now that I have learned more about stashing cash, I plan to

A Checking Account Is a Checking Account —Or Is It?

In the past a checking account at one bank was much like a checking account at any other bank. But banking has changed dramatically. Two clues consumers have that banking has changed are the great increase in advertising by banks for consumer accounts and an increase in the number of other institutions offering checking-type accounts.

For this activity, you will look through newspaper ads placed by financial institutions offering checking accounts and other banking services. Along with the ads, you will review pamphlets and brochures from local banks, credit unions, or savings and loans describing their checking accounts. Bring the newspaper ads and the brochures to the meeting at which you begin this unit.

Put all the newspaper ads and brochures in a central place where everyone can have access to them. Look in the ads and brochures for the terms or phrases listed below. Complete the chart using information you find. Briefly write the definition next to each term. Name one or more banks that mention the terms in their literature. Some terms or phrases may not be clear to you from reading the ads and brochures. Put an asterisk (*) next to these and talk about them with your group.

<i>Term or Phrase</i>	<i>It Means</i>	<i>Banks Mentioning the Phrase</i>
Advertising/ brochures		
Minimum account balance		
Base monthly charge		
Specialized accounts		
Interest-bearing checking		
Electronic funds transfer (EFT)		
Automatic teller machine (ATM)		
Debit card		
Free checking		
Clearing a check		
Per-check fee		
Float		
Fee for insufficient funds		
Average account balance		
Monthly maintenance fee		
Bounced check fee		
Reserve or overdraft		
Checking privileges		
Share drafts		
Automatic transfer account		
Negotiable order of withdrawal		
Check handling charge		
Transfer fee		
Direct depositing		

Trying a Checking Account on for Size

Checking accounts are designed with different consumers in mind. What is right for one person may not fit another's needs. Before selecting an account, you should become familiar with the services the financial institution offers.

Conducting a survey to compare one institution with another will help you become familiar with different types of accounts. Here are some questions to ask:

- How much money do you need to open an account?
- What is the minimum balance required and how is the balance calculated?
- How much does it cost to write checks or make a deposit?
- Is there a maximum number of checks you can write each month?
- Does the account provide an automatic teller machine card (ATM)?
- Does the account provide a debit card?
- Is the bank conveniently located for you? Does it have branches or automatic teller machines? How many?
- How much does an overdrawn check cost?
- Does the bank return the checks at the end of the month?
- Do you receive interest on the balance of money in the account?
- How much do the check forms cost (personalized checks)?

See if you can think of some other questions you would want to ask if you are shopping for an account. (Refer to Teen Sheet T-7-1A and the discussion questions for Activity 1 for some more ideas about questions to ask.)

Make a chart listing the questions you believe are most important along one side and the financial institutions you want to survey on the top. Your group could then break up into teams of two or three persons with each team surveying one institution.

Doing a Survey in Your Community

When you take your questions out to the financial institutions in your community, you may be able to discover the answers to many of them in the literature provided by these institutions. Be sure to check the pamphlets available in most bank lobbies. If your questions are not answered, politely ask a customer service employee for help.

Compiling the Information

After you have completed the survey, record all the information on the chart. As a group, look at the results and discuss the following questions:

- Which financial institution offers the most variety in checking accounts and services?
- Which accounts cost the most to maintain?
- Which accounts require the highest minimum or average balance?
- Which account would be least expensive for you to have?
- Is there a difference in the number of checks the accounts allow you to write?
- What services would you want in an account?
- Do all financial institutions offer the services of an ATM?

Finding the Right Account

The survey process allows you to see what the market has to offer. Which account is best for you? To help you decide, think through the following questions and jot down your needs next to the questions.

- How many checks do you need to write each month?
- How much money will you have to put in an account?
- How much money could you keep in your account (minimum balance) to avoid fees?
- How often and how much will deposits be?
- Do you need other services that are often offered along with the checking accounts, such as safe deposit boxes and travelers' checks?
- Could you transfer money cheaper some other way, such as through cashier's checks or money orders?
- How much would you be willing to pay for your banking services each month?

The Final Decision

Name one or more accounts you think fit your needs. Give some reasons why.

Not everyone needs a checking account, and of those who do, needs for checking services differ. Only you can decide what's best for you. Be sure to be aware of the costs of the account before you open one. And once you have an account, it is important to learn to manage it so you don't pay more fees than necessary.

The Balancing Act: Managing a Checkbook

How to Write a Check

To learn to write a check, you need some check forms. Just for fun, design your own check form. You can design a background for your check such as those that many banks offer in their styles of personalized checks. This “check” could be larger than real checks.

You need to have all the parts of a regular check, including

- your name, address, and telephone number.
- bank account number.
- line for the date.
- name of the bank.
- line for the payee.
- bank number.
- line for the dollar amount in numbers.
- check number.
- line for the dollar amount in words.
- memo line.
- line for your signature.

Practice writing a check with your check form. If you need help, refer to the “Check-Writing Guide,” Teen Sheet T-7-3B. Then practice endorsing a check on the back of your check form. For the next week, each time you make an expenditure of cash (coins or bills) or you write a real check, make a “pretend” check out for the amount using your newly designed check forms. Make up a check account register and record each check you write.

Each time you receive money from any source next week, whether it be from your savings, your allowance, money earned from working, or another source, make out a deposit slip. Enter your deposit in your check register.

Make a tally at the end of the week. How many deposits did you make and what was the total amount deposited? How many checks did you write and what was the total amount of dollars of checks written? Does the amount you get when you subtract the total dollars of checks written from the dollars of deposits made balance with your check register? If not, be sure you have the same numbers written in both places and check the addition and subtraction. This activity is similar to balancing a checkbook against a bank checking statement.

TEEN SHEET T-7-3B

1. Always use permanent ink, never use pencil or erasable ink.

- Record the name of the payee (the person to whom the check is being written), the purpose (the information that goes on the memo line of the check), the date, and the amount of the check in the register before writing the check. It is also important to record the number of the check in the appropriate space. Duplicate checks are a more expensive option, but they have the advantage of creating a copy of every check you write.
- Date the check.
- Designate the payee.
- Write the amount of the check in numerals next to the dollar sign.
- Spell out the amount of the check on the appropriate line in the middle of the check. Always draw a line to fill any extra space between the end of what you have written and the end of the line. This makes it more difficult for someone to change the amount of the check you have written.
- Write the purpose of the check on the bottom of the check. For example, "contribution to the church." Another feature to help make sure that the purpose you write them for.
- Sign your name. Always sign your check in the designated space. A check with no signature is not legal. Don't allow someone to write in a place you have not approved of on a check that you have written.

[illegible]

Bank forms are reprinted with permission of Cornell Fingerlakes Credit Union, Ithaca, NY.

Endorsements on Checks Made out to You

There are generally three types of endorsements that you can use when signing a personal check.

A blank endorsement consists of just your name and makes the check equivalent to cash that can be used by anyone who is in possession of it. Never write blank endorsements on checks that you plan to carry around because you run the risk of having the check stolen just as cash would be. Endorse a check only at the time you are depositing it.

A restrictive endorsement such as “For deposit only,” followed by your signature, limits your check to deposit in your account and, if stolen, it cannot be cashed.

Full endorsement is your signature and a message that transfers the check to whom-ever you designate in the endorsement. A full endorsement is usually written, “Pay to the order of . . . [name of the person to whom you are transferring the funds]” followed by your signature. The check can then be used only by the new payee that you have designated.

RECEIPT	
DETAILS OF FUNDS SUBMITTED	
PLEASE ENDORSE ALL CHECKS	
CURRENCY	
C	
H	
E	
C	
K	
S	
SUBTOTAL	
LESS CASH BACK	
TOTAL DEPOSIT	

DISTRIBUTION	
SUFFIX	AMOUNT
8	CHECKING
5	SAVINGS
4	HOLIDAY ACCT
	VACATION ACCT
	LOAN PAYMENT
	MISCELLANEOUS

DEPOSITS - LOAN PAYMENTS

Cornell Fingerlakes Credit Union
1030 CRAFT ROAD
ITHACA, NY 14850-1016

DATE _____

NAME _____

ACCOUNT NUMBER _____

DEPOSITS MAY NOT BE AVAILABLE FOR IMMEDIATE WITHDRAWAL.


See D. Hayden Green, *Consumers in the Economy* (Cincinnati: South-Western Publishing Co., 1993).

Deposit slip reprinted with permission of Cornell Fingerlakes Credit Union, Ithaca, NY.


Check Register

Reprinted with permission of Cornell Fingerlakes Credit Union, Ithaca, NY.

Sample Check

NAME _____		50-8154/2213	
ACCOUNT NO. <u>XXX Void XXXX</u>		DATE _____	
PAY TO THE ORDER OF _____		\$ _____	
		_____ DOLLARS <small>Security features included. Details on back.</small>	
 Cornell Federal Credit Union 1030 CRAFT ROAD ITHACA, NEW YORK 14850-1016			
MEMO _____		MP	
⑆ 2213815401 ⑆			

Sample Deposit Slip

DEPOSITS - LOAN PAYMENTS	 Cornell Federal Credit Union 1030 CRAFT ROAD ITHACA, NY 14850-1016		RECEIPT			DISTRIBUTION	
	DATE _____		DETAILS OF FUNDS SUBMITTED			SUFFIX AMOUNT	
	NAME _____		PLEASE ENDORSE ALL CHECKS			8 CHECKING	
	ACCOUNT NUMBER _____		CURRENCY			SAVINGS	
	DEPOSITS MAY NOT BE AVAILABLE FOR IMMEDIATE WITHDRAWAL.		C			5 HOLIDAY ACCT.	
			H				
			E				
			C			4 VACATION ACCT.	
			K				
	S			LOAN PAYMENT			
SUBTOTAL			MISCELLANEOUS				
LESS CASH BACK							
TOTAL DEPOSIT							

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Checking Out Your Check-Writing Skills

Marie has just opened a checking account. She runs into the following situation when writing checks. Write out a check on one of your check forms to show how Marie's check would be filled in for each situation.

A. Marie wants some money for a movie and a pizza. She writes a check to "cash" at the bank Friday afternoon for \$10.

B. Marie receives a check from her mom for washing windows. How does Marie endorse the check to deposit it in her account?

C. Marie orders a magazine on a special offer. The magazine costs 69 cents. The magazine offer states not to send coins by mail. Can Marie write a check for the amount? If so, how would the check look?

D. Marie is helping her dad pay bills. She is writing out the checks and her father signs them. He says to write out a check to the auto repair business for the replacement of their car's engine. The amount is \$1,983.99 and the business name is Joe's Auto Repair.

E. Marie's mom, Julia Monroe, receives a check from a neighbor, Sue Jones. The check is from Sue Jones's employer, Sam Bailey. Marie's mom gives the check to Marie to pay for Marie's class ring and high school annual. How would the endorsements on the check appear when Marie gives the check to the school, Middletown High School?

Preparing for Problems

You usually won't have problems with your checking account or your bank. But there are some problems encountered by many checking account beginners that you can avoid by managing your checking account well. Read the following case studies to see if you can determine what the checking account owner should have done and what she or he can do to get out of the current mess.

Lagging Behind

Kathleen's grandmother from California sent Kathleen a check for her birthday. Kathleen deposited the check on Monday and wrote a check on Tuesday, thinking the birthday check would cover the amount of Tuesday's check. Kathleen was surprised to receive a notice from the bank saying that the check she wrote on Tuesday had bounced (meaning that she had overdrawn her account). Why did the check bounce if Kathleen deposited a check on Monday? Do you know what a "hold" on a check is?

The Ballad of the Bounced Check

Marsha opened her first checking account with the first check she received from her summer job. She opened the account with \$250. She took her mom out to lunch and paid for the lunch with a check for \$12.50. The second check written was for new summer clothes—\$78.32. She decided to buy a bicycle to ride to work and back. The bicycle cost \$199.99. In the excitement of buying the bicycle, Marsha forgot that she had previously written \$90.82 worth of checks. Two days after she purchased the bicycle, she received a notice from the bank that her check had bounced. The bank charged her \$20 for overdrawing her account, and the bicycle store charged her \$25 for writing a bad check. What should Marsha have done? What should she do in the future to avoid a similar situation?

It's a Losing Battle

- A. Bill sends George a check to pay him back for some money Bill borrowed. The check is for \$50. George doesn't receive the check so Bill decides to stop payment on the first check and write George another one. How does Bill go about stopping payment on the first check?
- B. Bill got organized to go to the bank to make a deposit. He had three checks to deposit. Bill endorsed the checks with his signature. He clipped the checks to the deposit slip and put the bundle in his backpack. When he got to the bank, the pocket of his backpack was open and the checks were gone. What recourse does Bill have? What should Bill have done?

Brian's Sad Song

Brian opened a checking account at First Citizens' Bank. He chose that bank because it offered the services of automatic teller machines (ATMs) around town. The customer service representative at the bank asked Brian to select a secret code number to use each time he used his automatic teller machine card. The number allows the ATM card user to put money in and take money out of the account. Brian selected his birth date as his secret code number. Although he didn't write the number on his card, he did write it on a slip of paper and put the paper in his billfold next to his ATM card. Three days later, someone stole Brian's billfold from his jeans while he was swimming. What should Brian have done? If someone uses Brian's ATM card, how much money could Brian lose before the bank will cover the loss? What should Brian do in the future?

Wrap-Up

Complete the following statements:

The best part of this unit was

The worst part of this unit was

I have never thought about

I wish we had spent more time doing

Now that I have learned more about checking accounts I plan to

Credit Word Search

Key words associated with credit are hidden in this block of letters. Find and circle them. They read up, down, forward, backward, and diagonally.

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

truth in lending
credit history
overuse
debt
character
obligation

credit
net worth
money
interest
creditworthiness
installment loan

capacity
promise to pay
credit bureau
conditions
collateral
spending

income
credit card
opportunity cost
bank

TEEN SHEET T-8-3

Credit Voting

Check whether you agree or disagree with the following statements about credit.

Agree *Disagree*

1. When I owe money to someone I feel uncomfortable about it.

2. Credit is too easy to get, especially for people who don't know how to handle it.

3. I prefer to postpone buying things until I've saved the money to pay cash for them.

4. Credit should be used for emergencies only.

5. I could probably live better by using credit.

6. I probably would buy a lot of things I don't really need if I had a credit card.

7. Having a bunch of credit cards would make me feel secure and important.

8. I am afraid of using credit.

9. My parent(s) would approve of my using credit.

10. The world would be a better place if people didn't use so much credit.

11. I'd use credit if I knew more about it.

12. I will probably have to use credit whether I want to or not.

Credit Plus and Minus

+ Plus

1. You are able to buy items that you couldn't afford to purchase from current income.
2. You can meet financial needs created by emergencies and temporary difficulties.
3. You can use items that you purchase with credit while you are paying for them.
4. You don't need to carry large sums of money while you are shopping or traveling.
5. You can take advantage of sales when they occur rather than when you have the available funds.
6. Buying on credit can help you establish your own credit history.
7. Credit cards that can be used at several places allow you to pay for many items in one lump sum.
8. Monthly statements of itemized purchases may help you in record keeping.
9. It is sometimes easier to get service on an item (or return it) if you have bought it on credit.
10. In periods of inflation, you pay back your credit debt with "deflated dollars"—dollars that are worth less than the ones you originally spent.
11. Places that will not accept personal checks will take credit cards.

- Minus

1. Credit almost always costs you money.
2. You commit your future income and decrease financial flexibility in the future.
3. You may overbuy or buy on impulse if you don't have to pay cash.
4. You may not keep track and know the amount you've charged until you get the bill. Sometimes it's a big shock.
5. If you misjudge your ability to pay and fail to meet your obligations, your merchandise may be taken away (repossessed).
6. You may pay too much for an item once you add on the credit costs.
7. You may not comparison shop if you buy only from stores where you have credit arrangements.
8. If you abuse credit, it shows up on your credit record and you may not be able to get credit when you need it.
9. Using credit decreases your privacy; creditors require information on your financial history.
10. Credit use requires time and effort. You need to keep good records because you are responsible (liable) for making payments.
11. Having high credit limits on credit cards may reduce your chances of qualifying for a mortgage.

TEEN SHEET T - 8 - 4 B

Credit Glossary

In this unit we use some terms that you may not recognize. Here is a list of definitions that will help you to be credit savvy.

Age of majority The age at which a person takes on the legal rights and responsibilities of an adult. The age of majority in most states is eighteen.

Annual percentage rate (APR) The cost of a loan over a full year expressed as a percentage.

Appraisal fee The charge for estimating the value of property offered as security.

Assets What you own that has a fair market value; possessions.

Balance Amount of the loan left to be paid.

Bank A business establishment where money is kept, saved, used for investment, and lent.

Capacity Financial ability to repay a loan; income high enough to cover all outstanding debts.

Character Reputation of a borrower in regard to past payment of debts; trustworthiness.

Chattel mortgage A collateral agreement in which you pledge property other than real estate as security for a loan.

Closed-end credit The same as installment credit.

Collateral Property offered to support a loan; may be sold or used by the creditor if you don't repay the debt. Property that can be used to repay debt such as stocks and bonds or a car.

Conditions Degree of certainty of future income, good health, and other factors that can influence the ability to repay a loan.

Consumer Credit Protection Act Federal law that mandates disclosure of the total cost of credit before a contract is signed.

Contract A legally binding agreement (usually written) between two or more persons which states the terms and conditions agreed upon.

Cosigner Another person who signs your loan and assumes equal liability for it.

Credit The promise to pay in the future in order to buy or borrow in the present; a sum of money due a person or a business.

Credit bureau An agency that keeps your credit record or history.

Credit card Any card or coupon book used from time to time or over and over again up to a certain limit to borrow money or buy goods and services on credit.

Credit history The record of how you've borrowed and repaid debts.

Credit limit The most amount of money a person is allowed to charge on a credit card.

Credit rating Another way of describing credit history.

Creditor A person or business from whom you borrow or to whom you owe money.

Credit-related insurance Health, life, or accident insurance designed to pay the outstanding balance of debt if income is interrupted.

Credit savvy A term to describe a person's understanding of her or his rights and responsibilities as a user of credit.

Credit scoring system A statistical system used to rate credit applicants according to various characteristics related to creditworthiness.

Creditworthiness Past and future ability to repay debts.

Debt An amount of money owed.

Debtor A person who uses credit; a person who owes money.

Default Failing to make payments on a loan; failure to meet the terms of a credit agreement.

Deferred payment Payment put off to a future date or extended over a period of time. Often used as an enticement to buy what you can't afford. Interest accumulates during the deferred period.

Disclosure The terms and conditions of the credit arrangement that must, by law, be given to a consumer before a credit contract is signed.

Down payment Partial cash payment toward the purchase price made at the time of purchase.

Equal Credit Opportunity Act Federal law making credit available to all people on the same basis; establishes right for a wife to have her own credit record

Fair Credit Reporting Act Federal law giving consumers access to the credit record kept on them by a credit bureau.

Fair Credit Billing Act Federal law establishing a procedure to be followed by consumers and creditors when a bill is in dispute.

Finance charge The sum of all charges for interest and other carrying charges paid by a borrower for the privilege of using credit.

Garnishment A creditor's legal remedy against a borrower's failure to pay.

Grace period The time from when a purchase is made to when interest is charged.

Income A source of funds to repay a debt; what is received in exchange for labor.

Installment loan A loan that is paid off in two or more payments on a monthly basis over time.

Interest A charge made for allowing someone else to use one's money, usually a percentage of the amount being used.

Late fee A charge added to your bill for a payment made after the due date.

Late payment A payment made after the due date usually incurs a late fee. The habit of making late payments reflects poorly on the character of the borrower and may make it difficult for the debtor to be approved for credit in the future.

Lender The person or financial institution granting the loan or extending credit.

Liable Bound or obliged by law or equity; responsible.

Liabilities What you owe; your debts.

Money A medium of exchange in a purchase, service, or production of a good.

Net worth The difference between the value of assets and liabilities; the fair market value of what you own on one day and the balance due on your debts on the same day.

Obligation An agreement, promise, contract, or oath to repay by which a borrower is legally bound.

Open-end credit The same as revolving credit.

Opportunity cost A dollar cost of the use of credit; because the money is paying interest, that money cannot be used to purchase another item.

Overuse of credit Borrowing or incurring debt beyond the ability to repay; generally use of credit above 15 percent of income.

Principal The original dollar amount borrowed.

Promise to pay What a borrower does when he or she signs a contract to borrow money.

Promissory note A written promise to pay a certain sum of money to a designated person or bearer on demand or on a specified date.

Regular charge account Credit plan under which customers pay the account balance in full within a time specified by the creditor.

Repossessed The creditor's act of taking back merchandise bought with credit because payments cannot be met.

Revolving charge account Credit plan that gives customers the option of paying only part of their account balances each billing period with interest being charged on the unpaid balance.

Simple interest The finance charge computed on any unpaid portion of the outstanding principal balance.

Spending An exchange of dollars for an item; too much of it can lead to overuse of credit.

Terms The conditions written into a note or contract, such as a loan, balance financed, charge, size, number, and dates of payment.

Truth-in-lending Federal legislation that mandates disclosure of the total cost of credit before the contract is signed; common name for the Consumer Credit Protection Act.

The Five Cs of Credit

Character

- Will you repay the installment loan?
- What is your attitude toward credit responsibility?
- Have you used credit before?
- Do you pay your bills on time?
- Have you ever filed for bankruptcy?
- Do you live within your means?

Capacity

- Can you repay the loan?
- Your salary and occupation?
- Place of occupation?
- How reliable is your income?
- Any other sources of income?

Capital

- What are your possessions or net worth?
- What are your assets?
- What do you own?
- What are your liabilities?
- What do you owe?

Collateral

- What will happen if you do not repay the loan?
- What do you have to secure the loan (car, home)?
- What money do you have besides wages (savings, stocks)?

Conditions

- What economic situations could affect your repayment of the loan?
- How secure is your job?
- How financially stable is the firm that employs you?

You will receive a letter of approval or denial no later than thirty days after the lender receives all the required information.

Source: *BUC\$: Building an Understanding of Credit Services* (Ithaca: Cornell Cooperative Extension, 1994).

What's Your Credit Score?

To obtain credit, you need to prove that you can and will pay what you owe. Creditors normally judge your ability and willingness to pay and sometimes they look for a little extra security to protect their loans. The five Cs—character, capacity, capital, collateral, and conditions—are used to decide whether you will get credit.

Character: Will you repay the debt?

Capacity: Can you repay the debt?

Capital: Do you own more than you owe?

Collateral: Will the creditor get the money back if you fail to repay?

Conditions: Will you continue to have an income?

Find Your Credit Score

Put an X in the box if the term applies to you.

Character

- ☐ responsible
- ☐ no unpaid debts
- ☐ always make payments on time

Capacity

- ☐ steady employment
- ☐ good level of income
- ☐ promise of earning power in future

Capital (looking for positive ratio of assets to liabilities)

- ☐ \$ value of what you own (high)
- ☐ \$ value of your debts (low)

Collateral

- ☐ checking account
- ☐ savings account
- ☐ car
- ☐ home
- ☐ investments in stocks, bonds, pension

Conditions

- ☐ job security
- ☐ general economy

Count the number of Xs and find your score on the back of this sheet.

Total _____

My score _____

Finding Your Credit Score

X Total Score

0–3 poor

4–6 fair

7–8 good

9–11 excellent

Write your score on the line at the bottom of
the previous page.

Improving Your Credit Score

The legal age for borrowing money in your own name and without a cosigner is eighteen. You can start your credit history before you are eighteen. Check the box next to the things you can do now to improve your future ability to qualify for credit.

- ☐ 1. Open a savings account.
- ☐ 2. Open and manage a checking account.
- ☐ 3. Pay bills promptly.
- ☐ 4. Open a charge account in a local store.
- ☐ 5. Find a reliable cosigner for a loan.
- ☐ 6. Use layaway plans at local retail stores.
- ☐ 7. Apply for a passbook loan that uses the amount in your savings account as collateral.
- ☐ 8. Get a telephone in your name and pay the bills promptly.
- ☐ 9. Increase income by _____.
- ☐ 10. Other (list)

Your Rights in Credit Laws

There are federal and state consumer credit laws and regulations. Generally, state regulations cover how much consumers can be charged for credit and how credit is offered to consumers. Federal consumer credit laws relate to providing credit information to consumers, promoting equal opportunity to apply for credit, and helping to ensure fair credit dealings by creditors. Here are four major federal credit laws:

1. Consumer Credit Law Protection Act or “truth in lending” makes it easier to shop for credit. Before signing a contract to use credit, consumers must be given written information on the finance charge, which is the total dollar amount they will pay to use credit and the annual percentage rate (APR), which is the percentage cost for borrowing money on a yearly basis.
2. Equal Credit Opportunity Act helps to start everyone applying for credit on the same foot; your race, color, age, sex, and marital status may not be used as the reasons for denying you credit; credit records must be kept for both a husband and a wife if both are responsible for or use the account.
3. Fair Credit Reporting Act gives consumers the right at any time to get information about their credit file at a credit bureau (a small fee will be charged). If you are denied credit because of your credit record, you may get information about your file free of charge; you also can correct errors in your credit file and add short statements that explain your credit activities if you disagree with reports creditors provided.
4. Fair Credit Billing Act describes steps for consumers and creditors to follow in case of an error in a bill for a revolving (open-end charge) credit account.

TEEN SHEET T-8-7B

Which Is Which?

Put the initials of the federal credit law that applies to each situation next to the statements given below. The laws are as follows:

Consumer Credit Protection Act CCPA

Fair Credit Reporting Act FCRA

Equal Credit Opportunity Act ECOA

Fair Credit Billing Act FCBA

1. Makes sure that you can find out what information is in your credit report.
2. Makes sure that all creditors explain the terms of the credit contract in the same understandable way.
3. Makes it unlawful for creditors to deny credit to an elderly retired person who is creditworthy.
4. Makes it unlawful to explain the credit terms for a stereo by saying only "ten dollars down, ten dollars a week."
5. Requires that you get information on the total dollar cost of a loan before you sign a contract.
6. Makes sure that you are allowed to put an explanation in your credit file about why you made late payments.
7. Protects people who immigrate from another country from being treated unfairly when applying for credit.
8. Gives wives the right to have their own credit file.
9. Gives you a way to tell a creditor there's a mistake in your bill and not have to pay the bill while you disagree about it.
10. Sets up a way to correct errors in your credit file.

TEEN SHEET T - 8 - 9

Credit Match

Match the term on the left with the definition on the right.

- | | |
|--------------------------|--|
| ___ 1. Collateral | a. One who owes money—one who buys on time or borrows money. |
| ___ 2. Credit | b. A report of a person's ability or willingness to pay his or her debts. |
| ___ 3. Creditor | c. Person who promises to repay a loan if the borrower fails to pay it. |
| ___ 4. Default | d. Failure to make payments on a loan |
| ___ 5. Debt | e. Creditor's legal remedy against a borrower's failure to pay. |
| ___ 6. Debtor | f. Something of worth that serves as security for a loan. |
| ___ 7. Interest | g. Payment put off to a future date or extended over a period of time. |
| ___ 8. Terms | h. The time between when a purchase is made and when interest is charged. |
| ___ 9. APR | i. A creditor's judgment of the borrower's ability to repay the loan based on the borrower's salary, occupation, reliability of income, and sources of income. |
| ___ 10. Finance charge | j. What is created when credit is used; an obligation to pay back. |
| ___ 11. Late fee | k. The money or purchasing power granted individuals upon their promise to repay in the future. |
| ___ 12. Grace period | l. A charge paid for the privilege of using someone else's money, usually a percentage of the amount being used. |
| ___ 13. Deferred payment | m. A lender's judgment on a borrower's willingness to repay the loan based on previous use of credit and money-handling practices. |
| ___ 14. Garnishment | n. The conditions written into a note or contract, such as the amount of the loan, the balance financed, the amount, number, and date of the payments. |
| ___ 15. Cosigner | o. A charge added to your bill for a payment made after the due date. |
| ___ 16. Credit rating | p. A person or institution that lends money or gives services and to whom the credit user makes payments. |
| ___ 17. Character | q. The sum of all charges for interest and other carrying charges paid by a borrower for the privilege of using credit. |
| ___ 18. Capacity | r. The sum of the periodic (monthly) interest rates charged on a loan or a credit card for the year. |

TEEN SHEET T-8-11A

Credit Price Tags

To know how much credit costs, you must be able to understand credit price tags, that is, the information available on credit prices and how to compare the price tags.

1. The finance charge tells you in dollars the total cost of using credit. It includes the interest, service charge, credit report charges, and cost of any credit-related insurance. (The finance charge is the same as the dollar cost of credit.)
2. The annual percentage rate (APR) gives the annual cost of credit in percentage terms. It gives the relationship per year between the finance charge and the amount financed.

Factors that affect the cost of credit:

1. How much credit you use—the cost of the purchase or amount of the loan. Interest is calculated on the amount of credit. The credit costs are less for a \$200 item than a \$300 one financed at the same APR.
2. How long you take to pay for the use of credit—interest is charged for the entire time that it takes you to repay the loan. If you pay back a loan in one year rather than two years, the credit costs are less even if the APR is the same.

Look at how credit costs differ in this example of an installment credit purchase.

Suppose you are buying a \$500 item (example: a CD stereo system).

Credit Price Tag Comparison

	APR	Time to pay back	Monthly payment	Total finance charge	Total cost of stereo
Lender A	18.3%	1.5 yrs	\$31.88	\$73.84	\$573.84
Lender B	11.6%	1 yr.	\$44.53	\$34.36 \$2.35*)	\$534.36
Lender C (required borrowing \$502.65)	24.7%	1 yr.	\$49.00	\$88.00 (\$13.81*)	\$588.00
Lender D	12%	6 mo.	\$86.27	\$17.62	\$517.62

Source: Stephen Ludwig and Susan King, *Be Informed on Personal Credit* (Syracuse, N.Y.: New Readers Press, 1976), p. 21.

*Indicates insurance charge added to finance charge.

Thumbnail Sketches of Moneylenders and Sales Credit

Moneylenders

- Commercial banks, savings banks, and savings and loan associations offer services such as checking and savings accounts, credit cards, and loans and may also have other features such as trusts and safe deposit boxes.
- Credit unions offer financial services similar to those offered by banks and savings and loan associations and are formed by persons who have a common tie such as the same employer, neighborhood, or church.
- Finance companies are private, commercial lending companies.

Sales Credit

- Many retail stores have one or more credit plans available for their customers who apply for and have been accepted to use credit.
- Sales finance companies are in business to help stores and car dealers finance installment loans to customers; GMAC (General Motors Acceptance Corporation) and Commercial Credit Company are two large finance companies.

Credit Price Tag Survey

	APR	Time to pay back	Monthly payment	Total finance charge	Total cost of stereo

Source: Elizabeth Wiegand, "Thumbnail Sketches of Money Lenders and Sales Credit," Consumer Economics and Housing, Cornell University, 1978.

*Reference to commercial products and services is made with the understanding that no discrimination is intended or endorsement implied.

TEEN SHEET T-8-12

Credit Scramble

See how quickly you can unscramble the words to finish these sentences about credit.

1. Truth-in-lending prohibits (selfa) advertising.
2. When using credit (oklo), before you leap.
3. A down payment is not the (attol) cost.
4. When a billing (rroer) occurs, write to the lender.
5. Credit is a privilege not a (trigh).
6. The use of credit ties up (tufeur) income.
7. Credit gives you (dimeatiem) use of goods and services.
8. The total dollar cost of credit is stated in the (aenfcin) charge.
9. Credit may tempt you to (rdosepven).
10. Credit (rowitnsesh) is judged on the ability and willingness to repay.
11. Teens can begin to establish a credit history by (pnigoen) checking and savings accounts.
12. A credit contract is a (elagl) agreement that binds you and the lender to the terms it contains.

Source: John E. Clow, *Credit Scope: A Teaching Unit on Consumer Credit* (New York: Federal Reserve Bank of New York, 1980).

Wrap-Up

Briefly complete the following statements:

1. The most important thing I learned about using credit was
2. When consumers contract for credit they should
3. My feelings about credit are
4. One thing I'd like to learn more about is

Money! Teenagers!

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- \$ saving and investing money.
- \$ using a checking account.
- \$ getting and using credit to your benefit.

Activity sheets for students are included in this packet as well as concise instructions for the leader or teacher. Additional resources, including audiovisuals and Web sites, are suggested.